

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the Quarterly period ended March 31, 2020

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 Beverage Company**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**P.O. BOX 4030, NH353, Golden, Colorado, USA**

**1555 Notre Dame Street East, Montréal, Québec, Canada**

(Address of principal executive offices)

**84-0178360**

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

**80401**

**H2L 2R5**

(Zip Code)

**303-927-2337 (Colorado)**

**514-521-1786 (Québec)**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbols	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value	TAP.A	New York Stock Exchange
Class B Common Stock, \$0.01 par value	TAP	New York Stock Exchange
1.25% Senior Notes due 2024	TAP	New York Stock Exchange

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (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 April 23, 2020:

Class A Common Stock — 2,560,668 shares

Class B Common Stock — 196,472,022 shares

*Exchangeable shares:*

As of April 23, 2020, the following number of exchangeable shares were outstanding for Molson Coors Canada, Inc.:

Class A Exchangeable shares — 2,725,047 shares

Class B Exchangeable shares — 14,826,118 shares

The Class A exchangeable shares and Class B exchangeable shares are shares of the share capital in Molson Coors Canada Inc., a wholly-owned subsidiary of the registrant. They are publicly traded on the Toronto Stock Exchange under the symbols TPX.A and TPX.B, respectively. These shares are intended to provide substantially the same economic and voting rights as the corresponding class of Molson Coors common stock in which they may be exchanged. In addition to the registered Class A common stock and the Class B common stock, the registrant has also issued and outstanding one share each of a Special Class A voting stock and Special Class B voting stock. The Special Class A voting stock and the Special Class B voting stock provide the mechanism for holders of Class A exchangeable shares and Class B exchangeable shares to be

provided instructions to vote with the holders of the Class A common stock and the Class B common stock, respectively. The holders of the Special Class A voting stock and Special Class B voting stock are entitled to one vote for each outstanding Class A exchangeable share and Class B exchangeable share, 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 Special Class A voting stock and Special Class B voting stock are subject to a voting trust arrangement. The trustee which holds the Special Class A voting stock and the Special Class B voting stock is required to cast a number of votes equal to the number of then-outstanding Class A exchangeable shares and Class B exchangeable shares, respectively, but will only cast a number of votes equal to the number of Class A exchangeable shares and Class B exchangeable shares as to which it has received voting instructions from the owners of record of those Class A exchangeable shares and Class B exchangeable shares, other than the registrant or its subsidiaries, respectively, on the record date, and will cast the votes in accordance with such instructions so received.

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# MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES

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## Glossary of Terms and Abbreviations

<b>AOCI</b>	Accumulated other comprehensive income (loss)
<b>CAD</b>	Canadian dollar
<b>CZK</b>	Czech Koruna
<b>DBRS</b>	A global credit rating agency in Toronto
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortization
<b>EPS</b>	Earnings per share
<b>EUR</b>	Euro
<b>FASB</b>	Financial Accounting Standards Board
<b>GBP</b>	British Pound
<b>HRK</b>	Croatian Kuna
<b>JPY</b>	Japanese Yen
<b>Moody's</b>	Moody's Investors Service Limited, a nationally recognized statistical rating organization designated by the SEC
<b>OCI</b>	Other comprehensive income (loss)
<b>OPEB</b>	Other postretirement benefit plans
<b>PSUs</b>	Performance share units
<b>RSD</b>	Serbian Dinar
<b>RSUs</b>	Restricted stock units
<b>SEC</b>	U.S. Securities and Exchange Commission
<b>Standard &amp; Poor's</b>	Standard and Poor's Ratings Services, a nationally recognized statistical rating organization designated by the SEC
<b>STRs</b>	Sales-to-retailers
<b>STWs</b>	Sales-to-wholesalers
<b>2017 Tax Act</b>	U.S. Tax Cuts and Jobs Act
<b>U.K.</b>	United Kingdom
<b>U.S.</b>	United States
<b>U.S. GAAP</b>	Accounting principles generally accepted in the U.S.
<b>USD or \$</b>	U.S. dollar
<b>VIEs</b>	Variable interest entities

## Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). From time to time, we may also provide oral or written forward-looking statements in other materials we release to the public. Such forward-looking statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995.

Statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements, and include, but are not limited to, statements under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations," and under the headings "Executive Summary" and "Outlook" therein, with respect to expectations regarding future dividends, overall volume trends, consumer preferences, pricing trends, industry forces, cost reduction strategies, including our revitalization plan announced in 2019 and the estimated range of related charges and timing of cash charges, anticipated results, expectations for funding future capital expenditures and operations, debt service capabilities, timing and amounts of debt and leverage levels, shipment levels and profitability, market share, the sufficiency of capital resources, and the impact of the coronavirus pandemic on our operations, liquidity, financial condition and financial results. In addition, statements that we make in this report that are not statements of historical fact may also be forward-looking statements. Words such as "expects," "intend," "goals," "plans," "believes," "continues," "may," "anticipate," "seek," "estimate," "outlook," "trends," "future benefits," "potential," "projects," "strategies," "desire," and variations of such words and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to be materially different from those indicated (both favorably and unfavorably). These risks and uncertainties include, but are not limited to, those described under the heading "Risk Factors" in this report, and those described from time to time in our past and future reports filed with the SEC, including in our Annual Report on Form 10-K for the year ended December 31, 2019. Caution should be taken not to place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date when made and we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

### Market and Industry Data

The market and industry data used in this Quarterly Report on Form 10-Q are based on independent industry publications, customers, trade or business organizations, reports by market research firms and other published statistical information from third parties (collectively, the "Third Party Information"), as well as information based on management's good faith estimates, which we derive from our review of internal information and independent sources. Such Third Party Information generally states that the information contained therein or provided by such sources has been obtained from sources believed to be reliable.

PART I. FINANCIAL INFORMATION

ITEM 1.

MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN MILLIONS, EXCEPT PER SHARE DATA)  
(UNAUDITED)

	Three Months Ended	
	March 31, 2020	March 31, 2019
Sales	\$ 2,537.8	\$ 2,800.1
Excise taxes	(435.0)	(496.8)
Net sales	2,102.8	2,303.3
Cost of goods sold	(1,479.0)	(1,413.0)
Gross profit	623.8	890.3
Marketing, general and administrative expenses	(629.7)	(655.2)
Special items, net	(86.6)	(13.0)
Operating income (loss)	(92.5)	222.1
Interest income (expense), net	(68.9)	(73.3)
Other pension and postretirement benefits (costs), net	7.5	8.6
Other income (expense), net	(4.8)	23.9
Income (loss) before income taxes	(158.7)	181.3
Income tax benefit (expense)	43.3	(32.2)
Net income (loss)	(115.4)	149.1
Net (income) loss attributable to noncontrolling interests	(1.6)	2.3
Net income (loss) attributable to Molson Coors Beverage Company	\$ (117.0)	\$ 151.4
Net income (loss) attributable to Molson Coors Beverage Company per share:		
Basic	\$ (0.54)	\$ 0.70
Diluted	\$ (0.54)	\$ 0.70
Weighted-average shares outstanding:		
Basic	216.7	216.5
Dilutive effect of share-based awards	—	0.4
Diluted	216.7	216.9
Anti-dilutive securities excluded from the computation of diluted EPS	2.9	1.1

See notes to unaudited condensed consolidated financial statements.

**MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(IN MILLIONS)**  
**(UNAUDITED)**

	Three Months Ended	
	March 31, 2020	March 31, 2019
Net income (loss) including noncontrolling interests	\$ (115.4)	\$ 149.1
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(373.5)	71.5
Unrealized gain (loss) on derivative instruments	(127.9)	(29.7)
Reclassification of derivative (gain) loss to income	—	0.1
Amortization of net prior service (benefit) cost and net actuarial (gain) loss to income	(1.3)	(0.6)
Ownership share of unconsolidated subsidiaries' other comprehensive income (loss)	0.7	1.0
Total other comprehensive income (loss), net of tax	(502.0)	42.3
Comprehensive income (loss)	(617.4)	191.4
Comprehensive (income) loss attributable to noncontrolling interests	1.3	2.1
Comprehensive income (loss) attributable to Molson Coors Beverage Company	\$ (616.1)	\$ 193.5

See notes to unaudited condensed consolidated financial statements.

**MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(IN MILLIONS, EXCEPT PAR VALUE)**  
**(UNAUDITED)**

	As of	
	March 31, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 666.1	\$ 523.4
Accounts receivable, net	637.8	714.8
Other receivables, net	107.1	105.5
Inventories, net	681.5	615.9
Other current assets, net	280.0	224.8
Total current assets	2,372.5	2,184.4
Properties, net	4,393.6	4,546.5
Goodwill	7,539.0	7,631.4
Other intangibles, net	13,305.1	13,656.0
Other assets	850.9	841.5
Total assets	\$ 28,461.1	\$ 28,859.8
<b>Liabilities and equity</b>		
Current liabilities:		
Accounts payable and other current liabilities	\$ 2,558.4	\$ 2,767.3
Current portion of long-term debt and short-term borrowings	1,445.0	928.2
Total current liabilities	4,003.4	3,695.5
Long-term debt	8,032.1	8,109.5
Pension and postretirement benefits	693.9	716.6
Deferred tax liabilities	2,184.2	2,258.6
Other liabilities	601.5	406.5
Total liabilities	15,515.1	15,186.7
Commitments and contingencies <a href="#">(Note 12)</a>		
Molson Coors Beverage Company stockholders' equity		
Capital stock:		
Preferred stock, \$0.01 par value (authorized: 25.0 shares; none issued)	—	—
Class A common stock, \$0.01 par value per share (authorized: 500.0 shares; issued and outstanding: 2.6 shares and 2.6 shares, respectively)	—	—
Class B common stock, \$0.01 par value per share (authorized: 500.0 shares; issued: 205.9 shares and 205.7 shares, respectively)	2.1	2.1
Class A exchangeable shares, no par value (issued and outstanding: 2.7 shares and 2.7 shares, respectively)	102.5	102.5
Class B exchangeable shares, no par value (issued and outstanding: 14.8 shares and 14.8 shares, respectively)	557.8	557.8
Paid-in capital	6,780.7	6,773.6
Retained earnings	7,376.2	7,617.0
Accumulated other comprehensive income (loss)	(1,661.3)	(1,162.2)
Class B common stock held in treasury at cost (9.5 shares and 9.5 shares, respectively)	(471.4)	(471.4)
Total Molson Coors Beverage Company stockholders' equity	12,686.6	13,419.4
Noncontrolling interests	259.4	253.7
Total equity	12,946.0	13,673.1
Total liabilities and equity	\$ 28,461.1	\$ 28,859.8

See notes to unaudited condensed consolidated financial statements.



**MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(IN MILLIONS)**  
**(UNAUDITED)**

	Three Months Ended	
	March 31, 2020	March 31, 2019
Cash flows from operating activities:		
Net income (loss) including noncontrolling interests	\$ (115.4)	\$ 149.1
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	256.5	212.9
Amortization of debt issuance costs and discounts	2.1	3.7
Share-based compensation	5.9	11.4
(Gain) loss on sale or impairment of properties and other assets, net	(0.2)	0.5
Unrealized (gain) loss on foreign currency fluctuations and derivative instruments, net	103.3	(57.2)
Income tax (benefit) expense	(43.3)	32.2
Income tax (paid) received	(9.2)	(8.5)
Interest expense, excluding interest amortization	67.6	72.1
Interest paid	(90.3)	(103.1)
Change in current assets and liabilities and other	(195.1)	(411.6)
Net cash provided by (used in) operating activities	(18.1)	(98.5)
Cash flows from investing activities:		
Additions to properties	(225.1)	(198.0)
Proceeds from sales of properties and other assets	1.6	2.4
Other	3.5	1.0
Net cash provided by (used in) investing activities	(220.0)	(194.6)
Cash flows from financing activities:		
Exercise of stock options under equity compensation plans	4.0	0.6
Dividends paid	(123.4)	(88.7)
Payments on debt and borrowings	(502.9)	(1,067.2)
Proceeds on debt and borrowings	1.0	—
Net proceeds from (payments on) revolving credit facilities and commercial paper	1,025.5	604.3
Change in overdraft balances and other	(5.5)	16.2
Net cash provided by (used in) financing activities	398.7	(534.8)
Cash and cash equivalents:		
Net increase (decrease) in cash and cash equivalents	160.6	(827.9)
Effect of foreign exchange rate changes on cash and cash equivalents	(17.9)	4.4
Balance at beginning of year	523.4	1,057.9
Balance at end of period	\$ 666.1	\$ 234.4

See notes to unaudited condensed consolidated financial statements.

**MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**AND NONCONTROLLING INTERESTS**  
**(IN MILLIONS)**  
**(UNAUDITED)**

Molson Coors Beverage Company Stockholders' Equity										
	Total	Common stock issued		Exchangeable shares issued		Paid-in-capital	Retained earnings	Accumulated other comprehensive income (loss)	Common stock held in treasury	Non controlling interests
		Class A	Class B	Class A	Class B					
		Class A	Class B	Class A	Class B					
As of December 31, 2018	\$13,735.8	\$ —	\$ 2.0	\$ 103.2	\$ 557.6	\$ 6,773.1	\$ 7,692.9	\$ (1,150.0)	\$ (471.4)	\$ 228.4
Shares issued under equity compensation plan	(8.2)	—	—	—	—	(8.2)	—	—	—	—
Amortization of share-based compensation	11.3	—	—	—	—	11.3	—	—	—	—
Net income (loss) including noncontrolling interests	149.1	—	—	—	—	—	151.4	—	—	(2.3)
Other comprehensive income (loss), net of tax	42.3	—	—	—	—	—	—	42.1	—	0.2
Adoption of lease accounting standard	32.0	—	—	—	—	—	32.0	—	—	—
Reclassification of stranded tax effects	—	—	—	—	—	—	74.8	(74.8)	—	—
Contributions from noncontrolling interests	14.5	—	—	—	—	—	—	—	—	14.5
Dividends declared and paid - \$0.41 per share	(88.7)	—	—	—	—	—	(88.7)	—	—	—
As of March 31, 2019	\$13,888.1	\$ —	\$ 2.0	\$ 103.2	\$ 557.6	\$ 6,776.2	\$ 7,862.4	\$ (1,182.7)	\$ (471.4)	\$ 240.8

Molson Coors Beverage Company Stockholders' Equity										
	Total	Common stock issued		Exchangeable shares issued		Paid-in-capital	Retained earnings	Accumulated other comprehensive income (loss)	Common stock held in treasury	Non controlling interests
		Class A	Class B	Class A	Class B					
		Class A	Class B	Class A	Class B					
As of December 31, 2019	\$13,673.1	\$ —	\$ 2.1	\$ 102.5	\$ 557.8	\$ 6,773.6	\$ 7,617.0	\$ (1,162.2)	\$ (471.4)	\$ 253.7
Shares issued under equity compensation plan	1.2	—	—	—	—	1.2	—	—	—	—
Amortization of share-based compensation	5.9	—	—	—	—	5.9	—	—	—	—
Purchase of noncontrolling interest	(0.1)	—	—	—	—	—	—	—	—	(0.1)
Net income (loss) including noncontrolling interests	(115.4)	—	—	—	—	—	(117.0)	—	—	1.6
Other comprehensive income (loss), net of tax	(502.0)	—	—	—	—	—	—	(499.1)	—	(2.9)
Contributions from noncontrolling interests	8.6	—	—	—	—	—	—	—	—	8.6
Distributions and dividends to noncontrolling interests	(1.5)	—	—	—	—	—	—	—	—	(1.5)
Dividends declared - \$0.57 per share	(123.8)	—	—	—	—	—	(123.8)	—	—	—
As of March 31, 2020	\$12,946.0	\$ —	\$ 2.1	\$ 102.5	\$ 557.8	\$ 6,780.7	\$ 7,376.2	\$ (1,661.3)	\$ (471.4)	\$ 259.4

See notes to unaudited condensed consolidated financial statements.

**MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation and Summary of Significant Accounting Policies**

Unless otherwise noted in this report, any description of "we," "us" or "our" includes Molson Coors Beverage Company ("MCBC" or the "Company") (formerly known as Molson Coors Brewing Company), principally a holding company, and its operating and non-operating subsidiaries included within our reporting segments. As further discussed below, on January 1, 2020, we changed our management structure from a corporate center and four segments to two segments - North America and Europe. Our International segment was reconstituted with the Africa and Asia Pacific businesses reporting into the Europe segment and the remaining International business reporting into the North America segment. Accordingly, effective January 1, 2020, our reporting segments include: North America (North America segment), operating in the U.S., Canada and various countries in Latin and South America; and Europe (Europe segment), operating in Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, the Republic of Ireland, Romania, Serbia, the U.K., various other European countries, and certain countries within Africa and Asia Pacific. We have recast the historical presentation of segment information as a result of these reporting segment changes accordingly.

Unless otherwise indicated, information in this report is presented in USD and comparisons are to comparable prior periods. Our primary operating currencies, other than USD, include the CAD, the GBP, and our Central European operating currencies such as the EUR, CZK, HRK and RSD.

The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments which are necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented in accordance with U.S. GAAP. Such unaudited interim condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations.

These unaudited condensed consolidated interim financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2019 ("Annual Report"), and have been prepared on a consistent basis with the accounting policies described in Note 1 of the Notes to the Audited Consolidated Financial Statements included in our Annual Report, except as noted in [Note 2, "New Accounting Pronouncements"](#) as well as the changes to our reportable segments and reporting units as discussed above and in [Note 3, "Segment Reporting"](#) and [Note 7, "Goodwill and Intangible Assets."](#) respectively.

The results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results that may be achieved for the full year.

Due to the anti-dilutive effect resulting from the reported net loss attributable to MCBC for the three months ended March 31, 2020, the impact of potentially dilutive securities has been excluded from the quarterly calculation of weighted-average shares for diluted EPS for the first quarter of 2020.

***Coronavirus Global Pandemic***

On March 11, 2020, the World Health Organization characterized the outbreak of the novel coronavirus disease, known as COVID-19, as a global pandemic and recommended containment and mitigation measures. We are actively monitoring the impact of the coronavirus pandemic, which has had, and we currently expect will continue to have, a material adverse effect on our operations, liquidity, financial condition and financial results for our full year 2020 and, possibly, beyond. The extent to which our operations will be impacted by the pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity and duration of the outbreak and actions by government authorities to contain the pandemic or treat its impact, among other things.

In order to support and demonstrate our commitment to the continued viability of the many bars and restaurants which have been negatively impacted by the coronavirus pandemic, we have initiated temporary keg relief programs in many of our markets. As part of these voluntary programs, we have committed to provide customers with reimbursements for untapped kegs that meet certain established return requirements. As a result, during the first quarter of 2020, we recognized a reduction to net sales and corresponding liability of \$31.5 million reflecting estimated sales returns and reimbursements through these keg relief programs. This estimate was derived considering various factors, including but not limited to, the actual amount of previously sold keg product eligible for reimbursement, along with the assumed length of time the product has been at a customer location to estimate the number of kegs which remain untapped. Additionally, during the first quarter of 2020, we recognized charges of \$18.5 million within cost of goods sold related to obsolete finished goods keg inventories that are not expected to be sold

within our freshness specifications, as well as the estimated costs to facilitate the above mentioned keg returns. As of March 31, 2020 and December 31, 2019, our aggregate allowance for obsolete inventories was approximately \$22 million and \$11 million, respectively. These estimates are subject to change, and actual results could deviate from our current estimates due to many factors, including, but not limited to, the number of customers ultimately participating in the voluntary keg relief programs and the number of untapped kegs in the market relative to our expectations. Further, the actual duration of the coronavirus pandemic, including the length of government-mandated closures or ceased sit-down service limitations at bars and restaurants coupled with the subsequent economic recovery period relative to the assumptions utilized to derive these estimates, could result in further charges due to incremental finished goods keg inventory in certain of our Central and Eastern European markets becoming obsolete in future periods.

Additionally, we continue to monitor the impacts of the coronavirus pandemic on our customers' liquidity and capital resources and therefore our ability to collect, or the timeliness of collection of our accounts receivable. While these receivables are not concentrated in any specific customer and our allowance on these receivables factors in expected credit loss, continued disruption and declines in the global economy could result in difficulties in our ability to collect and require increases to our allowance for doubtful accounts. As of both March 31, 2020 and December 31, 2019, our allowance for trade receivables was approximately \$12 million, and allowance activity was immaterial during the three months ended March 31, 2020.

For considerations of the effects of the coronavirus pandemic and related potential impairment risks to our goodwill and indefinite-lived intangible assets, see [Note 7, "Goodwill and Intangible Assets."](#)

### ***Revitalization Plan***

On October 28, 2019, we initiated a revitalization plan designed to allow us to invest across our portfolio to drive long-term, sustainable success. As part of our revitalization plan, we made the determination to establish Chicago, Illinois as our North American operational headquarters, close our existing office in Denver, Colorado and consolidate certain administrative functions into our other existing office locations. As discussed above, in connection with these consolidation activities, effective January 1, 2020, we changed our management structure to two segments - North America and Europe. We began to incur charges related to these restructuring activities during the fourth quarter of 2019 and have continued to incur charges in the first quarter of 2020.

We also changed our name from Molson Coors Brewing Company to Molson Coors Beverage Company in January 2020 in order to better reflect our strategic intent to expand beyond beer and into other growth adjacencies in the beverage industry. See [Note 3, "Segment Reporting,"](#) [Note 5, "Special Items"](#) and [Note 7, "Goodwill and Intangible Assets"](#) for further discussion of the impacts of this plan.

### **Non-Cash Activity**

Non-cash activity includes non-cash issuances of share-based awards, as well as non-cash investing activities related to movements in our guarantee of indebtedness of certain equity method investments. See [Note 4, "Investments"](#) for further discussion. We also had non-cash activities primarily related to capital expenditures incurred but not yet paid of \$153.5 million and \$112.7 million during the three months ended March 31, 2020 and March 31, 2019, respectively.

Other than the activity mentioned above and the supplemental non-cash activity related to the recognition of leases further discussed in [Note 13, "Leases,"](#) there was no other significant non-cash activity during the three months ended March 31, 2020 and March 31, 2019.

### **Share-Based Compensation**

During the first quarter of 2020, we granted stock options, RSUs and PSUs to certain officers and other eligible employees, and recognized share-based compensation expense of \$5.9 million and \$11.4 million during the three months ended March 31, 2020 and March 31, 2019, respectively. The reduction in share-based compensation expense in the first quarter of 2020 was driven primarily by a decline in 2020 in immediate expense recognition for awards granted to certain retirement eligible employees, as well as a reduction in expense relative to performance based awards as a result of the achievement of certain performance conditions no longer being deemed probable.

## **2. New Accounting Pronouncements**

### ***New Accounting Pronouncements Recently Adopted***

In June 2016, the FASB issued guidance that changes the impairment model used to measure credit losses for most financial instruments. The new guidance replaces the existing incurred credit loss model, and requires the application of a forward-looking expected credit loss model, which will generally result in earlier recognition of allowances for credit

losses for financial instruments that are in scope of the new guidance, including trade receivables. We adopted this guidance in the first quarter of 2020, which did not have a material impact on our financial statements.

In August 2018, the FASB issued authoritative guidance intended to address a customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance also requires presentation of the capitalized implementation costs in the statement of financial position and in the statement of cash flows in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented, and the expense related to the capitalized implementation costs to be presented in the same line item in the statement of operations as the fees associated with the hosting element (service) of the arrangement. We adopted this guidance prospectively in the first quarter of 2020, which did not have a material impact on our financial statements. However, the adoption of this guidance resulted in the change in presentation of capitalized implementation costs related to hosting arrangements from properties to other assets on the consolidated balance sheet, as well as the expense related to such costs no longer being classified as depreciation expense and cash flows related to those costs no longer being presented as investing activities beginning in the first quarter of 2020.

#### ***New Accounting Pronouncements Not Yet Adopted***

In March 2020, the FASB issued authoritative guidance which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform and are effective for all entities as of March 12, 2020 through December 31, 2022. We are currently evaluating the potential impact of this guidance on our financial statements.

In December 2019, the FASB issued authoritative guidance intended to simplify the accounting for income taxes. This guidance eliminates certain exceptions to the general approach to the income tax accounting model, and adds new guidance to reduce the complexity in accounting for income taxes. This guidance is effective for annual periods beginning after December 15, 2020, including interim periods within those annual periods. We are currently evaluating the potential impact of this guidance and do not expect it will have a material impact on our financial statements.

Other than the items noted above, there have been no new accounting pronouncements not yet effective or adopted in the current year that we believe have a significant impact, or potential significant impact, to our unaudited condensed consolidated interim financial statements.

### **3. Segment Reporting**

Our reporting segments are based on the key geographic regions in which we operate, and previously included the U.S. segment, Canada segment, Europe segment and International segment. As part of our revitalization plan announced in the fourth quarter of 2019, we made the determination to establish Chicago, Illinois as our North American operational headquarters, close our existing office in Denver, Colorado and consolidate certain administrative functions into our other existing office locations. In connection with these consolidation activities, effective January 1, 2020, we changed our management structure from a corporate center and four segments to two segments - North America and Europe. The North America segment consolidates the United States, Canada and corporate center, with a centralized North American leadership team, integrated North American supply chain network and centralized marketing and support functions, enabling us to move more quickly with an integrated portfolio strategy. The Europe segment allows for standalone operations, developed and supported by a European-based team, including local leadership, commercial, supply chain and support functions. The previous International segment was reconstituted to more effectively grow our global brands with the Africa and Asia Pacific businesses reporting into the Europe segment and the remaining International business reporting into the North America segment. As a result of these structural changes, the review of discrete financial information by our chief operating decision maker, our President and Chief Executive Officer, is now performed only at the consolidated North America and Europe geographic segment level, which is the basis on which our chief operating decision maker evaluates the performance of the business and allocates resources accordingly.

We also have certain activity that is not allocated to our segments, which has been reflected as "Unallocated" below. Specifically, "Unallocated" activity primarily includes financing related costs such as interest expense and income, foreign exchange gains and losses on intercompany balances related to financing and other treasury-related activities, and the unrealized changes in fair value on our commodity swaps not designated in hedging relationships recorded within cost of goods sold, which are later reclassified when realized to the segment in which the underlying exposure resides. Additionally, only the service cost component of net periodic pension and OPEB cost is reported within each operating segment, and all other components remain unallocated.

Historical results have been recast to retrospectively reflect these changes in segment reporting.

### Summarized Financial Information

No single customer accounted for more than 10% of our consolidated sales for the three months ended March 31, 2020 or March 31, 2019. Consolidated net sales represent sales to third-party external customers less excise taxes. Inter-segment transactions impacting net sales revenues and income (loss) before income taxes eliminate upon consolidation and are primarily related to North America segment sales to the Europe segment.

The following tables present net sales and income (loss) before income taxes by segment:

	Three Months Ended	
	March 31, 2020	March 31, 2019
	(In millions)	
North America	\$ 1,789.7	\$ 1,932.6
Europe	317.6	375.7
Inter-segment net sales eliminations	(4.5)	(5.0)
Consolidated net sales	<u>\$ 2,102.8</u>	<u>\$ 2,303.3</u>

	Three Months Ended	
	March 31, 2020	March 31, 2019
	(In millions)	
North America <sup>(1)(2)</sup>	\$ 76.2	\$ 245.9
Europe	(76.8)	(38.4)
Unallocated <sup>(3)</sup>	(158.1)	(26.2)
Consolidated income (loss) before income taxes	<u>\$ (158.7)</u>	<u>\$ 181.3</u>

- (1) The decrease during the three months ended March 31, 2020 was driven primarily by gross profit declines due to unfavorable timing of shipments, including brewery downtime associated with the Milwaukee tragedy, increased special charges, the recognition of estimated keg sales returns and finished good obsolescence reserves, as well as the unrealized mark-to-market changes on our HEXO Corp. ("HEXO") warrants.
- (2) During the first quarter of 2019, we received payment and recorded a gain of \$1.5 million resulting from a purchase price adjustment related to the historical sale of Molson Inc.'s ownership interest in the Montreal Canadiens, which is considered an affiliate of MCBC.
- (3) Related to the unrealized mark-to-market valuation on our commodity hedge positions, we recorded an unrealized loss of \$99.1 million during the three months ended March 31, 2020, compared to an unrealized gain of \$34.1 million during the three months ended March 31, 2019.

Income (loss) before income taxes includes the impact of special items. Refer to [Note 5, "Special Items"](#) for further discussion.

The following table presents total assets by segment:

	As of	
	March 31, 2020	December 31, 2019
	(In millions)	
North America	\$ 23,355.1	\$ 23,360.2
Europe	5,106.0	5,499.6
Consolidated total assets	<u>\$ 28,461.1</u>	<u>\$ 28,859.8</u>

### 4. Investments

Our investments include both equity method and consolidated investments. Those entities identified as VIEs have been evaluated to determine whether we are the primary beneficiary. The VIEs included under "Consolidated VIEs" below are those for which we have concluded that we are the primary beneficiary and accordingly, we have consolidated these entities. None of our consolidated VIEs held debt as of March 31, 2020 or December 31, 2019. We have not provided any financial support to

any of our VIEs during the year that we were not previously contractually obligated to provide. Amounts due to and due from our equity method investments are recorded as affiliate accounts payable and affiliate accounts receivable.

Authoritative guidance related to the consolidation of VIEs requires that we continually reassess whether we are the primary beneficiary of VIEs in which we have an interest. As such, the conclusion regarding the primary beneficiary status is subject to change and we continually evaluate circumstances that could require consolidation or deconsolidation. Our consolidated VIEs are Cobra Beer Partnership, Ltd. ("Cobra U.K."), Rocky Mountain Metal Container ("RMMC"), Rocky Mountain Bottle Company ("RMBC") and Truss LP ("Truss"). Our unconsolidated VIEs are Brewers Retail Inc. ("BRI") and Brewers' Distributor Ltd. ("BDL"), as well as other immaterial investments.

Both BRI and BDL have outstanding third party debt which is guaranteed by their respective shareholders. As a result, we have a guarantee liability of \$51.5 million and \$37.7 million recorded as of March 31, 2020 and December 31, 2019, respectively, which is presented within accounts payable and other current liabilities on the unaudited condensed consolidated balance sheets and represents our proportionate share of the outstanding balance of these debt instruments. The carrying value of the guarantee liability equals fair value, which considers an adjustment for our own non-performance risk and is considered a Level 2 measurement. The offset to the guarantee liability was recorded as an adjustment to our respective equity method investment within the unaudited condensed consolidated balance sheets. The resulting change in our equity method investments during the year due to movements in the guarantee represents a non-cash investing activity.

### Consolidated VIEs

The following summarizes the assets and liabilities of our consolidated VIEs (including noncontrolling interests):

	As of			
	March 31, 2020		December 31, 2019	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
RMMC/RMBC	\$ 201.8	\$ 22.4	\$ 207.4	\$ 17.9
Other	\$ 71.9	\$ 12.2	\$ 65.3	\$ 20.8

### 5. Special Items

We have incurred charges or realized benefits that either we do not believe to be indicative of our core operations, or we believe are significant to our current operating results warranting separate classification. As such, we have separately classified these charges (benefits) as special items.

	Three Months Ended	
	March 31, 2020	March 31, 2019
	(In millions)	
<u>Employee-related charges</u>		
Restructuring	\$ 32.1	\$ 3.7
<u>Impairments or asset abandonment charges</u>		
North America - Asset abandonment <sup>(1)</sup>	54.2	8.4
Europe - Asset abandonment	0.3	0.6
<u>Termination fees and other (gains) losses</u>		
North America	—	0.2
Europe	—	0.1
Total Special items, net	\$ 86.6	\$ 13.0

- (1) Following management approval in December 2019, in January 2020, we announced plans to cease production at our Irwindale, California brewery and entered into an option agreement with Pabst Brewing Company, LLC ("Pabst"), granting Pabst an option to purchase our Irwindale, California brewery, including plant equipment and machinery and the underlying land.

Pursuant to the agreement, Pabst has 120 days from receipt of the previously provided notice of the Irwindale brewery closure from Molson Coors Beverage Company USA LLC ("MCBC USA" formerly known as MillerCoors LLC) to exercise the option to purchase the Irwindale brewery. If Pabst exercises its option to purchase the Irwindale brewery, the

agreement provides (i) the purchase price will be \$150 million, subject to adjustment as further specified in the agreement, (ii) the closing will be within six months from Pabst's exercise of the option, but no earlier than September 1, 2020 and no later than December 31, 2020, subject to the satisfaction of certain customary closing conditions, (iii) for the treatment and allocation of certain liabilities related to the operation of the Irwindale brewery prior to closing, and (iv) for customary representations and warranties and certain post-closing restrictions on Pabst regarding the operations and disposal of the Irwindale brewery. In conjunction with the agreement, MCBC USA and Pabst also executed mutual releases of claims related to their ongoing litigation and agreed to dismiss the litigation with prejudice.

Charges associated with the planned brewery closure for three months ended March 31, 2020 totaled \$58 million and consist primarily of accelerated depreciation in excess of normal depreciation, as well as other closure costs including employee related costs. We will continue to incur special charges during each reporting period through the planned closure of the brewery in September 2020. Remaining special charges associated with the planned closure are expected to be approximately \$75 million to \$100 million, consisting primarily of accelerated depreciation charges. However, this estimated range contains significant uncertainty, and actual results could differ materially from these estimates due to uncertainty regarding the ultimate net cost associated with the disposition of assets, restructuring charges, as well as the overall outcome of the Pabst purchase option, which if exercised, could significantly impact these estimates.

Separately, during the three months ended March 31, 2020 and March 31, 2019 we incurred asset abandonment charges, consisting primarily of accelerated depreciation in excess of normal depreciation related to the closure of the Vancouver brewery, which occurred in the third quarter of 2019, and the planned closure of the Montreal brewery, which is currently expected to occur in 2021. We currently expect to incur additional charges, including estimated accelerated depreciation charges in excess of normal depreciation of approximately CAD 26 million, through final closure of the Montreal brewery. However, due to the uncertainty inherent in our estimates, these estimated future accelerated depreciation charges as well as the timing of the brewery closure are subject to change.

### **Restructuring Activities**

On October 28, 2019, as part of our revitalization plan, we made the determination to establish Chicago, Illinois as our North American operational headquarters, close our existing office in Denver, Colorado and consolidate certain administrative functions into our other existing office locations. In connection with these consolidation activities, certain impacted employees have been extended an opportunity to continue their employment with MCBC in the new organization and locations and, for those not continuing with MCBC, certain of such employees have been asked to provide transition assistance and offered severance and retention packages in connection with their termination of service. We expect the costs associated with the restructuring to be substantially recognized by the end of fiscal year 2021. After taking into account all changes in each of the business units, including Europe, the plan is expected to reduce employment levels, in aggregate, by approximately 500 to 600 employees globally.

In connection with these consolidation activities and related organizational and personnel changes, we currently expect to incur certain cash and non-cash restructuring charges related to employee relocation, severance, retention and transition costs, non-cash asset related costs, lease exit costs in connection with our office lease in Denver, Colorado, and other transition activities currently estimated in the range of approximately \$90 million to \$120 million in the aggregate, the majority of which will be cash charges that we began recognizing in the fourth quarter of 2019, and will be further spread through the balance of fiscal years 2020 and 2021. In the first quarter of 2020, we recognized severance and retention charges of \$22.7 million, and our remaining accrued restructuring balance related to the revitalization plan as of March 31, 2020 was approximately \$43 million. Actual severance and retention costs related to this restructuring, which are primarily being recognized ratably over the employees' required future service period, may differ from original estimates based on actual employee turnover levels prior to achieving severance and retention eligibility requirements. Employee relocation charges are recognized in the period incurred and were immaterial in the first quarter of 2020.

Other than those noted above, there were no material changes to our restructuring activities since December 31, 2019, as reported in Part II - Item 8. Financial Statements and Supplementary Data, Note 7, "Special Items" in our Annual Report. We continually evaluate our cost structure and seek opportunities for further efficiencies and cost savings as part of ongoing and new initiatives. As such, we may incur additional restructuring related charges or adjustments to previously recorded charges in the future, however, we are unable to estimate the amount of charges at this time.



The accrued restructuring balances as of March 31, 2020 represent expected future cash payments required to satisfy our remaining obligations to terminated employees, the majority of which we expect to be paid in the next 12 months.

	North America	Europe	Total
	(In millions)		
As of December 31, 2019	\$ 42.6	\$ 4.5	\$ 47.1
Charges incurred	26.2	7.2	33.4
Payments made	(19.4)	(3.5)	(22.9)
Changes in estimates	(1.3)	—	(1.3)
Foreign currency and other adjustments	(0.9)	(0.2)	(1.1)
As of March 31, 2020	<u>\$ 47.2</u>	<u>\$ 8.0</u>	<u>\$ 55.2</u>

	North America	Europe	Total
	(In millions)		
As of December 31, 2018	\$ 24.5	\$ 1.1	\$ 25.6
Charges incurred and changes in estimates	1.0	2.7	3.7
Payments made	(12.0)	(0.9)	(12.9)
As of March 31, 2019	<u>\$ 13.5</u>	<u>\$ 2.9</u>	<u>\$ 16.4</u>

## 6. Income Tax

	Three Months Ended	
	March 31, 2020	March 31, 2019
Effective tax rate	27%	18%

The increase in the effective tax rate during the first quarter of 2020 was primarily driven by an increase in net discrete tax benefits recognized in the first quarter of 2020, along with a pretax loss in the first quarter of 2020, versus pretax income in the first quarter of 2019. Specifically, we recognized a net discrete tax benefit of \$13.9 million in the first quarter of 2020, versus a \$1.2 million net discrete tax benefit in the first quarter of 2019.

Our tax rate is volatile and may increase or decrease with changes in, among other things, the amount and source of income or loss, our ability to utilize foreign tax credits, excess tax benefits or deficiencies from share-based compensation, changes in tax laws, and the movement of liabilities established pursuant to accounting guidance for uncertain tax positions as statutes of limitations expire, positions are effectively settled, or when additional information becomes available. There are proposed or pending tax law changes in various jurisdictions and other changes to regulatory environments in countries in which we do business that, if enacted, may have an impact on our effective tax rate.

Since 2018, the U.S. Department of Treasury has continued to issue proposed, temporary and final regulations to implement provisions of the 2017 Tax Act. We have continued to monitor these and, most recently, on April 7, 2020, the U.S. Department of Treasury enacted final hybrid regulations with full retroactive application to January 1, 2018, with a few exceptions. We are currently in the process of reviewing and interpreting the finalized regulations related to their impact on our tax positions, as well as evaluating the impact on our financial statements. Based on our preliminary review of these finalized regulations, we currently expect to recognize estimated income tax expense of approximately \$100 million to \$200 million upon enactment in the second quarter of 2020, related to the retroactive period of January 1, 2018 through March 31, 2020, for fiscal years 2018, 2019, and the first quarter of 2020. This estimated range considers the potential impacts associated with the possible technical interpretations of the regulations that could result following a full legal analysis.

## 7. Goodwill and Intangible Assets

	North America <sup>(1)</sup>	Europe	Consolidated
	(In millions)		
Changes in Goodwill:			
Balance as of December 31, 2019	\$ 6,146.6	\$ 1,484.8	\$ 7,631.4
Foreign currency translation	(16.7)	(75.7)	(92.4)
Balance as of March 31, 2020	<u>\$ 6,129.9</u>	<u>\$ 1,409.1</u>	<u>\$ 7,539.0</u>

- (1) As a result of the structural changes resulting from the revitalization plan, we re-evaluated our reporting units and have combined our historical U.S. and Canada reporting units into a single North America reporting unit. There were no related changes to our Europe reporting unit. See further discussion below.

The gross amount of goodwill totaled approximately \$8.2 billion and \$8.3 billion as of March 31, 2020 and December 31, 2019, respectively. Accumulated impairment losses as of March 31, 2020 and December 31, 2019 totaled \$629.4 million and \$681.3 million, respectively, all of which was related to our North America segment.

The following table presents details of our intangible assets, other than goodwill, as of March 31, 2020:

	Useful life	Gross	Accumulated amortization	Net
	(Years)		(In millions)	
Intangible assets subject to amortization:				
Brands	10 - 50	\$ 4,830.7	\$ (883.2)	\$ 3,947.5
License agreements and distribution rights	15 - 20	196.7	(86.8)	109.9
Other	3 - 40	124.0	(42.9)	81.1
Intangible assets not subject to amortization:				
Brands	Indefinite	8,109.6	—	8,109.6
Distribution networks	Indefinite	719.4	—	719.4
Other	Indefinite	337.6	—	337.6
<b>Total</b>		<b>\$ 14,318.0</b>	<b>\$ (1,012.9)</b>	<b>\$ 13,305.1</b>

The following table presents details of our intangible assets, other than goodwill, as of December 31, 2019:

	Useful life	Gross	Accumulated amortization	Net
	(Years)		(In millions)	
Intangible assets subject to amortization:				
Brands	10 - 50	\$ 5,036.3	\$ (865.1)	\$ 4,171.2
License agreements and distribution rights	15 - 20	202.0	(90.6)	111.4
Other	3 - 40	124.0	(39.4)	84.6
Intangible assets not subject to amortization:				
Brands	Indefinite	8,172.4	—	8,172.4
Distribution networks	Indefinite	778.8	—	778.8
Other	Indefinite	337.6	—	337.6
<b>Total</b>		<b>\$ 14,651.1</b>	<b>\$ (995.1)</b>	<b>\$ 13,656.0</b>

The changes in the gross carrying amounts of intangible assets from December 31, 2019 to March 31, 2020 are primarily driven by the impact of foreign exchange rates, as a significant amount of intangible assets are denominated in foreign currencies.

Based on foreign exchange rates as of March 31, 2020, the estimated future amortization expense of intangible assets is as follows:

Fiscal year	Amount
	(In millions)
2020 - remaining	\$ 161.0
2021	\$ 210.2
2022	\$ 204.8
2023	\$ 203.8
2024	\$ 203.8

Amortization expense of intangible assets was \$54.9 million and \$55.4 million for the three months ended March 31, 2020 and March 31, 2019, respectively. This expense is primarily presented within marketing, general and administrative expenses on the unaudited condensed consolidated statements of operations.

#### *Reporting Unit Changes and Interim Impairment Testing*

As of the date of completion of our 2019 impairment testing discussed above, the operations in each of the specific regions within our historical U.S., Canada, Europe and International segments were considered components based on the availability of discrete financial information and the regular review by segment management. We had further concluded that the components within the U.S., Canada and Europe segments each met the criteria of having similar economic characteristics and therefore we previously aggregated these components into the U.S., Canada and Europe reporting units, respectively. Additionally, we previously determined that the components within our International segment did not meet the criteria for aggregation, and therefore, the operations of our India business constituted a separate reporting unit at the component level, however, the associated goodwill balance was fully impaired in the third quarter of 2019.

As discussed in [Note 3, "Segment Reporting,"](#) as part of our revitalization plan, we made the determination to establish Chicago, Illinois as our North American operational headquarters, close our existing office in Denver, Colorado and consolidate certain administrative functions into our other existing office locations. In connection with these consolidation activities, effective January 1, 2020, we changed our management structure from a corporate center and four segments to two segments - North America and Europe. These structural changes included leadership re-alignment with a centralized North America leadership team, an integrated North American supply chain network, and centralized marketing and innovations functions including movement to a single brand manager and North America marketing strategy for our major brands. Additionally, as part of our leadership re-alignment, we moved from two separate U.S. and Canada segment managers, to a single North America segment manager, our President and Chief Executive Officer, who reviews discrete financial information only at the consolidated North America segment level. As a result of these changes, we re-evaluated our historical reporting unit conclusions and have consolidated our previously separate U.S. and Canada reporting units into a single North America reporting unit effective January 1, 2020. There were no changes to our existing Europe reporting unit, which was considered to be at risk of future impairment following the completion of our October 1, 2019 annual impairment testing.

We completed an interim impairment assessment for our U.S. and Canada reporting units as of January 1, 2020 immediately prior to the reporting unit change, as well as an impairment assessment of the combined North America reporting unit immediately after the change, and determined that no impairments existed. Additionally, as the changes resulted in the combination of our historical U.S. and Canada reporting units into a single North America reporting unit, no further reallocation of goodwill was required.

Additionally, as a result of the structural changes discussed above, including the centralization of the brand management and strategy for our *Coors* brands across North America, we have aggregated our *Coors* brand indefinite-lived intangible asset in the U.S. and *Coors Light* distribution agreement indefinite-lived intangible asset in Canada into a single unit of accounting for the purpose of testing for impairment, effective January 1, 2020. We completed an interim impairment assessment for each individual indefinite-lived intangible asset immediately prior to aggregation, and determined that no impairments existed.

We have further evaluated whether the effects of the coronavirus pandemic, and related impacts to the interest rate environment, required an additional interim impairment assessment as of March 31, 2020. While factors are present that indicate that triggering events may exist, such as a decline in our market capitalization combined with weakened financial performance, current circumstances do not indicate that it is more likely than not that the fair values of our reporting units or indefinite-lived intangible assets have fallen below their carrying values. However, we believe that the effects of the coronavirus pandemic may, depending on severity and duration, place our North America and Europe reporting units and certain of our indefinite-lived intangible assets at risk of future impairment. We will continue to monitor the length and severity of the impacts of the pandemic to our business, and if the duration is prolonged and the severity of its impacts continues, this may indicate the need to perform future interim impairment analyses that could result in material impairments.

#### *Key Assumptions*

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. The key assumptions used to derive the estimated fair values of our reporting units and indefinite-lived intangible assets are discussed in Part II—Item 8 Financial Statements, Note 10, "Goodwill and Intangible Assets" in our Annual Report, and represent Level 3 measurements.

Based on known facts and circumstances, we evaluate and consider recent events and uncertain items, as well as related potential implications, as part of our annual and interim assessments and incorporate into the analyses as appropriate. These facts and circumstances are subject to change and may impact future analyses. For example, we continue to monitor the challenges within the beer industry for further weakening or additional systemic structural declines, as well as for adverse changes in macroeconomic conditions such as the coronavirus pandemic that could significantly impact our immediate and

long-range results. Specifically, subsequent to the January 1, 2020 interim impairment assessments, the World Health Organization characterized the outbreak of the coronavirus disease as a global pandemic as further discussed in [Note 1, "Basis of Presentation and Summary of Significant Accounting Policies."](#) Our business could be materially and adversely impacted by the coronavirus pandemic, and the related weakening of economic conditions could lead to a material impairment as the duration and severity of the pandemic and resulting impacts to our financial projections become further understood. Further, we are monitoring the impacts the coronavirus pandemic has on the market inputs used in calculating our discount rates, including risk-free rates, equity premiums and our cost of debt, which could result in a meaningful change to our weighted-average cost of capital calculation.

Separately, the Ontario government adopted a bill that, if enacted, could adversely impact the existing terms of the beer distribution and retail systems in the province, as further described in [Note 12, "Commitments and Contingencies."](#)

While historical performance and current expectations have resulted in fair values of our reporting units and indefinite-lived intangible assets equal to or in excess of carrying values, if our assumptions are not realized, it is possible that an impairment loss may need to be recorded in the future.

#### *Definite-Lived Intangible Assets*

Regarding definite-lived intangible assets, we continuously monitor the performance of the underlying assets for potential triggering events suggesting an impairment review should be performed. No such triggering events were identified in the first quarter of 2020 that resulted in an impairment.

## **8. Debt**

### *Debt obligations*

	As of	
	March 31, 2020	December 31, 2019
	(In millions)	
Long-term debt:		
CAD 500 million 2.75% notes due September 2020	\$ 355.6	\$ 384.9
CAD 500 million 2.84% notes due July 2023	355.6	384.9
CAD 500 million 3.44% notes due July 2026	355.6	384.9
\$500 million 2.25% notes due March 2020 <sup>(1)(2)</sup>	—	499.8
\$1.0 billion 2.1% notes due July 2021 <sup>(2)</sup>	1,000.0	1,000.0
\$500 million 3.5% notes due May 2022 <sup>(1)</sup>	505.8	506.5
\$2.0 billion 3.0% notes due July 2026	2,000.0	2,000.0
\$1.1 billion 5.0% notes due May 2042	1,100.0	1,100.0
\$1.8 billion 4.2% notes due July 2046	1,800.0	1,800.0
EUR 800 million 1.25% notes due July 2024	882.5	897.0
Finance leases and other	121.9	129.5
Less: unamortized debt discounts and debt issuance costs	(54.6)	(56.7)
Total long-term debt (including current portion)	8,422.4	9,030.8
Less: current portion of long-term debt	(390.3)	(921.3)
Total long-term debt	\$ 8,032.1	\$ 8,109.5
Short-term borrowings:		
Revolving credit facility <sup>(3)</sup>	\$ 1,000.0	\$ —
Commercial paper program <sup>(3)</sup>	25.5	—
Other short-term borrowings <sup>(4)</sup>	29.2	6.9
Current portion of long-term debt	390.3	921.3
Current portion of long-term debt and short-term borrowings	\$ 1,445.0	\$ 928.2

(1) The fair value hedges related to these notes have been settled and are being amortized over the life of the respective note.

- (2) We repaid our \$500 million 2.25% notes upon maturity in March 2020, at which time we also settled the associated cross currency swaps resulting in cash receipts of \$3.2 million, which were classified as financing and investing activities in our unaudited condensed consolidated statement of cash flows. As of March 31, 2020, we have cross currency swaps associated with our \$1.0 billion 2.1% senior notes due 2021 in order to hedge a portion of the foreign currency translational impacts of our European investment. As a result of the swaps, we have economically converted a portion of these notes and associated interest to EUR denominated, which results in a EUR interest rate to be received of 0.71%.
- (3) We maintain a \$1.5 billion revolving credit facility with a maturity date of July 7, 2024, that allows us to issue a maximum aggregate amount of \$1.5 billion in commercial paper or other borrowings at any time at variable interest rates. We use this financing from time to time to leverage cash needs including debt repayments. During the first quarter of 2020, we borrowed approximately \$1.0 billion due April 2020 under our revolving credit facility at a weighted-average interest rate of 2.7%, and issued \$25.5 million of commercial paper, in order to fund the repayment of our \$500 million 2.25% notes upon maturity in March 2020, for working capital and general purposes, as well as a precautionary measure in order to provide enhanced financial flexibility due to uncertain market conditions arising from the impact of the coronavirus pandemic, as further discussed in [Note 1, "Basis of Presentation and Summary of Significant Accounting Policies."](#)

As of March 31, 2020, we had \$474.5 million available to draw on our \$1.5 billion revolving credit facility, as the borrowing capacity is also reduced by borrowings under our commercial paper program. The outstanding borrowings under our commercial paper program had a weighted-average effective interest rate and tenor of 1.65% and 23 days, respectively, as of March 31, 2020. We had no borrowings drawn on this revolving credit facility and no commercial paper borrowings as of December 31, 2019.

Subsequent to March 31, 2020, we made total net repayments of \$425.5 million on our outstanding commercial paper and revolving credit facility borrowings resulting in no outstanding commercial paper and \$600.0 million outstanding under our revolving credit facility. As such, as of April 30, 2020, we have \$900.0 million available to draw on our total \$1.5 billion revolving credit facility.

- (4) As of March 31, 2020, we had \$22.4 million in bank overdrafts and \$35.0 million in bank cash related to our cross-border, cross-currency cash pool, for a net positive position of \$12.6 million. As of December 31, 2019, we had \$1.1 million in bank overdrafts and \$55.0 million in bank cash related to our cross-border, cross-currency cash pool for a net positive position of \$53.9 million. We had total outstanding borrowings of \$2.8 million under our two JPY overdraft facilities as of both March 31, 2020 and December 31, 2019. In addition, we have USD, CAD and GBP lines of credit under which we had no borrowings as of March 31, 2020 or December 31, 2019.

#### ***Debt Fair Value Measurements***

We utilize market approaches to estimate the fair value of certain outstanding borrowings by discounting anticipated future cash flows derived from the contractual terms of the obligations and observable market interest and foreign exchange rates. As of March 31, 2020 and December 31, 2019, the fair value of our outstanding long-term debt (including the current portion of long-term debt) was approximately \$8.1 billion and \$9.2 billion, respectively. All senior notes are valued based on significant observable inputs and classified as Level 2 in the fair value hierarchy. The carrying values of all other outstanding long-term borrowings and our short-term borrowings approximate their fair values and are also classified as Level 2 in the fair value hierarchy.

#### ***Debt Covenants***

The maximum leverage ratio, as defined by the revolving credit facility agreement, is 4.25x net debt to EBITDA, with a decline to 4.00x net debt to EBITDA as of the last day of the fiscal quarter ending December 31, 2020.

Under the terms of each of our debt facilities, we must comply with certain restrictions. These include customary events of default and specified representations, warranties and covenants, as well as covenants that restrict our ability to incur certain additional priority indebtedness (certain thresholds of secured consolidated net tangible assets), certain leverage threshold percentages, create or permit liens on assets, and restrictions on mergers, acquisitions, and certain types of sale lease-back transactions. As of March 31, 2020, we were in compliance with all of these restrictions and have met all debt payment obligations. All of our outstanding senior notes as of March 31, 2020 rank pari-passu.

## 9. Inventories

	As of	
	March 31, 2020	December 31, 2019
	(In millions)	
Finished goods	\$ 261.6	\$ 236.7
Work in process	95.1	84.0
Raw materials	239.9	227.1
Packaging materials	84.9	68.1
Inventories, net	<u>\$ 681.5</u>	<u>\$ 615.9</u>

## 10. Accumulated Other Comprehensive Income (Loss)

	MCBC stockholders' equity				
	Foreign currency translation adjustments	Gain (loss) on derivative instruments	Pension and postretirement benefit adjustments	Equity method investments	Accumulated other comprehensive income (loss)
	(In millions)				
As of December 31, 2019	\$ (652.5)	\$ (87.8)	\$ (351.0)	\$ (70.9)	\$ (1,162.2)
Foreign currency translation adjustments	(370.6)	—	—	—	(370.6)
Gain (loss) on net investment hedges	27.5	—	—	—	27.5
Unrealized gain (loss) on derivative instruments	—	(170.1)	—	—	(170.1)
Amortization of net prior service (benefit) cost and net actuarial (gain) loss to income	—	—	(1.9)	—	(1.9)
Ownership share of unconsolidated subsidiaries' other comprehensive income (loss)	—	—	—	1.0	1.0
Tax benefit (expense)	(27.5)	42.2	0.6	(0.3)	15.0
As of March 31, 2020	<u>\$ (1,023.1)</u>	<u>\$ (215.7)</u>	<u>\$ (352.3)</u>	<u>\$ (70.2)</u>	<u>\$ (1,661.3)</u>

Reclassifications from AOCI to net income (loss) were immaterial for the three months ended March 31, 2020 and March 31, 2019.

## 11. Derivative Instruments and Hedging Activities

Our risk management and derivative accounting policies are presented within Part II—Item 8 Financial Statements, Note 1, "Basis of Presentation and Summary of Significant Accounting Policies" and Note 16, "Derivative Instruments and Hedging Activities" in our Annual Report and did not significantly change during the first quarter of 2020. As noted in Note 16 of the Notes included in our Annual Report, due to the nature of our counterparty agreements, and the fact that we are not subject to master netting arrangements, we are not able to net positions with the same counterparty and, therefore, present our derivative positions on a gross basis in our unaudited condensed consolidated balance sheets. Our significant derivative positions have not changed considerably since year-end.

## Derivative Fair Value Measurements

We utilize market approaches to estimate the fair value of our derivative instruments by discounting anticipated future cash flows derived from the derivative's contractual terms and observable market interest, foreign exchange and commodity rates. The fair values of our derivatives also include credit risk adjustments to account for our counterparties' credit risk, as well as our own non-performance risk, as appropriate. The fair value of our warrants to acquire common shares of HEXO at a strike price of CAD 6.00 per share are estimated using the Black-Scholes option-pricing model. As of March 31, 2020 and December 31, 2019, respectively, the assumptions used to estimate the fair value of the HEXO warrants are as follows:

	As of March 31, 2020	As of December 31, 2019
Expected term (years)	1.50	1.75
Estimated volatility	96.05%	81.45%
Risk-free interest rate	0.54%	1.69%
Expected dividend yield	—%	—%

The expected term is based on the contractual maturity date of the warrants. Estimated volatility is based on a blend of implied volatility and historical volatility of HEXO's stock. The risk-free rate utilized is based on a zero-coupon Canadian Treasury security yield with a remaining term equal to the expected term of the warrants. The expected dividend yield is determined by historical dividend levels.

The table below summarizes our derivative assets and liabilities that were measured at fair value as of March 31, 2020 and December 31, 2019.

	Fair value measurements as of March 31, 2020			
	As of March 31, 2020	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Cross currency swaps	\$ 19.8	\$ —	\$ 19.8	\$ —
Interest rate swaps	(297.4)	—	(297.4)	—
Foreign currency forwards	16.9	—	16.9	—
Commodity swaps and options	(140.1)	—	(140.1)	—
Warrants	0.8	—	0.8	—
Total	<u>\$ (400.0)</u>	<u>\$ —</u>	<u>\$ (400.0)</u>	<u>\$ —</u>
	Fair value measurements as of December 31, 2019			
	As of December 31, 2019	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Cross currency swaps	\$ 10.0	\$ —	\$ 10.0	\$ —
Interest rate swaps	(111.5)	—	(111.5)	—
Foreign currency forwards	2.1	—	2.1	—
Commodity swaps and options	(41.2)	—	(41.2)	—
Warrants	2.7	—	2.7	—
Total	<u>\$ (137.9)</u>	<u>\$ —</u>	<u>\$ (137.9)</u>	<u>\$ —</u>

As of March 31, 2020 and December 31, 2019, we had no significant transfers between Level 1 and Level 2. New derivative contracts transacted during the three months ended March 31, 2020 were all included in Level 2.

## Results of Period Derivative Activity

The tables below include the results of our derivative activity in our unaudited condensed consolidated balance sheets as of March 31, 2020 and December 31, 2019, and our unaudited condensed consolidated statements of operations for the three months ended March 31, 2020 and March 31, 2019.

Fair Value of Derivative Instruments in the Unaudited Condensed Consolidated Balance Sheets (in millions):

As of March 31, 2020					
	Notional amount	Derivative Assets		Derivative Liabilities	
		Balance sheet location	Fair value	Balance sheet location	Fair value
<b>Derivatives designated as hedging instruments:</b>					
Cross currency swaps	\$ 400.0	Other current assets	\$ —	Accounts payable and other current liabilities	\$ —
		Other non-current assets	19.8	Other liabilities	—
Interest rate swaps	\$ 1,500.0	Other non-current assets	—	Other liabilities	(297.4)
Foreign currency forwards	\$ 200.9	Other current assets	10.6	Accounts payable and other current liabilities	—
		Other non-current assets	6.3	Other liabilities	—
Total derivatives designated as hedging instruments			\$ 36.7		\$ (297.4)
<b>Derivatives not designated as hedging instruments:</b>					
Commodity swaps <sup>(1)</sup>	\$ 674.9	Other current assets	\$ 0.6	Accounts payable and other current liabilities	\$ (102.3)
		Other non-current assets	0.2	Other liabilities	(38.6)
Commodity options <sup>(1)</sup>	\$ 18.4	Other current assets	—	Accounts payable and other current liabilities	—
Warrants	\$ 49.1	Other non-current assets	0.8	Other liabilities	—
Total derivatives not designated as hedging instruments			\$ 1.6		\$ (140.9)

As of December 31, 2019					
	Notional amount	Derivative Assets		Derivative Liabilities	
		Balance sheet location	Fair value	Balance sheet location	Fair value
<b>Derivatives designated as hedging instruments:</b>					
Cross currency swaps	\$ 900.0	Other current assets	\$ 1.8	Accounts payable and other current liabilities	\$ —
		Other non-current assets	8.2	Other liabilities	—
Interest rate swaps	\$ 1,500.0	Other non-current assets	—	Other liabilities	(111.5)
Foreign currency forwards	\$ 237.9	Other current assets	1.9	Accounts payable and other current liabilities	(0.8)
		Other non-current assets	1.4	Other liabilities	(0.4)
Total derivatives designated as hedging instruments			\$ 13.3		\$ (112.7)
<b>Derivatives not designated as hedging instruments:</b>					
Commodity swaps <sup>(1)</sup>	\$ 598.4	Other current assets	\$ 5.7	Accounts payable and other current liabilities	\$ (36.4)
		Other non-current assets	1.0	Other liabilities	(11.5)
Commodity options <sup>(1)</sup>	\$ 18.4	Other current assets	—	Accounts payable and other current liabilities	—
Warrants	\$ 53.1	Other non-current assets	2.7	Other liabilities	—
Total derivatives not designated as hedging instruments			\$ 9.4		\$ (47.9)

- (1) Notional includes offsetting buy and sell positions, shown in terms of absolute value. Buy and sell positions are shown gross in the asset and/or liability position, as appropriate.

Items Designated and Qualifying as Hedged Items in Fair Value Hedging Relationships in the Unaudited Condensed Consolidated Balance Sheets (in millions):

Line item in the balance sheet in which the hedged item is included	Carrying amount of the hedged assets/liabilities		Cumulative amount of fair value hedging adjustment(s) in the hedged assets/liabilities <sup>(1)</sup> Increase/(Decrease)	
	As of March 31, 2020	As of December 31, 2019	As of March 31, 2020	As of December 31, 2019
	(In millions)			
Current portion of long-term debt and short-term borrowings	\$ —	\$ —	\$ —	\$ (0.2)
Long-term debt	\$ —	\$ —	\$ 5.8	\$ 6.5

- (1) Entire balances relate to hedging adjustments on discontinued hedging relationships.



The Pretax Effect of Cash Flow Hedge and Net Investment Hedge Accounting on Accumulated Other Comprehensive Income (Loss) (in millions):

Three Months Ended March 31, 2020			
Derivatives in cash flow hedge relationships	Amount of gain (loss) recognized in OCI on derivative	Location of gain (loss) reclassified from AOCI into income	Amount of gain (loss) recognized from AOCI on derivative
Forward starting interest rate swaps	\$ (185.9)	Interest income (expense), net	\$ (0.7)
Foreign currency forwards	15.8	Cost of goods sold	1.0
		Other income (expense), net	(0.3)
Total	\$ (170.1)		\$ —

Three Months Ended March 31, 2020					
Derivatives in net investment hedge relationships	Amount of gain (loss) recognized in OCI on derivative	Location of gain (loss) reclassified from AOCI into income	Amount of gain (loss) recognized from AOCI on derivative	Location of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing) <sup>(1)</sup>
Cross currency swaps	\$ 13.0	Interest income (expense), net	\$ —	Interest income (expense), net	\$ 5.7
Total	\$ 13.0		\$ —		\$ 5.7

Three Months Ended March 31, 2020					
Non-derivative financial instruments in net investment hedge relationships	Amount of gain (loss) recognized in OCI on derivative	Location of gain (loss) reclassified from AOCI into income	Amount of gain (loss) recognized from AOCI on derivative	Location of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing)
EUR 800 million notes due 2024	\$ 14.5	Other income (expense), net	\$ —	Other income (expense), net	\$ —
Total	\$ 14.5		\$ —		\$ —

Three Months Ended March 31, 2019			
Derivatives in cash flow hedge relationships	Amount of gain (loss) recognized in OCI on derivative	Location of gain (loss) reclassified from AOCI into income	Amount of gain (loss) recognized from AOCI on derivative
Forward starting interest rate swaps	\$ (32.4)	Interest income (expense), net	\$ (0.7)
Foreign currency forwards	(7.0)	Cost of goods sold	0.8
		Other income (expense), net	(0.2)
Total	\$ (39.4)		\$ (0.1)

Three Months Ended March 31, 2019					
Derivatives in net investment hedge relationships	Amount of gain (loss) recognized in OCI on derivative	Location of gain (loss) reclassified from AOCI into income	Amount of gain (loss) recognized from AOCI on derivative	Location of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing) <sup>(1)</sup>
Cross currency swaps	\$ 16.1	Interest income (expense), net	\$ —	Interest income (expense), net	\$ 4.0
Total	\$ 16.1		\$ —		\$ 4.0

(1) Represents amounts excluded from the assessment of effectiveness for which the difference between changes in fair value and period amortization is recorded in other comprehensive income.

**Three Months Ended March 31, 2019**

Non-derivative financial instruments in net investment hedge relationships	Amount of gain (loss) recognized in OCI on derivative	Location of gain (loss) reclassified from AOCI into income	Amount of gain (loss) recognized from AOCI on derivative	Location of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing)
EUR 800 million notes due 2024	\$ 20.0	Other income (expense), net	\$ —	Other income (expense), net	\$ —
EUR 500 million notes due 2019	10.1	Other income (expense), net	—	Other income (expense), net	—
<b>Total</b>	<b>\$ 30.1</b>		<b>\$ —</b>		<b>\$ —</b>

We expect net gains of approximately \$8 million (pretax) recorded in AOCI as of March 31, 2020 related to cash flow hedges will be reclassified into earnings within the next 12 months. For derivatives designated in cash flow hedge relationships, the maximum length of time over which forecasted transactions are hedged as of March 31, 2020 is approximately 4 years, as well as those related to our forecasted debt issuances in 2021, 2022, and 2026.

*The Effect of Fair Value and Cash Flow Hedge Accounting on the Unaudited Condensed Consolidated Statements of Operations* (in millions):

**Three Months Ended March 31, 2020**

	Location and amount of gain (loss) recognized in income on fair value and cash flow hedging relationships <sup>(1)</sup>		
	Cost of goods sold	Other income (expense), net	Interest income (expense), net
Total amount of income and expense line items presented in the unaudited condensed consolidated statement of operations in which the effects of fair value or cash flow hedges are recorded	\$ (1,479.0)	\$ (4.8)	\$ (68.9)
Gain (loss) on cash flow hedging relationships:			
Forward starting interest rate swaps			
Amount of gain (loss) reclassified from AOCI into income	—	—	(0.7)
Foreign currency forwards			
Amount of gain (loss) reclassified from AOCI into income	1.0	(0.3)	—

**Three Months Ended March 31, 2019**

	Location and amount of gain (loss) recognized in income on fair value and cash flow hedging relationships <sup>(1)</sup>		
	Cost of goods sold	Other income (expense), net	Interest income (expense), net
Total amount of income and expense line items presented in the unaudited condensed consolidated statement of operations in which the effects of fair value or cash flow hedges are recorded	\$ (1,413.0)	\$ 23.9	(73.3)
Gain (loss) on cash flow hedging relationships:			
Forward starting interest rate swaps			
Amount of gain (loss) reclassified from AOCI into income	—	—	(0.7)
Foreign currency forwards			
Amount of gain (loss) reclassified from AOCI into income	0.8	(0.2)	—

(1) We had no outstanding fair value hedges during the first quarter of 2020 or 2019.

The Effect of Derivatives Not Designated as Hedging Instruments on the Unaudited Condensed Consolidated Statements of Operations (in millions):

Three Months Ended March 31, 2020		
Derivatives not in hedging relationships	Location of gain (loss) recognized in income on derivative	Amount of gain (loss) recognized in income on derivative
Commodity swaps	Cost of goods sold	\$ (112.5)
Warrants	Other income (expense), net	(1.7)
Total		\$ (114.2)

Three Months Ended March 31, 2019		
Derivatives not in hedging relationships	Location of gain (loss) recognized in income on derivative	Amount of gain (loss) recognized in income on derivative
Commodity swaps	Cost of goods sold	\$ 32.7
Warrants	Other income (expense), net	22.9
Total		\$ 55.6

Lower current commodity market prices relative to our hedged positions, primarily for aluminum and diesel, drove the losses recognized in income related to commodity swaps for the three months ended March 31, 2020. Contrarily, higher commodity market prices relative to our hedged positions during the three months ended March 31, 2019, primarily in aluminum and diesel, drove the total gain recognized in income related to commodity swaps in the prior year.

## 12. Commitments and Contingencies

### Litigation and Other Disputes and Environmental

Related to litigation, other disputes and environmental issues, we have an aggregate accrued contingent liability of \$18.1 million and \$16.2 million as of March 31, 2020 and December 31, 2019, respectively. While we cannot predict the eventual aggregate cost for litigation, other disputes and environmental matters in which we are currently involved, we believe adequate reserves have been provided for losses that are probable and estimable. Additionally, as noted below, there are certain loss contingencies that we deem reasonably possible for which a range of loss is not estimable at this time; for all other matters, we believe that any reasonably possible losses in excess of the amounts accrued are immaterial to our unaudited condensed consolidated interim financial statements. Our litigation, other disputes and environmental issues are discussed in further detail within Part II—Item 8 Financial Statements, Note 18, "Commitments and Contingencies" in our Annual Report and did not significantly change during the first quarter of 2020, except as noted below.

Other than those disclosed below, we are also involved in other disputes and legal actions arising in the ordinary course of our business. While it is not feasible to predict or determine the outcome of these proceedings, in our opinion, based on a review with legal counsel, other than as noted, none of these disputes or legal actions are expected to have a material impact on our business, consolidated financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business.

On February 12, 2018, Stone Brewing Company filed a trademark infringement lawsuit in federal court in the Southern District of California against MCBC USA alleging that the *Keystone* brand has "rebranded" itself as "Stone" and is marketing itself in a manner confusingly similar to Stone Brewing Company's registered Stone trademark. Stone Brewing Company seeks treble damages in the amount of MCBC USA's profit from *Keystone* sales. MCBC USA subsequently filed an answer and counterclaims against Stone Brewing Company. On May 31, 2018, Stone Brewing Company filed a motion to dismiss MCBC USA's counterclaims and for a preliminary injunction seeking to bar MCBC USA from continuing to use "STONE" on *Keystone Light* cans and related marketing materials. In March 2019, the court denied Stone Brewing Company's motion for preliminary injunction and its motion to dismiss MCBC USA's counterclaims. Trial is currently scheduled to begin in October 2020. We intend to vigorously assert and defend our rights in this lawsuit. A range of potential loss is not estimable at this time.

In December 2018, the U.S. Department of Treasury issued a regulation that impacts our ability to claim a refund of certain federal duties, taxes, and fees paid for beer sold between the U.S. and certain other countries effective in February 2019. As a result, based on the terms of the regulation, it is the U.S. Department of Treasury's position that future claims will no

longer be accepted, and we may be further unable to collect historically claimed, but not yet received, refunds of approximately \$40 million, which are recorded within other non-current assets on our unaudited condensed consolidated balance sheet as of March 31, 2020. In January 2020, the United States Court of International Trade issued an opinion and order ruling the challenged portions of this regulation dealing with refunds of certain federal duties, taxes and fees paid with respect to certain imported beer, to the extent of certain exported beer, to be unlawful. On April 17, 2020, the U.S. Department of Treasury appealed this ruling as well as filed a motion for stay of the enforcement of judgment and suspension of claims pending appeal. We will continue to monitor this matter including our ability to collect our historically claimed refunds as well our ability to claim ongoing refunds should the court's decision be upheld.

On February 15, 2019, two purported stockholders filed substantially similar putative class action complaints against the Company, Mark R. Hunter, and Tracey I. Joubert (the "Defendants") in the United States District Court for the District of Colorado (the "Colorado District Court"), and in the United States District Court for the Northern District of Illinois (the "Illinois District Court"). On February 21, 2019, another purported stockholder filed a substantially similar complaint in the Colorado District Court. The plaintiffs purport to represent a class of the Company's stockholders and assert that the Defendants violated Sections 10(b) and 20(a) of the Exchange Act by allegedly making false and misleading statements or omissions regarding the Company's restatement of consolidated financial statements for the years ended December 31, 2016 and December 31, 2017, and that the Company purportedly lacked adequate internal controls over financial reporting. The plaintiffs seek, among other things, an unspecified amount of damages and attorneys' fees, expert fees and other costs. On April 16, 2019, motions to consolidate and appoint a lead plaintiff were filed in each case. On May 24, 2019, the securities class action suit filed with the Illinois District Court was transferred to the Colorado District Court, and subsequently was voluntarily dismissed on July 25, 2019. On October 2, 2019, the class action lawsuits originally filed in Colorado District Court were consolidated, and, on October 3, 2019, the court appointed a lead plaintiff and lead counsel for the consolidated case. On December 9, 2019, the lead plaintiff filed its amended complaint alleging that the Defendants made false statements and material omissions to the market beginning in February 2017 and ending in February 2019, which, it alleges, misled the market as to the strength of our financial condition and internal control processes related to financial accounting. The amended complaint further alleges that the Company and the Defendants caused the Company to falsely report its financial results by overstating retained earnings, net income, and tax benefits and understating deferred tax liabilities in an effort to inflate the price of our common stock. We filed a motion to dismiss the amended complaint on January 23, 2020; the plaintiff subsequently filed an opposition to our motion to dismiss on March 9, 2020; and we filed our reply brief in support of our motion to dismiss on April 8, 2020. We intend to defend the claims vigorously. A range of potential loss is not estimable at this time.

On March 26, 2019, a purported stockholder filed a purported shareholder derivative action in Colorado District Court against the Company's board of directors and certain officers (the "Individual Defendants"), and the Company as a nominal defendant. On May 14, 2019, another purported stockholder filed a substantially similar complaint in the Colorado District Court. On August 12, 2019, a third derivative complaint was filed in Colorado District Court by a purported stockholder. All three derivative complaints assert claims against the Individual Defendants for breaches of fiduciary duty and unjust enrichment arising out of the Company's dissemination to shareholders of purportedly materially misleading and inaccurate information in connection with the Company's restatement of consolidated financial statements for the years ended December 31, 2016 and December 31, 2017. The complaints further allege that the Company lacked adequate internal controls over financial reporting. The third derivative complaint filed in August also alleges the Individual Defendants violated Sections 14(a) and 20(a) of the Exchange Act by issuing misleading statements in the Company's proxy statement. The relief sought in the complaints include changes to the Company's corporate governance procedures, unspecified damages, restitution, and attorneys' fees, expert fees, other costs and such other relief as the court deems proper. All three derivative actions have been administratively closed, subject to being reopened for good cause shown. A range of potential loss is not estimable at this time.

In June 2019, the Ontario government adopted a bill that, if enacted, would terminate a 10-year Master Framework Agreement that was originally signed between the previous government administration and Molson Canada 2005, a wholly owned indirect subsidiary of the Company, Labatt Brewing Company Limited, Sleeman Breweries Ltd., and Brewers Retail Inc. in 2015 and dictates the terms of the beer distribution and retail systems in Ontario through 2025. The government has not yet proclaimed the bill as law. The impacts of these potential legislative changes are unknown at this time, but could have a negative impact on the results of operations, cash flows and financial position of the North America segment. While discussions remain ongoing with the government to reach a mutually agreeable alternative to the enactment of the law, it is unclear how the coronavirus pandemic will impact these discussions. Molson Canada 2005 and the other Master Framework Agreement signatories are prepared to vigorously defend our rights and pursue legal recourse, should the Master Framework Agreement be unilaterally terminated by the enactment of the legislation.

## Guarantees and Indemnities

We guarantee indebtedness and other obligations to banks and other third parties for some of our equity method investments and consolidated subsidiaries. As of March 31, 2020 and December 31, 2019, the unaudited condensed consolidated balance sheets include liabilities related to these guarantees of \$51.5 million and \$37.7 million, respectively. See [Note 4, "Investments"](#) for further detail.

Separately, related to our Cervejarias Kaiser Brasil S.A. ("Kaiser") indemnities, we have accrued \$11.0 million and \$14.2 million, in aggregate, as of March 31, 2020 and December 31, 2019, respectively. The maximum potential claims amount remaining for the Kaiser-related purchased tax credits was \$67.2 million, based on foreign exchange rates as of March 31, 2020. Our Kaiser liabilities are discussed in further detail within Part II—Item 8 Financial Statements, Note 18, "Commitments and Contingencies" in our Annual Report and did not significantly change during the first quarter of 2020.

## 13. Leases

Supplemental balance sheet information related to leases as of March 31, 2020 and December 31, 2019 was as follows:

Balance Sheet Classification		As of	
		March 31, 2020	December 31, 2019
(In millions)			
<b>Operating Leases</b>			
Operating lease right-of-use assets	Other assets	\$ 144.8	\$ 154.5
Current operating lease liabilities	Accounts payable and other current liabilities	\$ 46.5	\$ 46.6
Non-current operating lease liabilities	Other liabilities	110.3	119.5
Total operating lease liabilities		\$ 156.8	\$ 166.1
<b>Finance Leases</b>			
Finance lease right-of-use assets	Properties, net	\$ 66.2	\$ 73.0
Current finance lease liabilities	Current portion of long-term debt and short-term borrowings	\$ 32.6	\$ 34.5
Non-current finance lease liabilities	Long-term debt	56.4	60.0
Total finance lease liabilities		\$ 89.0	\$ 94.5

Supplemental cash flow information related to leases for the three months ended March 31, 2020 and March 31, 2019 was as follows:

	Three Months Ended	
	March 31, 2020	March 31, 2019
(In millions)		
Cash paid for amounts included in the measurements of lease liabilities:		
Operating cash flows from operating leases	\$ 12.3	\$ 12.0
Operating cash flows from finance leases	\$ 0.9	\$ 0.8
Financing cash flows from finance leases	\$ 2.6	\$ 0.6
Supplemental non-cash information on right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	\$ 6.3	\$ 10.7

## 14. Supplemental Guarantor Information

For purposes of this Note 14, including the tables, "Parent Issuer" shall mean MCBC. "Subsidiary Guarantors" shall mean certain Canadian and U.S. subsidiaries reflecting the substantial operations of our North America segment.

### SEC Registered Securities

On May 3, 2012, MCBC issued \$1.9 billion of senior notes, in a registered public offering, consisting of \$300 million 2.0% senior notes due 2017 (subsequently repaid in the second quarter of 2017), \$500 million 3.5% senior notes due 2022, and

\$1.1 billion 5.0% senior notes due 2042. Additionally, on July 7, 2016, MCBC issued \$500 million 1.45% senior notes due 2019 (subsequently repaid in the third quarter of 2019), \$1.0 billion 2.10% senior notes due 2021, \$2.0 billion 3.0% senior notes due 2026, \$1.8 billion 4.2% senior notes due 2046 and EUR \$800.0 million 1.25% senior notes due 2024, in a registered public offering. In December 2017, MCBC completed an exchange offer in which it issued publicly registered senior notes in exchange for its \$500 million 1.90% senior notes due 2019 (subsequently repaid in the first quarter of 2019), \$500 million 2.25% senior notes due 2020 (subsequently repaid in the first quarter of 2020) and our EUR 500 million floating rate senior notes due 2019 (subsequently repaid in the first quarter of 2019), which were issued in private placement transactions in March 2017. "Parent Issuer" in the below tables is specifically referring to MCBC in its capacity as the issuer of these 2012, 2016 and 2017 issuances. These senior notes are guaranteed on a senior unsecured basis by the Subsidiary Guarantors. Each of the Subsidiary Guarantors is 100% owned by the Parent Issuer. The guarantees are full and unconditional and joint and several.

None of our other outstanding debt is registered with the SEC, and such other outstanding debt is guaranteed on a senior unsecured basis by the Parent and/or Subsidiary Guarantors. These guarantees are full and unconditional and joint and several. See [Note 8, "Debt"](#) for details of all debt issued and outstanding as of March 31, 2020.

#### *Presentation*

The following information sets forth the unaudited condensed consolidating statements of operations for the three months ended March 31, 2020 and March 31, 2019, unaudited condensed consolidating balance sheets as of March 31, 2020 and December 31, 2019, and unaudited condensed consolidating statements of cash flows for the three months ended March 31, 2020 and March 31, 2019. Investments in subsidiaries are accounted for under the equity method; accordingly, entries necessary to consolidate the Parent Issuer and all of our guarantor and non-guarantor subsidiaries are reflected in the eliminations column. In the opinion of management, separate complete financial statements of MCBC and the Subsidiary Guarantors would not provide additional material information that would be useful in assessing their financial composition.

**MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
**(IN MILLIONS)**  
**(UNAUDITED)**

	Three Months Ended				
	March 31, 2020				
	Parent Issuer	Subsidiary Guarantors	Subsidiary Non Guarantors	Eliminations	Consolidated
Sales	\$ 1.7	\$ 2,039.0	\$ 613.3	\$ (116.2)	\$ 2,537.8
Excise taxes	—	(263.2)	(171.8)	—	(435.0)
Net sales	1.7	1,775.8	441.5	(116.2)	2,102.8
Cost of goods sold	(0.4)	(1,217.7)	(372.4)	111.5	(1,479.0)
Gross profit	1.3	558.1	69.1	(4.7)	623.8
Marketing, general and administrative expenses	(36.7)	(440.6)	(157.1)	4.7	(629.7)
Special items, net	(5.3)	(73.1)	(8.2)	—	(86.6)
Equity income (loss) in subsidiaries	(34.8)	(74.9)	(20.2)	129.9	—
Operating income (loss)	(75.5)	(30.5)	(116.4)	129.9	(92.5)
Interest income (expense), net	(59.5)	(7.1)	(2.3)	—	(68.9)
Other pension and postretirement benefits (costs), net	—	5.1	2.4	—	7.5
Other income (expense), net	(0.6)	(4.0)	(0.2)	—	(4.8)
Income (loss) before income taxes	(135.6)	(36.5)	(116.5)	129.9	(158.7)
Income tax benefit (expense)	18.6	3.2	21.5	—	43.3
Net income (loss)	(117.0)	(33.3)	(95.0)	129.9	(115.4)
Net (income) loss attributable to noncontrolling interests	—	—	(1.6)	—	(1.6)
Net income (loss) attributable to MCBC	\$ (117.0)	\$ (33.3)	\$ (96.6)	\$ 129.9	\$ (117.0)
Comprehensive income (loss) attributable to MCBC	\$ (616.1)	\$ (393.0)	\$ (541.3)	\$ 934.3	\$ (616.1)

**MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
**(IN MILLIONS)**  
**(UNAUDITED)**

	Three Months Ended				
	March 31, 2019				
	Parent Issuer	Subsidiary Guarantors	Subsidiary Non Guarantors	Eliminations	Consolidated
Sales	\$ 26.3	\$ 2,209.3	\$ 694.9	\$ (130.4)	\$ 2,800.1
Excise taxes	—	(284.7)	(212.1)	—	(496.8)
Net sales	26.3	1,924.6	482.8	(130.4)	2,303.3
Cost of goods sold	(1.5)	(1,135.3)	(365.6)	89.4	(1,413.0)
Gross profit	24.8	789.3	117.2	(41.0)	890.3
Marketing, general and administrative expenses	(71.6)	(457.9)	(166.7)	41.0	(655.2)
Special items, net	(0.4)	(8.4)	(4.2)	—	(13.0)
Equity income (loss) in subsidiaries	245.3	(63.0)	(5.9)	(176.4)	—
Operating income (loss)	198.1	260.0	(59.6)	(176.4)	222.1
Interest income (expense), net	(77.4)	80.2	(76.1)	—	(73.3)
Other pension and postretirement benefits (costs), net	—	1.2	7.4	—	8.6
Other income (expense), net	—	(29.9)	53.8	—	23.9
Income (loss) before income taxes	120.7	311.5	(74.5)	(176.4)	181.3
Income tax benefit (expense)	30.7	(66.0)	3.1	—	(32.2)
Net income (loss)	151.4	245.5	(71.4)	(176.4)	149.1
Net (income) loss attributable to noncontrolling interests	—	—	2.3	—	2.3
Net income (loss) attributable to MCBC	\$ 151.4	\$ 245.5	\$ (69.1)	\$ (176.4)	\$ 151.4
Comprehensive income (loss) attributable to MCBC	\$ 193.5	\$ 270.8	\$ (64.4)	\$ (206.4)	\$ 193.5



**MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**(IN MILLIONS)**  
**(UNAUDITED)**

	As of March 31, 2020				
	Parent Issuer	Subsidiary Guarantors	Subsidiary Non Guarantors	Eliminations	Consolidated
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 297.3	\$ 98.3	\$ 270.5	\$ —	\$ 666.1
Accounts receivable, net	—	353.2	284.6	—	637.8
Other receivables, net	16.1	59.1	31.9	—	107.1
Inventories, net	—	513.2	168.3	—	681.5
Other current assets, net	—	168.9	111.1	—	280.0
Intercompany accounts receivable	150.6	303.5	100.3	(554.4)	—
<b>Total current assets</b>	<b>464.0</b>	<b>1,496.2</b>	<b>966.7</b>	<b>(554.4)</b>	<b>2,372.5</b>
Properties, net	10.3	3,207.7	1,175.6	—	4,393.6
Goodwill	—	6,129.9	1,409.1	—	7,539.0
Other intangibles, net	3.5	11,515.1	1,786.5	—	13,305.1
Net investment in and advances to subsidiaries	20,890.1	8,104.6	4,228.2	(33,222.9)	—
Other assets	151.2	363.2	395.0	(58.5)	850.9
<b>Total assets</b>	<b>\$ 21,519.1</b>	<b>\$ 30,816.7</b>	<b>\$ 9,961.1</b>	<b>\$ (33,835.8)</b>	<b>\$ 28,461.1</b>
<b>Liabilities and equity</b>					
Current liabilities:					
Accounts payable and other current liabilities	\$ 114.7	\$ 1,662.8	\$ 780.9	\$ —	\$ 2,558.4
Current portion of long-term debt and short-term borrowings	1,025.5	386.1	33.4	—	1,445.0
Intercompany accounts payable	123.8	201.4	229.2	(554.4)	—
<b>Total current liabilities</b>	<b>1,264.0</b>	<b>2,250.3</b>	<b>1,043.5</b>	<b>(554.4)</b>	<b>4,003.4</b>
Long-term debt	7,236.5	720.8	74.8	—	8,032.1
Pension and postretirement benefits	7.4	673.1	13.4	—	693.9
Deferred tax liabilities	—	1,529.3	713.4	(58.5)	2,184.2
Other liabilities	325.7	185.8	90.0	—	601.5
Intercompany notes payable	—	3,555.7	3,590.1	(7,145.8)	—
<b>Total liabilities</b>	<b>8,833.6</b>	<b>8,915.0</b>	<b>5,525.2</b>	<b>(7,758.7)</b>	<b>15,515.1</b>
MCBC stockholders' equity	12,686.6	25,490.7	7,732.2	(33,222.9)	12,686.6
Intercompany notes receivable	(1.1)	(3,589.0)	(3,555.7)	7,145.8	—
<b>Total stockholders' equity</b>	<b>12,685.5</b>	<b>21,901.7</b>	<b>4,176.5</b>	<b>(26,077.1)</b>	<b>12,686.6</b>
Noncontrolling interests	—	—	259.4	—	259.4
<b>Total equity</b>	<b>12,685.5</b>	<b>21,901.7</b>	<b>4,435.9</b>	<b>(26,077.1)</b>	<b>12,946.0</b>
<b>Total liabilities and equity</b>	<b>\$ 21,519.1</b>	<b>\$ 30,816.7</b>	<b>\$ 9,961.1</b>	<b>\$ (33,835.8)</b>	<b>\$ 28,461.1</b>

**MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**(IN MILLIONS)**  
**(UNAUDITED)**

	As of December 31, 2019				
	Parent Issuer	Subsidiary Guarantors	Subsidiary Non Guarantors	Eliminations	Consolidated
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 15.7	\$ 119.6	\$ 388.1	\$ —	\$ 523.4
Accounts receivable, net	—	396.3	318.5	—	714.8
Other receivables, net	14.4	58.4	32.7	—	105.5
Inventories, net	—	449.1	166.8	—	615.9
Other current assets, net	3.0	126.0	95.8	—	224.8
Intercompany accounts receivable	94.1	190.0	14.9	(299.0)	—
<b>Total current assets</b>	<b>127.2</b>	<b>1,339.4</b>	<b>1,016.8</b>	<b>(299.0)</b>	<b>2,184.4</b>
Properties, net	19.8	3,294.7	1,232.0	—	4,546.5
Goodwill	—	6,146.5	1,484.9	—	7,631.4
Other intangibles, net	4.0	11,750.6	1,901.4	—	13,656.0
Net investment in and advances to subsidiaries	21,200.6	8,364.9	4,497.9	(34,063.4)	—
Other assets	137.2	364.4	417.9	(78.0)	841.5
<b>Total assets</b>	<b>\$ 21,488.8</b>	<b>\$ 31,260.5</b>	<b>\$ 10,550.9</b>	<b>\$ (34,440.4)</b>	<b>\$ 28,859.8</b>
<b>Liabilities and equity</b>					
Current liabilities:					
Accounts payable and other current liabilities	\$ 170.7	\$ 1,722.0	\$ 874.6	\$ —	\$ 2,767.3
Current portion of long-term debt and short-term borrowings	499.7	415.1	13.4	—	928.2
Intercompany accounts payable	—	150.7	148.3	(299.0)	—
<b>Total current liabilities</b>	<b>670.4</b>	<b>2,287.8</b>	<b>1,036.3</b>	<b>(299.0)</b>	<b>3,695.5</b>
Long-term debt	7,250.3	779.1	80.1	—	8,109.5
Pension and postretirement benefits	7.2	695.5	13.9	—	716.6
Deferred tax liabilities	—	1,593.3	743.3	(78.0)	2,258.6
Other liabilities	142.6	172.2	91.7	—	406.5
Intercompany notes payable	—	—	65.0	(65.0)	—
<b>Total liabilities</b>	<b>8,070.5</b>	<b>5,527.9</b>	<b>2,030.3</b>	<b>(442.0)</b>	<b>15,186.7</b>
MCBC stockholders' equity	13,419.4	25,796.5	8,266.9	(34,063.4)	13,419.4
Intercompany notes receivable	(1.1)	(63.9)	—	65.0	—
<b>Total stockholders' equity</b>	<b>13,418.3</b>	<b>25,732.6</b>	<b>8,266.9</b>	<b>(33,998.4)</b>	<b>13,419.4</b>
Noncontrolling interests	—	—	253.7	—	253.7
<b>Total equity</b>	<b>13,418.3</b>	<b>25,732.6</b>	<b>8,520.6</b>	<b>(33,998.4)</b>	<b>13,673.1</b>
<b>Total liabilities and equity</b>	<b>\$ 21,488.8</b>	<b>\$ 31,260.5</b>	<b>\$ 10,550.9</b>	<b>\$ (34,440.4)</b>	<b>\$ 28,859.8</b>

**MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**(IN MILLIONS)**  
**(UNAUDITED)**

	Three Months Ended				
	March 31, 2020				
	Parent Issuer	Subsidiary Guarantors	Subsidiary Non Guarantors	Eliminations	Consolidated
<b>Net cash provided by (used in) operating activities</b>	\$ (60.8)	\$ 145.8	\$ (103.1)	\$ —	\$ (18.1)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Additions to properties	(4.0)	(170.1)	(51.0)	—	(225.1)
Proceeds from sales of properties and other assets	—	0.5	1.1	—	1.6
Other	3.2	0.1	0.2	—	3.5
Net intercompany investing activity	(72.0)	(3,617.1)	(3,587.7)	7,276.8	—
<b>Net cash provided by (used in) investing activities</b>	(72.8)	(3,786.6)	(3,637.4)	7,276.8	(220.0)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Exercise of stock options under equity compensation plans	4.0	—	—	—	4.0
Dividends paid	(113.4)	—	(10.0)	—	(123.4)
Payments on debt and borrowings	(500.0)	(0.1)	(2.8)	—	(502.9)
Proceeds on debt and borrowings	—	—	1.0	—	1.0
Net proceeds from (payments on) revolving credit facilities and commercial paper	1,025.5	—	—	—	1,025.5
Change in overdraft balances and other	(0.9)	(34.3)	29.7	—	(5.5)
Net intercompany financing activity	—	3,659.7	3,617.1	(7,276.8)	—
<b>Net cash provided by (used in) financing activities</b>	415.2	3,625.3	3,635.0	(7,276.8)	398.7
<b>CASH AND CASH EQUIVALENTS:</b>					
Net increase (decrease) in cash and cash equivalents	281.6	(15.5)	(105.5)	—	160.6
Effect of foreign exchange rate changes on cash and cash equivalents	—	(5.8)	(12.1)	—	(17.9)
<b>Balance at beginning of year</b>	15.7	119.6	388.1	—	523.4
<b>Balance at end of period</b>	\$ 297.3	\$ 98.3	\$ 270.5	\$ —	\$ 666.1

**MOLSON COORS BEVERAGE COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**(IN MILLIONS)**  
**(UNAUDITED)**

	Three Months Ended				
	March 31, 2019				
	Parent Issuer	Subsidiary Guarantors	Subsidiary Non Guarantors	Eliminations	Consolidated
<b>Net cash provided by (used in) operating activities</b>	\$ 32.6	\$ 70.2	\$ (171.8)	\$ (29.5)	\$ (98.5)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Additions to properties	(2.6)	(127.7)	(67.7)	—	(198.0)
Proceeds from sales of properties and other assets	—	1.4	1.0	—	2.4
Other	—	(0.3)	1.3	—	1.0
Net intercompany investing activity	9.4	4.1	35.8	(49.3)	—
<b>Net cash provided by (used in) investing activities</b>	<b>6.8</b>	<b>(122.5)</b>	<b>(29.6)</b>	<b>(49.3)</b>	<b>(194.6)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Exercise of stock options under equity compensation plans	0.6	—	—	—	0.6
Dividends paid	(81.4)	(29.5)	(7.3)	29.5	(88.7)
Payments on debt and borrowings	(1,066.3)	(0.1)	(0.8)	—	(1,067.2)
Net proceeds from (payments on) revolving credit facilities and commercial paper	603.4	—	0.9	—	604.3
Change in overdraft balances and other	(2.8)	(4.7)	23.7	—	16.2
Net intercompany financing activity	—	(46.2)	(3.1)	49.3	—
<b>Net cash provided by (used in) financing activities</b>	<b>(546.5)</b>	<b>(80.5)</b>	<b>13.4</b>	<b>78.8</b>	<b>(534.8)</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Net increase (decrease) in cash and cash equivalents	(507.1)	(132.8)	(188.0)	—	(827.9)
Effect of foreign exchange rate changes on cash and cash equivalents	3.0	3.2	(1.8)	—	4.4
<b>Balance at beginning of year</b>	<b>515.8</b>	<b>156.1</b>	<b>386.0</b>	<b>—</b>	<b>1,057.9</b>
<b>Balance at end of period</b>	<b>\$ 11.7</b>	<b>\$ 26.5</b>	<b>\$ 196.2</b>	<b>\$ —</b>	<b>\$ 234.4</b>

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in this Quarterly Report on Form 10-Q is provided as a supplement to, and should be read in conjunction with, our audited consolidated financial statements, the accompanying notes and the MD&A included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 ("Annual Report"), as well as our unaudited condensed consolidated interim financial statements and the accompanying notes included in this Quarterly Report on Form 10-Q. Due to the seasonality of our operating results, quarterly financial results are not an appropriate basis from which to project annual results.

Unless otherwise noted in this report, any description of "we," "us" or "our" includes Molson Coors Beverage Company ("MCBC" or the "Company") (formerly known as Molson Coors Brewing Company), principally a holding company, and its operating and non-operating subsidiaries included within our reporting segments. As further discussed below, on January 1, 2020, we changed our management structure from a corporate center and four segments to two segments - North America and Europe. Our International segment was reconstituted with the Africa and Asia Pacific businesses reporting into the Europe segment and the remaining International business reporting into the North America segment. Accordingly, effective January 1, 2020, our reporting segments include: North America (North America segment), operating in the U.S., Canada and various countries in Latin and South America; and Europe (Europe segment), operating in Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, the Republic of Ireland, Romania, Serbia, the U.K., various other European countries, and certain countries within Africa and Asia Pacific. We have recast the historical presentation of segment information as a result of these reporting segment changes accordingly.

Unless otherwise indicated, information in this report is presented in USD and comparisons are to comparable prior periods. Our primary operating currencies, other than USD, include the CAD, the GBP, and our Central European operating currencies such as the EUR, CZK, HRK and RSD.

### *Operational Measures*

We have certain operational measures, such as STWs and STRs, which we believe are important metrics. STW is a metric that we use in our business to reflect the sales from our operations to our direct customers, generally wholesalers. We believe the STW metric is important because it gives an indication of the amount of beer and adjacent products that we have produced and shipped to customers. STR is a metric that we use in our business to refer to sales closer to the end consumer than STWs, which generally means sales from our wholesalers or our company to retailers, who in turn sell to consumers. We believe the STR metric is important because, unlike STWs, it provides the closest indication of the performance of our brands in relation to market and competitor sales trends.

## Executive Summary

We are one of the world's largest brewers and have a diverse portfolio of owned and partner brands, including global brands *Blue Moon*, *Coors Banquet*, *Coors Light*, *Miller Genuine Draft*, *Miller Lite*, and *Staropramen*, regional champion brands *Carling*, *Molson Canadian* and other leading country-specific brands, as well as craft and specialty beers such as *Creemore Springs*, *Cobra*, *Sharp's Doom Bar*, *Henry's Hard* and *Leinenkugel's*. With centuries of brewing heritage, we craft high-quality, innovative beverages with the purpose of uniting people to celebrate all life's moments. As a business, our ambition is to be the first choice for our people, our consumers and our customers, and our success depends on our ability to make our products available to meet a wide range of consumer segments and occasions.

### Coronavirus Global Pandemic

On March 11, 2020, the World Health Organization characterized the outbreak of the novel coronavirus disease, known as COVID-19, as a global pandemic and recommended containment and mitigation measures. We are actively monitoring the impact of the coronavirus pandemic, which has had, and we currently expect will continue to have, a material adverse effect on our operations, liquidity, financial condition and financial results for our full year 2020 and, possibly, beyond. The extent to which our operations will be impacted by the pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity and duration of the outbreak and actions by government authorities to contain the pandemic or treat its impact, among other things.

Recently, many governmental entities across North America and Europe have required that bars and restaurants close or cease sit-down service, which has negatively impacted, and we currently expect will continue to negatively impact, on-premise sales of our beverages and incur costs to repurchase products that on-premise accounts or distributors were unable or prohibited from selling as a result of the governmental regulations. Other restaurants and bars have also implemented closures and/or modified their hours, either voluntarily or as a result of governmental orders or quarantines. In addition, sporting events, festivals and other large public gatherings where our products are served have been canceled throughout North America and Europe. See "[Outlook](#)" for additional details. Sales to on-premise customers tend to be higher margin than sales to off-premise (retail outlets) customers. Additionally, these and other governmental or societal impositions of restrictions on public gatherings, especially if prolonged in nature, whether government or self-imposed, will have adverse effects on on-premise traffic and, in turn, our business.

We currently expect a significant adverse impact, particularly in the second quarter of 2020, to both net sales and profit performance for fiscal year 2020, and potentially beyond, due to the resulting closure of the on-premise channel in all of our markets, as well as the anticipated negative impact of the pandemic on the global economy. Specifically, we estimate that approximately 23% of our 2019 consolidated net sales resulted from on-premise consumption, with approximately 17% of our North America net sales and approximately 50-55% of our Europe net sales each coming from this important part of the industry, and in many of our markets the on-premise business has been reduced to zero. See further discussion below under "[Results of Operations](#)" regarding the historical percentage of volume and net sales represented in the on-premise within our North America and Europe segment businesses and resulting implications to expected profitability as a result of the effective closures of the on-premise in the markets in which we operate. We have considered various actions that may be needed to mitigate the impacts of the coronavirus pandemic, and have resources in place should we need to act on any of these quickly. Such potential actions include, but are not limited to, further drawing on our revolving line of credit (see Part I—Item 1. Financial Statements, [Note 8, "Debt"](#) regarding details of our current revolving credit facility borrowings and remaining capacity), accessing the capital markets, reducing discretionary spending including marketing, general and administrative as well as capital expenditures, asset monetization and taking advantage of certain governmental programs such as furloughs in the U.K. and government relief and payment deferral programs, for example by the U.S. Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), and other such government-sponsored legislation and programs. See "[Liquidity and Capital Resources](#)" and Part II—Item 1A. "[Risk Factors](#)" in this report for additional information regarding the impact of the global coronavirus pandemic. We also continue to monitor the impacts of the pandemic on the recoverability of our assets, including goodwill and indefinite-lived intangible assets. While we have not recognized any resulting impairment losses at this time, if the duration of the pandemic is prolonged and the severity of its impact continues, it could result in significant impairment losses. See Part I—Item 1. Financial Statements, [Note 7, "Goodwill and Intangible Assets"](#) for further details.

Further, in order to support the challenges facing our on-premise customers and retailers, and our overall commitment to quality, we initiated voluntary temporary keg relief programs in many of our markets which will provide customers with reimbursements for untapped kegs that meet certain established return requirements. As a result, our first quarter results include aggregate charges of \$50 million, inclusive of a reduction to net sales of \$31.5 million for estimated reimbursements through these keg relief programs, as well as charges of \$18.5 million within cost of goods sold related to obsolete finished goods keg inventories that are not expected to be sold within our freshness specifications as a result of the ongoing on-premise impacts, as well as the estimated costs to facilitate the above mentioned keg returns. See Part I—Item 1. Financial Statements, [Note 1, "Basis of Presentation and Summary of Significant Accounting Policies"](#) for further additional details.

In April 2020, the impacts of the coronavirus pandemic have continued to significantly adversely affect the on-premise channel, which continues to be effectively closed across all of our markets, and the benefit of pantry loading to our North America STR performance at the end of March has not continued. While off-premise sales continue to perform well, we do not expect them to fully offset the loss of the on-premise volume. Specifically, for the first four weeks of April 2020, in North America, we estimate that U.S. STRs were down approximately 14%, driven by lower premium and above premium brand trends, with economy brand performance down approximately 4% in the four weeks. In the U.S. we continue to see strong STR trends in the off-premise channel, but these trends are not fully offsetting the effective elimination of on-premise sales. We expect the negative on-premise trends in the U.S. to continue while social isolation continues to be practiced and expect that any increase in total off-premise volumes due to channel shifting will not be sufficient to offset the losses experienced in the on-premise. We estimate that this will result in negative trends in volume, net sales, and mix versus our prior estimates and expect these trends to continue at least through the end of the year and in particular in the second quarter. Separately, in Europe, we estimate that brand volumes are down approximately 40% for the first four weeks of April 2020. The extent, severity and duration to which our operations will be impacted by the pandemic remains uncertain. Therefore, we withdrew our financial outlook for 2020 and beyond and the market remains too unpredictable to provide updated detailed financial outlook.

Additionally, as a result of the ongoing impacts of the pandemic, early in the second quarter we have begun to take various mitigating actions to prepare to offset some of the implications to our employees and communities, as well as the immediate challenges to performance, while also ensuring liquidity and deleverage remain key priorities as further discussed within ["Outlook"](#) below.

### ***Revitalization Plan***

On October 28, 2019, we initiated a revitalization plan designed to allow us to invest across our portfolio to drive long-term, sustainable success. As part of this plan, we planned to accelerate investments behind our largest brands, invest significantly in the above premium segment, and invest more in whitespace and beyond beer opportunities. We were making progress against these ambitions before the impact of the coronavirus pandemic became widespread throughout North America and Europe. As a result of this pandemic and resulting uncertainty in the economy, we are making adjustments in the short-term and intend to use the savings we continue to generate from the revitalization plan to help protect our cash and liquidity position. See additional discussion of the implications of the pandemic above.

We also made the determination to establish Chicago, Illinois as our North American operational headquarters, close our existing office in Denver, Colorado and consolidate certain administrative functions into our other existing office locations. Effective January 1, 2020, we changed our management structure from a corporate center and four segments to two segments - North America and Europe. The North America segment consolidates the United States, Canada and corporate center, enabling us to move more quickly with an integrated portfolio strategy. The Europe segment allows for standalone operations, developed and supported by a European-based team, including local leadership, commercial, supply chain and support functions. The existing International team was reconstituted to more effectively grow our global brands - with the Africa and Asia Pacific businesses reporting into the European segment and the remaining International business reporting into the North America segment.

We also have certain activity that is not allocated to our segments, which has been reflected as "Unallocated". Specifically, "Unallocated" activity primarily includes financing related costs such as interest expense and income, foreign exchange gains and losses on intercompany balances related to financing and other treasury-related activities, and the unrealized changes in fair value on our commodity swaps not designated in hedging relationships recorded within cost of goods sold, which are later reclassified when realized to the segment in which the underlying exposure resides. Additionally, only the service cost component of net periodic pension and OPEB cost is reported within each operating segment, and all other components remain unallocated. We have recast the historical presentation of segment information as a result of these reporting segment changes accordingly.

In connection with these consolidation activities, we currently expect to incur certain cash and non-cash restructuring charges related to employee relocation, severance, retention and transition costs, non-cash asset related costs, lease exit costs in connection with our office lease in Denver, Colorado, and other transition activities currently estimated in the range of approximately \$90 million to \$120 million in the aggregate, the majority of which will be cash charges that we began recognizing in the fourth quarter of 2019, and will be further spread through the balance of fiscal years 2020 and 2021. In the first quarter of 2020, we recognized severance and retention charges of \$22.7 million, bringing the aggregate of such charges to approximately \$64 million since the plan was initiated. Actual severance and retention costs related to this restructuring, which are primarily being recognized ratably over the employees' required future service period, may differ from original estimates based on actual employee turnover levels prior to achieving severance and retention eligibility requirements. Employee relocation charges are recognized in the period incurred and were immaterial in first quarter of 2020. We recognized these

charges as special items within our consolidated statements of operations. See Part I—Item 1. Financial Statements, [Note 5, "Special Items"](#) for additional details.

After taking into account all changes in each of the business units, including Europe, the plan is expected to reduce employment levels, in aggregate, by approximately 500 to 600 employees globally. The company expects the costs associated with the restructuring to be substantially recognized by the end of fiscal year 2021.

### Summary of Consolidated Results of Operations

The following table highlights summarized components of our unaudited condensed consolidated statements of operations for the three months ended March 31, 2020 and March 31, 2019. See Part I-Item 1. Financial Statements for additional details of our U.S. GAAP results.

	Three Months Ended		
	March 31, 2020	March 31, 2019	% change
	(In millions, except percentages and per share data)		
Financial volume in hectoliters	18.428	20.101	(8.3)%
Net sales	\$ 2,102.8	\$ 2,303.3	(8.7)%
Net income (loss) attributable to MCBC	\$ (117.0)	\$ 151.4	N/M
Net income (loss) attributable to MCBC per diluted share	\$ (0.54)	\$ 0.70	N/M

N/M = Not meaningful

### First Quarter 2020 Financial Highlights

During the first quarter of 2020, we recognized a net loss attributable to MCBC of \$117.0 million compared to net income of \$151.4 million in the prior year. This decrease was primarily driven by an approximate \$158 million unfavorable unrealized mark-to-market change on our commodity positions and HEXO warrants, an increase in special charges of approximately \$74 million, estimated keg sales returns and finished goods obsolescence reserves and related costs of \$50 million resulting from the on-premise impacts of the coronavirus pandemic, the impact of lower financial volume, inflation and negative mix. These items were partially offset by favorable net pricing and cost savings related to the revitalization plan, as well as other targeted spend reductions. Net sales of approximately \$2.1 billion in the first quarter of 2020 decreased 8.7% from the prior year, driven by financial volume declines, estimated keg sales returns and reimbursements of \$31.5 million related to the on-premise impacts resulting from the coronavirus pandemic across all of our major markets, as well as unfavorable mix, partially offset by higher global net pricing.

Regional financial highlights:

- In our [North America](#) segment, income before income taxes decreased 69.0% to \$76.2 million in the first quarter of 2020, compared to the prior year primarily driven by lower financial volume, higher special charges, the recognition of estimated keg sales returns and finished good obsolescence reserves and related costs resulting from the on-premise impacts of the coronavirus pandemic, cost of goods sold inflation, as well as the unrealized mark-to-market changes on our HEXO warrants. These unfavorable drivers were partially offset by lower marketing, general and administrative expense, cost savings in cost of goods sold and net pricing growth. The lower marketing, general and administrative expense was driven by cost savings related to the revitalization plan, lower incentive compensation, as well as cycling higher project costs in the prior year related to brewery system implementations, partially offset by a slight overall increase in marketing spend around new innovations that occurred early in the quarter such as *Saint Archer Gold* and *Blue Moon LightSky*, in line with our initial plans for 2020, prior to actions taken to mitigate the impacts associated with the coronavirus pandemic.
- In our [Europe](#) segment, the pre-tax loss before income taxes increased to a loss of \$76.8 million in the first quarter of 2020, compared to a loss of \$38.4 million in the prior year, primarily due to lower net sales revenue, increased cost of goods sold resulting from estimated finished goods obsolescence reserves and related costs resulting from the on-premise impacts of the coronavirus pandemic as well as cost inflation, volume deleverage and higher specials charges primarily related to the revitalization plan, partially offset by lower marketing, general and administrative expense driven by cost mitigation actions taken and favorable foreign currency movements.



See ["Results of Operations"](#) below for further analysis of our segment results.

Brand highlights:

- *Blue Moon Belgian White* global brand volume decreased 7.1% in the first quarter of 2020 versus 2019, driven by declines in North America, specifically in the U.S., partially offset by growth in Europe.
- *Carling* brand volume in Europe decreased 9.0% during the first quarter of 2020 versus 2019, driven by lower volumes in the U.K., the brand's primary market as a result of the on-premise impacts of the coronavirus pandemic.
- *Coors* global brand volume - *Coors Light* global brand volume increased 0.8% during the first quarter of 2020 versus 2019. The overall volume increase in the first quarter of 2020 was primarily driven by growth in North America specifically in Latin America, partially offset by declines in Europe and other North American markets including the U.S. and Canada. Despite volume declines in the U.S., *Coors Light* gained share of the U.S. premium light segment for the fourth consecutive quarter. *Coors Banquet* global brand volume increased 2.2% during the first quarter of 2020 versus 2019 driven by growth in Canada.
- *Miller* global brand volume - *Miller Lite* global brand volumes increased 1.0% during the first quarter of 2020 versus 2019, primarily driven by growth in Canada and Latin America, partially offset by declines in the U.S. However, *Miller Lite* gained share of the U.S. premium light segment for the twenty-second consecutive quarter. *Miller Genuine Draft* global brand volume decreased 6.0% during the first quarter of 2020 versus 2019, due to a decrease in North America.
- *Staropramen* global brand volume, including royalty volume, decreased 6.7% during the first quarter of 2020 versus 2019, primarily driven by lower volumes in European markets outside of Czech Republic, the brand's primary market.

**Worldwide Brand Volume**

Worldwide brand volume (or "brand volume" when discussed by segment) reflects owned brands sold to unrelated external customers within our geographic markets, net of returns and allowances, royalty volume and an adjustment from STWs to STRs calculated consistently with MCBC owned volume. Contract brewing and wholesaler volume is removed from worldwide brand volume as this is non-owned volume for which we do not directly control performance. We believe this definition of worldwide brand volume more closely aligns with how we measure the performance of our owned brands within the markets in which they are sold. Financial volume represents owned brands sold to unrelated external customers within our geographical markets, net of returns and allowances as well as contract brewing, wholesale non-owned brand volume and company-owned distribution volume. Royalty volume consists of our brands produced and sold by third parties under various license and contract-brewing agreements and because this is owned volume, it is included in worldwide brand volume. The adjustment from STWs to STRs provides the closest indication of the performance of our owned brands in relation to market and competitor sales trends, as it reflects sales volume one step closer to the end consumer and generally means sales from our wholesalers or our company to retailers.

	Three Months Ended		
	March 31, 2020	March 31, 2019	% change
(In millions, except percentages)			
<b>Volume in hectoliters:</b>			
Financial volume	18.428	20.101	(8.3)%
Less: Contract brewing, wholesaler and non-beer volume	(1.597)	(1.806)	(11.6)%
Add: Royalty volume	0.879	0.737	19.3 %
Add: STW to STR adjustment	0.155	(0.837)	N/M
Total worldwide brand volume	17.865	18.195	(1.8)%

N/M = Not meaningful

Our worldwide brand volume decreased 1.8%, while financial volume decreased 8.3%, for the three months ended March 31, 2020 compared to prior year, reflecting unfavorable shipment timing in the U.S. including brewery downtime associated with the Milwaukee tragedy in February, share declines and lower contract brewing volumes in North America, as well as lower volume in Europe as a result of the coronavirus pandemic. In North America brand volumes benefited in March 2020 from pantry loading, particularly in the U.S, as well as from the timing of trading days versus the prior year. This pantry

loading has not continued into April and while off-premise sales have continued to perform well early in the second quarter of 2020, we do not expect them to fully offset the loss of the on-premise volume due to closures related to the pandemic.

### Net Sales Drivers

For the three months ended March 31, 2020 versus March 31, 2019, by segment (in percentages):

	Volume	Price, Product and Geography Mix	Currency	Total
<b>Consolidated</b>	<b>(8.3)%</b>	<b>0.1 %</b>	<b>(0.5)%</b>	<b>(8.7)%</b>
North America	(7.8)%	0.6 %	(0.2)%	(7.4)%
Europe	(10.0)%	(3.4)%	(2.1)%	(15.5)%

### Income taxes

	Three Months Ended	
	March 31, 2020	March 31, 2019
Effective tax rate	27%	18%

The increase in the effective tax rate during the first quarter of 2020 was primarily driven by an increase in net discrete tax benefits recognized in the first quarter of 2020, along with a pretax loss in the first quarter of 2020, versus pretax income in the first quarter of 2019. Specifically, we recognized a net discrete tax benefit of \$13.9 million in the first quarter of 2020, versus a \$1.2 million net discrete tax benefit in the first quarter of 2019.

Our tax rate is volatile and may increase or decrease with changes in, among other things, the amount and source of income or loss, our ability to utilize foreign tax credits, excess tax benefits or deficiencies from share-based compensation, changes in tax laws, and the movement of liabilities established pursuant to accounting guidance for uncertain tax positions as statutes of limitations expire, positions are effectively settled, or when additional information becomes available. There are proposed or pending tax law changes in various jurisdictions and other changes to regulatory environments in countries in which we do business that, if enacted, may have an impact on our effective tax rate.

Since 2018, the U.S. Department of Treasury has continued to issue proposed, temporary and final regulations to implement provisions of the 2017 Tax Act. We have continued to monitor these and, most recently, on April 7, 2020, the U.S. Department of Treasury enacted final hybrid regulations with full retroactive application to January 1, 2018, with a few exceptions. We are currently in the process of reviewing and interpreting the finalized regulations related to their impact on our tax positions, as well as evaluating the impact on our financial statements. Based on our preliminary review of these finalized regulations, we currently expect to recognize estimated income tax expense of approximately \$100 million to \$200 million upon enactment in the second quarter of 2020, related to the retroactive period of January 1, 2018 through March 31, 2020, for fiscal years 2018, 2019, and the first quarter of 2020. This estimated range considers the potential impacts associated with the possible technical interpretations of the regulations that could result following a full legal analysis.

Refer to Part I - Item 1. Financial Statements, [Note 6, "Income Tax"](#) for discussion regarding our effective tax rate.

## Results of Operations

### North America Segment

	Three Months Ended		
	March 31, 2020	March 31, 2019	% change
	(In millions, except percentages)		
Financial volume in hectoliters <sup>(1)(2)</sup>	14.456	15.682	(7.8)%
Sales <sup>(2)</sup>	\$ 2,055.0	\$ 2,219.9	(7.4)%
Excise taxes	(265.3)	(287.3)	(7.7)%
Net sales <sup>(2)</sup>	1,789.7	1,932.6	(7.4)%
Cost of goods sold <sup>(2)</sup>	(1,132.4)	(1,187.2)	(4.6)%
Gross profit	657.3	745.4	(11.8)%
Marketing, general and administrative expenses	(496.6)	(512.1)	(3.0)%
Special items, net <sup>(3)</sup>	(79.1)	(9.6)	N/M
Operating income (loss)	81.6	223.7	(63.5)%
Interest income (expense), net	(1.0)	(2.3)	(56.5)%
Other income (expense), net	(4.4)	24.5	N/M
Income (loss) before income taxes	\$ 76.2	\$ 245.9	(69.0)%

N/M = Not meaningful

- (1) Excludes royalty volume of 0.515 million hectoliters and 0.395 million hectoliters for the three months ended March 31, 2020 and March 31, 2019, respectively. The results for the three months ended March 31, 2019 have been recast to reflect the segment changes as part of the revitalization plan.
- (2) Includes gross inter-segment sales, purchases, and volumes, which are eliminated in the consolidated totals.
- (3) See Part I—Item 1. Financial Statements, [Note 5. "Special Items"](#) for detail of special items.

### Significant events

We continue to monitor the coronavirus pandemic, which has had, and we currently expect will continue to have, a material adverse effect on our North America results of operations for fiscal year 2020 and, possibly, beyond. In 2019, we estimate that approximately 16% and 17% of our North America volume and net sales, respectively, was from the on-premise channel, which tends to be more profitable than the off-premise channel as a result of its higher above premium brand mix. As a result of the coronavirus pandemic and resulting government restrictions and related on-premise closures, we have seen this portion of our business effectively cease entirely from the middle of March and continuing into April across all of North America. While brand volume benefited from pantry loading towards the end of March, as discussed below, this pantry loading has not continued into April and while off-premise sales have continued to perform well early in the second quarter of 2020, we do not expect them to fully offset the loss of the on-premise volume due to closures related to the pandemic. Additionally, continuing governmental or societal impositions of the closure of bars and restaurants and restrictions on public gatherings, especially if prolonged in nature, we expect will continue to have adverse effects on on-premise traffic and, in turn, our business performance, cash flows and liquidity. Further, the CAD has recently become volatile as a result of the ongoing uncertainties and impacts of the coronavirus pandemic. Any significant weakening of the CAD to the USD could have an adverse impact on our results due to the relative magnitude of our Canadian business.

Our first quarter results include a reduction to net sales of \$19.0 million, and charges to cost of goods sold of \$11.8 million related to the recognition of estimated sales returns and finished good obsolescence reserves and related costs resulting from the on-premise impacts of the coronavirus pandemic.

In late February 2020, we experienced a tragic shooting in our Milwaukee brewery. This impacted our employees in various capacities, and also significantly impacted STWs in late February and early March 2020 as the brewery was shut down for a full week, and when reopened, it took several days to return to full capacity. This downtime affected shipment levels resulting in lower than planned distributor inventory at the end of the quarter.

As part of our revitalization plan announced during the fourth quarter of 2019, we initiated restructuring activities and continue to incur severance and other employee-related costs as special items.

Following management approval in December 2019, in January 2020, we announced plans to cease production at our Irwindale, California brewery and entered into an option agreement with Pabst Brewing Company, LLC ("Pabst"), granting Pabst an option to purchase our Irwindale, California brewery, including plant equipment and machinery and the underlying land.

Pursuant to the agreement, Pabst has 120 days from receipt of the previously provided notice of the Irwindale brewery closure from Molson Coors Beverage Company USA LLC ("MCBC USA" formerly known as MillerCoors LLC) to exercise the option to purchase the Irwindale brewery. If Pabst exercises its option to purchase the Irwindale brewery, the agreement provides (i) the purchase price will be \$150 million, subject to adjustment as further specified in the agreement, (ii) the closing will be within six months from Pabst's exercise of the option, but no earlier than September 1, 2020 and no later than December 31, 2020, subject to the satisfaction of certain customary closing conditions, (iii) for the treatment and allocation of certain liabilities related to the operation of the Irwindale brewery prior to closing, and (iv) for customary representations and warranties and certain post-closing restrictions on Pabst regarding the operations and disposal of the Irwindale brewery. In conjunction with the agreement, MCBC USA and Pabst also executed mutual releases of claims related to their ongoing litigation and agreed to dismiss the litigation with prejudice.

We recorded special charges related to the planned Irwindale brewery closure of approximately \$58 million during the first quarter of 2020, consisting primarily of accelerated depreciation, bringing the total special charges recognized related to the planned brewery closure to approximately \$74 million as of March 31, 2020. We will continue to incur special charges during each reporting period through the planned closure of the brewery in September 2020. While analysis of the implications of the announced brewery closure remain ongoing, remaining special charges associated with the planned closure are currently expected to be approximately \$75 million to \$100 million, consisting primarily of accelerated depreciation charges. However, this estimated range contains significant uncertainty, and actual results could differ materially from these estimates due to uncertainty regarding the ultimate net cost associated with the disposition of assets, restructuring charges, as well as the overall outcome of the Pabst purchase option, which if exercised, could significantly impact these estimates.

The volatility of aluminum prices, inclusive of Midwest Premium and tariffs, continued to significantly impact our results during the first quarter of 2020. To the extent these prices continue to fluctuate, our business and financial results could be materially adversely impacted. We continue to monitor these risks and rely on our risk management hedging program to help mitigate price risk exposure for commodities including aluminum and fuel.

In further efforts to help optimize the North America brewery network, in the third quarter of 2017, we announced a plan to build a more efficient and flexible brewery in Longueuil, Quebec. Additionally, during the second quarter of 2019, we completed the sale of our Montreal brewery. In conjunction with the sale, we agreed to lease back the existing property to continue operations on an uninterrupted basis until the new brewery is operational, which we currently expect to occur in 2021. However, due to the uncertainty inherent in our estimates, the timing of the brewery closure is subject to change. We will continue to incur significant capital expenditures associated with the construction of the new brewery in Longueuil, Quebec.

In June 2019, the Ontario government adopted a bill that, if enacted, would terminate a 10-year Master Framework Agreement that was originally signed between the previous government administration and Molson Canada 2005, a wholly owned indirect subsidiary of the Company, Labatt Brewing Company Limited, Sleeman Breweries Ltd., and Brewers Retail Inc. in 2015 and governs the terms of the beer distribution and retail systems in Ontario through 2025. The government has not yet proclaimed the bill as law. The impacts of these potential legislative changes are unknown at this time, but could have a negative impact on the results of operations, cash flows and financial position of the North America segment. While discussions remain ongoing with the government to reach a mutually agreeable alternative to the enactment of the law, it is unclear how the coronavirus pandemic will impact these discussions, Molson Canada 2005 and the other Master Framework Agreement signatories are prepared to vigorously defend their rights and pursue legal recourse, should the Master Framework Agreement be unilaterally terminated by the enactment of the legislation. For additional information, see Part I—Item 1. Financial Statements, [Note 12, "Commitments and Contingencies."](#)

In June 2019, Health Canada released final regulations resulting in the legalization of new classes of cannabis products including edibles and cannabis infused beverages on October 17, 2019, with product sales being permitted sixty days after submission of the beverage formulations to Health Canada and satisfaction of all other licensing and regulatory preconditions. Our Truss joint venture with HEXO Corp. ("HEXO") in Canada has been making progress preparing for the launch of cannabis-infused products in the Canadian market, including the on-going construction of a production facility in Belleville, Ontario. We currently expect that Truss will launch products in 2020, subject to and after all of its licenses and regulatory clearances have been obtained. Separately, in April 2020, we completed the formation of a new U.S. joint venture with HEXO to explore opportunities for non-alcohol hemp-derived CBD beverages in Colorado.

### *Foreign currency impact on results*

During the three months ended March 31, 2020, foreign currency movements unfavorably impacted our North America USD income before income taxes by \$2.4 million. Included in this amount are both translational and transactional impacts of changes in foreign exchange rates. The impact of transactional foreign currency gains and losses is recorded within other income (expense) in our unaudited condensed consolidated statements of operations.

### *Volume and net sales*

Brand volume increased 0.4%, on a trading day adjusted basis, for the three months ended March 31, 2020 compared to prior year, due to the favorable timing of trading days versus the prior year, as well as March pantry loading, particularly in the U.S., partially offset by estimated market share declines in North America. Financial volume declined 7.8% for the three months ended March 31, 2020 compared to prior year, reflecting unfavorable shipment timing in the U.S., including brewery downtime associated with the Milwaukee tragedy, as well as lower contract brewing volume.

Net sales per hectoliter on a brand volume basis decreased 1.3% for the three months ended March 31, 2020, compared to prior year, driven by the estimated on-premise sales returns and reimbursements as well as unfavorable geographic mix driven by growing licensed volume in Mexico, partially offset by net pricing growth. Net sales per hectoliter on a reported basis in local currency increased 0.6% for the three months ended March 31, 2020 compared to prior year.

### *Cost of goods sold*

Cost of goods sold per hectoliter in local currency for the three months ended March 31, 2020 increased 3.7% compared to prior year, driven by finished good obsolescence reserves and related costs resulting from the on-premise impacts of the coronavirus pandemic as well as volume deleverage and inflation, partially offset by cost savings.

### *Marketing, general and administrative expenses*

Marketing, general and administrative expenses in local currency for the three months ended March 31, 2020 decreased 2.9% compared to prior year, primarily driven by cost savings related to the revitalization plan, lower incentive compensation, as well as cycling higher project costs in the prior year related to brewery system implementations, partially offset by a slight overall increase in marketing spend around new innovations that occurred early in the quarter such as *Saint Archer Gold* and *Blue Moon LightSky*, in line with initial plans for 2020, prior to actions taken to mitigate the impacts associated with the coronavirus pandemic.

### *Other income (expense), net*

For the three months ended March 31, 2020 the change in other income (expense) was primarily driven by unrealized mark-to-market losses of approximately \$2 million compared to gains of approximately \$23 million on the HEXO warrants received in connection with the formation of the Truss joint venture, as further discussed in [Note 11, "Derivative Instruments and Hedging Activities."](#)

## Europe Segment

	Three Months Ended		
	March 31, 2020	March 31, 2019	% change
	(In millions, except percentages)		
Financial volume in hectoliters <sup>(1)(2)</sup>	4,002	4,445	(10.0)%
Sales <sup>(2)</sup>	\$ 487.3	\$ 585.2	(16.7)%
Excise taxes	(169.7)	(209.5)	(19.0)%
Net sales <sup>(2)</sup>	317.6	375.7	(15.5)%
Cost of goods sold	(252.0)	(264.9)	(4.9)%
Gross profit	65.6	110.8	(40.8)%
Marketing, general and administrative expenses	(133.1)	(143.1)	(7.0)%
Special items, net <sup>(3)</sup>	(7.5)	(3.4)	120.6%
Operating income (loss)	(75.0)	(35.7)	110.1%
Interest income (expense), net	(1.4)	(1.3)	7.7%
Other income (expense), net	(0.4)	(1.4)	(71.4)%
Income (loss) before income taxes	\$ (76.8)	\$ (38.4)	100.0%

- (1) Excludes royalty volume of 0.364 million hectoliters and 0.342 million hectoliters for the three months ended March 31, 2020 and March 31, 2019, respectively. The results for the three months ended March 31, 2019 have been recast to reflect the segment changes as part of the revitalization plan.
- (2) Includes gross inter-segment sales, purchases, and volumes, which are eliminated in the consolidated totals.
- (3) See Part I-Item 1. Financial Statements, [Note 5. "Special Items"](#) for detail of special items.

### Significant events

We continue to monitor the coronavirus pandemic, which has had, and we currently expect will continue to have, a material adverse effect on our Europe results of operations for fiscal year 2020 and, possibly, beyond. In 2019, we estimate that approximately 40% and 50-55% of our Europe volume and net sales, respectively, was from the on-premise channel, which tends to be more profitable than the off-premise channel. In addition, the U.K. is further negatively being impacted by the on-premise restrictions as the U.K. comprises approximately 55% of our Europe net sales, which were \$1,986.4 million for the year ended December 31, 2019 (the Europe net sales includes the U.K. factored brand business, which represents approximately 17% of this amount), and, we estimate, nearly 60% and approximately 70-75% of the U.K. volume and net sales revenue, respectively, originate from the U.K. on-premise channel. As a result of the coronavirus pandemic and resulting government-imposed restrictions and related on-premise closures, this portion of our business has effectively ceased entirely from the middle of March and continuing into April across all of Europe. Additionally, the governmental or societal impositions of the closure of bars and restaurants and restrictions on public gatherings, especially if prolonged in nature, we expect will continue to have adverse effects on on-premise traffic and, in turn, our business performance, cash flows and liquidity.

Our first quarter results include a reduction to net sales of \$12.5 million, and charges to cost of goods sold of \$6.7 million related to the recognition of estimated sales returns and finished good obsolescence reserves and related costs resulting from the on-premise impacts of the coronavirus pandemic.

As part of our revitalization plan announced during the fourth quarter of 2019, we initiated restructuring activities and continue to incur severance and other employee-related costs as special items.

The U.K. exited the European Union (EU) on January 31, 2020, which subjects our Europe segment to regulatory and market uncertainty as the U.K. remains in the EU customs union and single market until December 31, 2020, while the full terms of future trade agreements continue to be negotiated. The GBP has recently become volatile as a result of the government discussions related to the uncertainty and terms of the exit as well as from the ongoing uncertainties and impacts of the coronavirus pandemic. Any significant weakening of the GBP to the USD could have an adverse impact on our results due to the importance and relative magnitude of U.K. sales.

### Foreign currency impact on results

Our Europe segment operates in numerous countries within Europe and each country's operations utilize distinct currencies. Foreign currency movements favorably impacted our Europe USD loss before income taxes by \$2.8 million for the

three months ended March 31, 2020. Included in this amount are both translational and transactional impacts of changes in foreign exchange rates. The impact of transactional foreign currency gains and losses is recorded within other income (expense) in our unaudited condensed consolidated statements of operations.

#### *Volume and net sales*

Our Europe brand volume decreased 8.5% for the three months ended March 31, 2020 as a result of the coronavirus pandemic.

Net sales per hectoliter on a brand volume basis decreased 5.2% in local currency for the three months ended March 31, 2020, compared to prior year, driven by unfavorable geographic mix, particularly in the higher margin U.K. business, which has a more significant exposure to the on-premise channel, as well as estimated keg sales returns related to the on-premise impacts resulting from the coronavirus pandemic, partially offset by positive pricing. Net sales per hectoliter on a reported basis decreased 3.8% in local currency for the three months ended March 31, 2020, compared to prior year.

#### *Cost of goods sold*

Cost of goods sold per hectoliter increased 8.4% in local currency for the three months ended March 31, 2020, versus prior year, driven by estimated finished goods obsolescence reserves and costs resulting from the on-premise impacts of the coronavirus pandemic as well as cost inflation and volume deleverage.

#### *Marketing, general and administrative expenses*

Marketing, general and administrative expenses decreased 4.3% in local currency for the three months ended March 31, 2020, compared to prior year, primarily as a result of actions taken to mitigate the impacts associated with the coronavirus pandemic and favorable foreign currency movements.

#### *Unallocated*

	Three Months Ended		
	March 31, 2020	March 31, 2019	% change
	(In millions, except percentages)		
Financial volume in hectoliters	—	—	— %
Sales	\$ —	\$ —	— %
Excise taxes	—	—	— %
Net sales	—	—	— %
Cost of goods sold	(99.1)	34.1	N/M
Gross profit	(99.1)	34.1	N/M
Marketing, general and administrative expenses	—	—	— %
Special items, net	—	—	— %
Operating income (loss)	(99.1)	34.1	N/M
Interest expense, net	(66.5)	(69.7)	(4.6)%
Other pension and postretirement benefits (costs), net	7.5	8.6	(12.8)%
Other income (expense), net	—	0.8	(100.0)%
Income (loss) before income taxes	\$ (158.1)	\$ (26.2)	N/M

N/M = Not meaningful

#### *Cost of goods sold*

The unrealized changes in fair value on our commodity swaps, which are economic hedges, are recorded as cost of goods sold within unallocated. As the exposure we are managing is realized, we reclassify the gain or loss to the segment in which the underlying exposure resides, allowing our segments to realize the economic effects of the derivative without the resulting unrealized mark-to-market volatility. Lower commodity market prices relative to our hedged positions on our commodity swaps drove total unrealized mark-to-market losses of \$99.1 million recognized in cost of goods sold for the three months ended March 31, 2020, compared to the unrealized mark-to-market gain of \$34.1 million recognized in cost of goods sold for the three months ended March 31, 2019.

## *Interest expense, net*

Net interest expense decreased for the three months ended March 31, 2020 compared to the prior year, primarily driven by the repayment of debt as part of our deleveraging commitments as well as risk management strategies to reduce interest expense. See Part I—Item 1. Financial Statements, [Note 8, "Debt"](#) and [Note 11, "Derivative Instruments and Hedging Activities"](#) for further details.

## **Liquidity and Capital Resources**

On March 11, 2020, the World Health Organization characterized the outbreak of the novel coronavirus disease, known as COVID-19, as a global pandemic and recommended containment and mitigation measures. We are actively monitoring the impact of the coronavirus pandemic, which has had, and we currently expect will continue to have, a material adverse effect on our operations, liquidity, financial condition and financial results for our full year 2020 and, possibly, beyond. The extent to which our future liquidity will be impacted by the pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity and duration of the pandemic and actions by government authorities to contain the outbreak or treat its impact, among other things.

Our primary sources of liquidity have included cash provided by operating activities and access to external capital. However, a continued worldwide disruption could materially affect our future access to our sources of liquidity. In the event of a sustained market deterioration, and continued declines in net sales, profit and operating cash flow, we may need additional liquidity, which would require us to evaluate available alternatives and take appropriate actions. We currently believe that our cash and cash equivalents, cash flows from operations and cash provided by short-term and long-term borrowings, when necessary, will be adequate to meet our ongoing operating requirements, scheduled principal and interest payments on debt, capital expenditures and other obligations for the twelve months subsequent to the date of the issuance of this quarterly report, and our long-term liquidity requirements. However, we are currently focused on navigating the recent challenges presented by the coronavirus pandemic by preserving our liquidity and managing our cash flow through taking preemptive action to enhance our ability to meet our short-term liquidity needs. Specifically, we have considered various actions that may be needed to meet short-term and mid-term liquidity needs and have resources in place should we need to act on any of these quickly. Such potential actions include, but are not limited to, further drawing on our revolving line of credit (see Part I—Item 1. Financial Statements, [Note 8, "Debt"](#) regarding details of our current revolving credit facility borrowings and remaining capacity), accessing the capital markets, reducing discretionary spending including marketing, general and administrative as well as capital expenditures, asset monetization, and taking advantage of certain governmental programs such as furloughs in the U.K. and government relief and payment deferral programs, for example by the U.S. Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), discussed below, and other such government-sponsored legislation and programs. In addition, we and our Board are actively evaluating various capital allocation options, including a suspension, reduction or temporary elimination of our dividend.

While we currently expect to have the necessary cash on hand to repay obligations when due, continued declines in net sales and profit could have a material adverse effect on our financial operations, cash flow and our ability to raise capital. The coronavirus pandemic is ongoing, and because of its dynamic nature, including uncertainties relating to the ultimate spread of the virus, the severity of the disease, the duration of the pandemic and related prolonged weakening of economic or other negative conditions, and governmental reactions, we cannot fully anticipate future conditions given the substantial uncertainties in the economy in general. We may have unexpected costs and liabilities; revenue and cash provided by operations may decline; macroeconomic conditions may continue to weaken; prolonged and severe levels of unemployment may negatively impact our consumers; and competitive pressures may increase. These factors may result in difficulty maintaining liquidity, meeting our deleverage commitments and complying with our revolving credit facility covenants. As a result, our credit ratings could be downgraded, which would increase our costs of future borrowing and harm our ability to refinance our debt in the future on acceptable terms or at all.

There can be no assurance that we will be able to secure additional liquidity if our revolving credit facility is fully drawn, the capital markets become inaccessible or if our credit rating is adversely impacted, which may result in difficulties in accessing debt markets or increase our debt costs. Even if we have access to the capital markets, we may not be able to raise capital on acceptable terms or at all. If we are unable to maintain or access adequate liquidity, our ability to timely pay our obligations when due could be adversely affected.

Continued disruption and declines in the global economy could also impact our customers' liquidity and capital resources and therefore our ability to collect, or the timeliness of collection of our accounts receivable from them, which may have a material adverse impact on our performance, cash flows and capital resources. We continue to monitor our accounts receivable aging and have recorded reserves as appropriate. In addition, measures taken by governmental agencies to provide relief to businesses could further impact our ability to collect from customers. See Part I—Item 1. Financial Statements, [Note 1, "Basis](#)



[of Presentation and Summary of Significant Accounting Policies”](#) for additional discussion related to our accounts receivable and associated reserves.

Additionally, in response to the coronavirus pandemic, various governmental authorities globally have announced relief programs which we continue to monitor and evaluate, such as the CARES Act in the U.S. which was signed into law on March 27, 2020. Certain of these relief programs provide temporary deferrals of income and non-income based tax payments, which have positively impacted our operating cash flows in the first quarter of 2020. We anticipate these temporary deferrals will result in continued timing benefits to operating cash flows in the first half of 2020, largely expected to benefit cash flows in the second quarter of 2020, with reversals in the second half of 2020 and into 2021 as these deferred payments are made.

While a significant portion of our cash flows from operating activities is generated within the U.S., our cash balances may be comprised of cash held outside the U.S. and in currencies other than USD. As of March 31, 2020, approximately 52% of our cash and cash equivalents was located outside the U.S., largely denominated in foreign currencies. The recent fluctuations in foreign currency exchange rates may have a material impact on these foreign cash balances. We accrue for tax consequences on the earnings of our foreign subsidiaries upon repatriation. When the earnings are considered indefinitely reinvested outside of the U.S., we do not accrue taxes. However, we continue to assess the impact of the 2017 Tax Act and related U.S. Department of Treasury proposed, temporary and final regulations, on the tax consequences of future cash repatriations. We utilize a variety of tax planning and financing strategies in an effort to ensure that our worldwide cash is available in the locations in which it is needed. We periodically review and evaluate these strategies, including external committed and non-committed credit agreements accessible by MCBC and each of our operating subsidiaries. We believe these financing arrangements, along with the cash generated from the operations of our U.S. business and other liquidity measures resulting from considerations of the on-going coronavirus global pandemic, as discussed above, are sufficient to fund our current cash needs in the U.S.

Additionally, our cash balances in foreign countries are often subject to additional restrictions and covenants. We may, therefore, have difficulties repatriating cash held outside of the U.S. which would also be subject to various repatriation taxes. In some countries repatriation of certain foreign balances is restricted by local laws and could have adverse tax consequences if we were to move the cash to another country. These limitations may affect our ability to fully utilize our cash resources for needs in the U.S. or other countries and may adversely affect our liquidity.

### ***Cash Flows and Use of Cash***

Our business generates positive operating cash flow each year, and our debt maturities are of a longer-term nature. However, our liquidity could be impacted significantly by the risk factors we described in Part I—Item 1A. "Risk Factors" in our Annual Report, Part II-Item 1A. "Risk Factors" in this report and the items listed above.

#### ***Cash Flows from Operating Activities***

Net cash used in operating activities of \$18.1 million for the three months ended March 31, 2020 decreased by \$80.4 million compared to net cash used of \$98.5 million during the three months ended March 31, 2019. This benefit was primarily driven by favorable timing of working capital and lower cash paid for interest, partially offset by lower net income adjusted for non-cash add-backs during the three months ended March 31, 2020.

#### ***Cash Flows from Investing Activities***

Net cash used in investing activities of \$220.0 million for the three months ended March 31, 2020 increased by \$25.4 million compared to the three months ended March 31, 2019, driven primarily by higher capital expenditures.

#### ***Cash Flows from Financing Activities***

Net cash provided by financing activities was \$398.7 million for the three months ended March 31, 2020 compared to net cash used in financing activities of \$534.8 million for the three months ended March 31, 2019. This increase was primarily driven by an increase in borrowings under our revolving credit facility and commercial paper program and lower net debt repayments for the three months ended March 31, 2020 compared to the three months ended March 31, 2019, partially offset by previously declared increased dividend payments during the first quarter of 2020.

### ***Capital Resources***

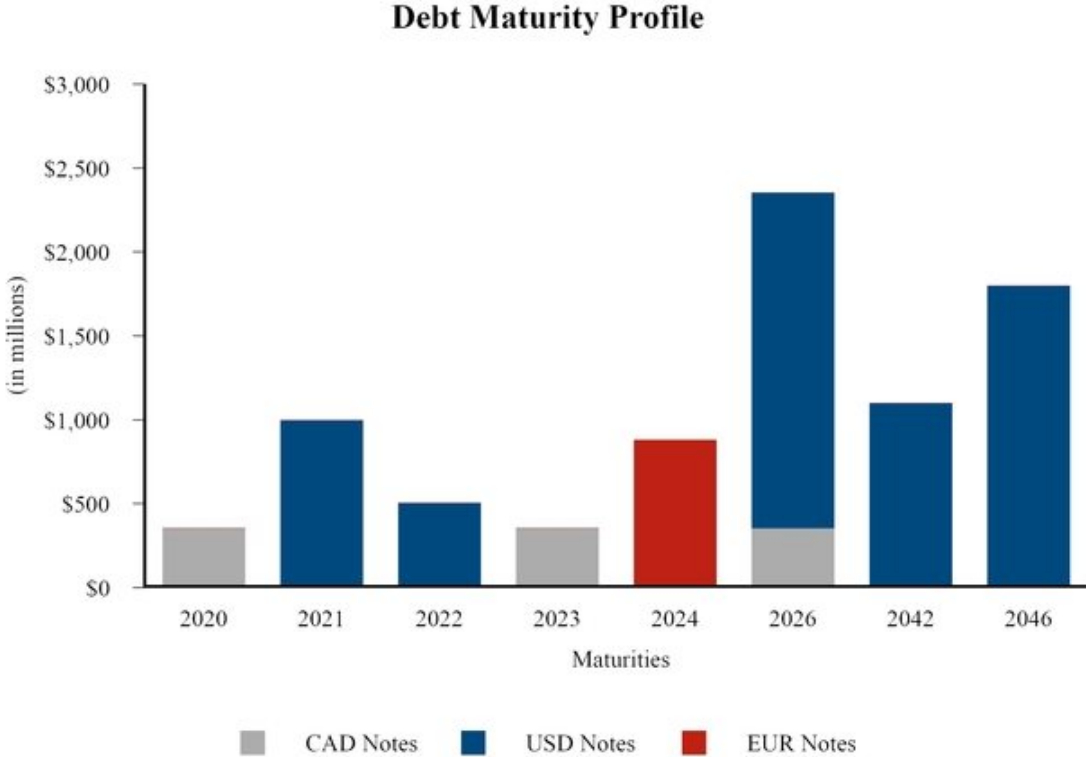
#### ***Cash and Cash Equivalents***

As of March 31, 2020, we had total cash and cash equivalents of \$666.1 million, compared to \$523.4 million as of December 31, 2019 and \$234.4 million as of March 31, 2019. The increase in cash and cash equivalents from December 31, 2019 was primarily driven by borrowings under our revolving credit facility and commercial paper program, partially offset by the repayment of debt, capital expenditures and dividend payments. The increase in cash and cash equivalents from March 31,

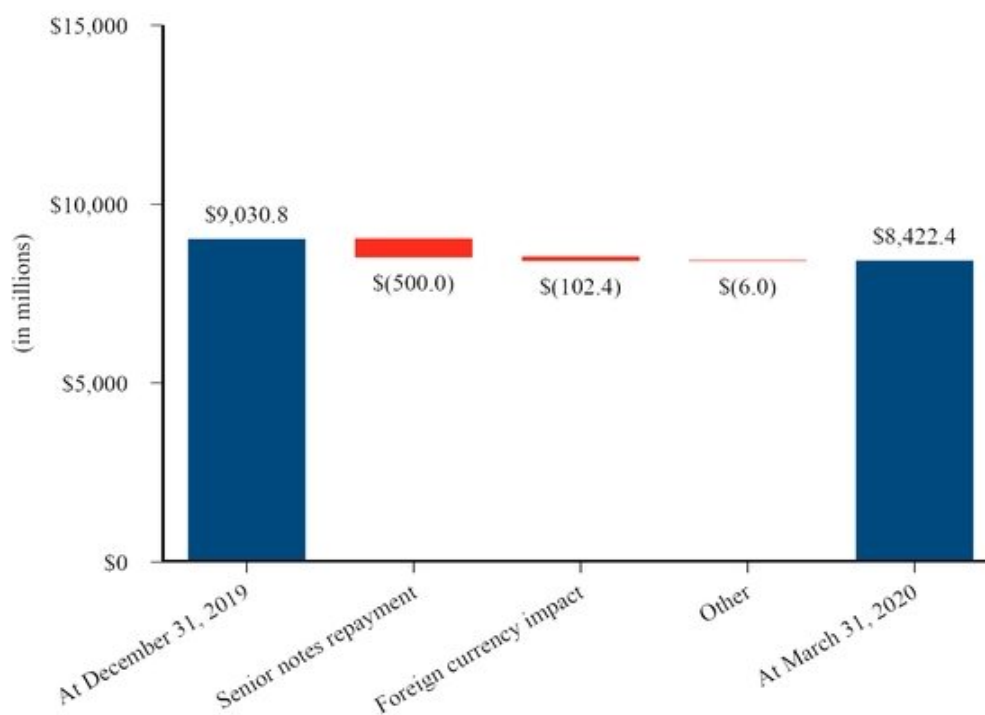
2019 was primarily driven by cash generated from operating activities and borrowings under our revolving credit facility, partially offset by lower borrowings under our commercial paper program, as well as debt repayments and dividend payments.

*Borrowings*

During the first quarter of 2020, we repaid our \$500 million 2.25% notes, which matured in March 2020. Notional amounts below are presented in USD based on the applicable exchange rate as of March 31, 2020. We have economically converted a portion of our \$1.0 billion 2.1% senior notes due 2021 to EUR denominated using cross currency swaps of \$400 million. Refer to Part I—Item 1. Financial Statements, [Note 8, "Debt"](#) for details



## Long-Term Debt



Based on the credit profile of our lenders that are party to our credit facilities, we are confident in our ability to continue to draw on our revolving credit facility if the need arises. As of March 31, 2020, we had \$474.5 million available to draw on our \$1.5 billion revolving credit facility, as we had approximately \$1.0 billion of borrowings drawn and the borrowing capacity is also reduced by borrowings under our commercial paper program. As of March 31, 2020, we had total outstanding borrowings under our commercial paper program of \$25.5 million. Subsequent to March 31, 2020, we made total net repayments of \$425.5 million on our outstanding commercial paper and revolving credit facility borrowings resulting in no outstanding commercial paper and \$600.0 million outstanding under our revolving credit facility. As such, as of April 30, 2020, we have \$900.0 million available to draw on our total \$1.5 billion revolving credit facility. We had no borrowings drawn on this revolving credit facility and no commercial paper borrowings as of December 31, 2019. In addition, we intend to further utilize our cross-border, cross currency cash pool as well as our commercial paper program for liquidity as needed. We also have JPY, CAD, GBP and USD overdraft facilities as well as an additional JPY line of credit across several banks should we need additional short-term liquidity.

Under the terms of each of our debt facilities, we must comply with certain restrictions. These include customary events of default and specified representations, warranties and covenants, as well as covenants that restrict our ability to incur certain additional priority indebtedness (certain thresholds of secured consolidated net tangible assets), certain leverage threshold percentages, create or permit liens on assets, and restrictions on mergers, acquisitions, and certain types of sale lease-back transactions. Additionally, under the \$1.5 billion revolving credit facility, the maximum leverage ratio as of March 31, 2020 is 4.25x net debt to EBITDA, with a decline to 4.00x net debt to EBITDA as of the last day of the fiscal quarter ending December 31, 2020. As of March 31, 2020 and December 31, 2019, we were in compliance with all of these restrictions, have met such financial ratios and have met all debt payment obligations. All of our outstanding senior notes as of March 31, 2020 rank pari-passu.

See Part I—Item 1. Financial Statements, [Note 8, "Debt"](#) for a complete discussion and presentation of all borrowings and available sources of borrowing, including lines of credit.

## Credit Rating

Our current long-term credit ratings are BBB-/Negative Outlook, Baa3/Stable Outlook and BBB(Low)/Stable Outlook with Standard & Poor's, Moody's and DBRS, respectively. Our short-term credit ratings are A-3, Prime-3 and R-2(low), respectively. A securities rating is not a recommendation to buy, sell or hold securities, and it may be revised or withdrawn at any time by the applicable rating agency.

## Foreign Exchange

Foreign exchange risk is inherent in our operations primarily due to the significant operating results that are denominated in currencies other than USD. Our approach is to reduce the volatility of cash flows and reported earnings which result from currency fluctuations rather than business related factors. Therefore, we closely monitor our operations in each country and seek to adopt appropriate strategies that are responsive to foreign currency fluctuations. Our financial risk management policy is intended to offset a portion of the potentially unfavorable impact of exchange rate changes on net income and earnings per share. See Part II —Item 8. Financial Statements and Supplementary Data, Note 16, "Derivative Instruments and Hedging Activities" of our Annual Report for additional information on our financial risk management strategies.

Our consolidated financial statements are presented in USD, which is our reporting currency. Assets and liabilities recorded in foreign currencies that are the functional currencies for the respective operations are translated at the prevailing exchange rate at the balance sheet date. Translation adjustments resulting from this process are reported as a separate component of other comprehensive income. Revenue and expenses are translated at the average exchange rates during the respective period throughout the year. Gains and losses from foreign currency transactions are included in earnings for the period. The significant exchange rates to the USD used in the preparation of our consolidated financial results for the primary foreign currencies used in our foreign operations (functional currency) are as follows:

	Three Months Ended	
	March 31, 2020	March 31, 2019
<b>Weighted-Average Exchange Rate (1 USD equals)</b>		
Canadian Dollar (CAD)	1.35	1.34
Euro (EUR)	0.90	0.88
British Pound (GBP)	0.80	0.77
Czech Koruna (CZK)	22.92	22.60
Croatian Kuna (HRK)	6.77	6.53
Serbian Dinar (RSD)	106.61	104.06
Romanian Leu (RON)	4.35	4.15
Bulgarian Lev (BGN)	1.77	1.72
Hungarian Forint (HUF)	306.74	279.72

	As of	
	March 31, 2020	December 31, 2019
<b>Closing Exchange Rate (1 USD equals)</b>		
Canadian Dollar (CAD)	1.41	1.30
Euro (EUR)	0.91	0.89
British Pound (GBP)	0.81	0.75
Czech Koruna (CZK)	24.80	22.70
Croatian Kuna (HRK)	6.91	6.63
Serbian Dinar (RSD)	106.50	104.93
Romanian Leu (RON)	4.38	4.27
Bulgarian Lev (BGN)	1.77	1.74
Hungarian Forint (HUF)	326.95	295.21

The weighted-average exchange rates in the above table have been calculated based on the average of the foreign exchange rates during the relevant period and have been weighted according to the foreign denominated earnings from operations of the USD equivalent. During the first quarter of 2020, the coronavirus pandemic has resulted in increased

volatility in exchange rates including the weakening of the CAD and GBP versus the USD. If foreign currencies in the countries in which we operate devalue significantly in future periods, most significantly the CAD, GBP and other European operating currencies included in the above table, then the impact on USD reported earnings may be material.

### **Capital Expenditures**

We incurred \$171.8 million, and have paid \$225.1 million, for capital improvement projects worldwide in the three months ended March 31, 2020, excluding capital spending by equity method joint ventures, representing an increase of \$76.1 million from the \$95.7 million of capital expenditures incurred in the three months ended March 31, 2019. This increase was primarily due to the timing of projects, including the on-going construction of the new brewery in Longueuil, Quebec and increased investments to modernize our Golden, Colorado brewery.

As a partial mitigating action to prepare to offset some of the financial implications of the coronavirus pandemic, we have reduced our capital expenditure plans by approximately \$200 million for full year 2020, based on foreign exchange rates as of March 31, 2020. This expectation includes capital expenditures associated with the construction of our new Longueuil, Quebec brewery, which is under construction and not currently expected to be completed until 2021, and increased investment to modernize our Golden, Colorado brewery, which began in the fourth quarter of 2019. However, certain aspects of both projects are currently delayed and may continue to be delayed as a result of the pandemic.

We are currently focused on navigating these recent challenges presented by the coronavirus pandemic. Specifically, we have considered various actions that may be needed in relation to mitigation efforts, such as, but not limited to, reducing and/or delaying discretionary capital expenditure spend.

In light of this, we have heightened our focus on where and how we employ our remaining planned capital expenditures, with an emphasis on strengthening our focus on required returns on invested capital as we determine how to best allocate cash within the business.

### **Contractual Obligations and Commercial Commitments**

There were no material changes to our contractual obligations and commercial commitments outside the ordinary course of business or due to factors similar in nature to inflation, changing prices on operations or changes in the remaining terms of the contracts since December 31, 2019, as reported in Part II - Item 7. Management's Discussion and Analysis, Contractual Obligations and Commercial Commitments in our Annual Report, with the exception of the repayment of our \$500 million 2.25% notes during the first quarter of 2020. However, we are currently reviewing and monitoring our contractual obligations and commitments relative to the potential considerations resulting from the on-going coronavirus pandemic.

### **Guarantees**

We guarantee indebtedness and other obligations to banks and other third parties for some of our equity method investments and consolidated subsidiaries. See Part I - Item 1. Financial Statements, [Note 12, "Commitments and Contingencies"](#) for further discussion.

### **Contingencies**

We are party to various legal proceedings arising in the ordinary course of business, environmental litigation and indemnities associated with our sale of Kaiser to FEMSA. See Part I—Item 1. Financial Statements, [Note 12, "Commitments and Contingencies"](#) for further discussion.

### **Off-Balance Sheet Arrangements**

Refer to Part II—Item 8 Financial Statements, Note 18, "Commitments and Contingencies" in our Annual Report for discussion of off-balance sheet arrangements. As of March 31, 2020, we did not have any other material off-balance sheet arrangements (as defined in Item 303(a)(4)(ii) of Regulation S-K).

### **Outlook**

We are actively monitoring the impact of the novel coronavirus pandemic which has changed the landscape of our business. We currently expect a significant adverse impact, particularly in the second quarter of 2020, to both net sales and profit performance for fiscal year 2020, and, possibly, beyond, due to the resulting closure of the on-premise channel in effectively all of our markets, as well as the anticipated negative impact of the pandemic on the global economy. Specifically, we estimate that approximately 23% of our 2019 consolidated net sales resulted from on-premise consumption, with approximately 17% of our North America net sales and approximately 50-55% of our Europe net sales each coming from this important part of the industry, and in nearly all of our markets the on-premise business has been effectively reduced to zero.

In April 2020, the impacts of the coronavirus pandemic have continued to significantly adversely affect the on-premise channel, which continues to be effectively closed across all of our markets, and the benefit of pantry loading to our North America STR performance at the end of March has not continued. While off-premise sales continue to perform well, we do not expect them to fully offset the loss of the on-premise volume. Specifically, for the first four weeks of April 2020, in North America, we estimate that U.S. STRs were down approximately 14%, driven by lower premium and above premium brand trends, with economy brand performance down approximately 4% in the four weeks. In the U.S. we continue to see strong STR trends in the off-premise channel, but these trends are not fully offsetting the effective elimination of on-premise sales. We expect the negative on-premise trends in the U.S. to continue while social isolation continues to be practiced and expect that any increase in total off-premise volumes due to channel shifting will not be sufficient to offset the losses experienced in the on-premise. We estimate that this will result in negative trends in volume, net sales, and mix versus our prior estimates and expect these trends to continue at least through the end of the year and in particular in the second quarter. Separately, in Europe, we estimate that brand volumes are down approximately 40% for the first four weeks of April 2020.

The extent, severity and duration to which our operations will be impacted by the pandemic remains uncertain. Therefore, we withdrew our financial outlook for 2020 and beyond and the market remains too unpredictable to provide updated detailed financial outlook. However, we have provided the above information on early indications of the impact on our April performance in response.

We are taking various mitigating actions to prepare to offset some of the implications to our employees and communities, as well as the immediate challenges to performance, while also ensuring liquidity and deleverage remain key priorities, including:

- Taking the necessary steps to protect our employees by implementing additional health and safety measures in breweries and distribution centers, instituting a paid leave policy, voluntary paid leave program and "thank you" pay incentive for certain essential brewery employees,
- Supporting our local communities with charitable efforts including providing fresh water and hand sanitizer,
- Taking a number of financial actions to protect our balance sheet, financial performance and position our business to succeed in the long-term, including:
  - Reducing 2020 capital expenditures by approximately \$200 million,
  - Substantially reducing discretionary spending, limiting new hiring, and significantly decreasing marketing spend corresponding to the current environment,
  - Furloughing certain employees in our Europe business and North America hospitality businesses,
  - Shifting marketing investments to focus on our key media platforms that our consumers are at and eliminating spend that will not deliver value in the current environment,
  - Using savings from our revitalization program to protect our cash and liquidity position, given the uncertainty in the economy,
  - Utilizing our revolving credit facility when necessary and leveraging government payment deferral programs to provide enhanced financial flexibility and short-term liquidity, and,
  - In addition, we and our Board are actively evaluating various capital allocation options, including a suspension, reduction or temporary elimination of our dividend.
- Beyond the products we have in the market, we are also adapting the way we get them to consumers by accelerating our e-commerce efforts, subject to relevant government regulations. We are partnering with a number of alcohol delivery platforms and other click and mortar retail sites to merchandise and make it easier to find our beers online. We are launching new e-commerce tools like a product locator for online purchases.

This is a very fluid situation, as governments and companies evaluate the impacts of the pandemic and prepare for the re-opening of the economy. We will continue to take prudent and proactive actions which are in the best interests of the Company, our employees, consumers, customers and our stockholders as things become clearer in this rapidly evolving situation. Our decisions will be guided by, and consistent with, the Company's overall financial discipline, ensuring adequate liquidity and our continued desire to maintain our investment grade rating. As we contemplate taking additional actions to navigate this unprecedented environment, we remain mindful of not taking any steps that would have unintended negative ramifications to our business or that would jeopardize our medium or long-term success.

### **Critical Accounting Estimates**

Our accounting policies and accounting estimates critical to our financial condition and results of operations are set forth in our Annual Report and did not change during the first quarter of 2020, except as noted below. See Part I—Item 1. Financial Statements, [Note 2, "New Accounting Pronouncements"](#) for discussion of recently adopted accounting pronouncements. See

also Part I—Item 1. Financial Statements, [Note 7, "Goodwill and Intangible Assets"](#) for discussion of the interim impairment analysis performed as of January 1, 2020 as a result of our change in reporting units and aggregation of the *Coors* indefinite-lived intangible brand assets, and the related risks to our indefinite-lived intangible brand assets and goodwill amounts associated with our reporting units.

### New Accounting Pronouncements Not Yet Adopted

See Part I—Item 1. Financial Statements, [Note 2, "New Accounting Pronouncements"](#) for a description of all new accounting pronouncements.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we actively manage our exposure to various market risks by entering into various supplier-based and market-based hedging transactions, authorized under established risk management policies that place clear controls on these activities. Our objective in managing these exposures is to decrease the volatility of our earnings and cash flows due to changes in underlying rates and costs.

The counterparties to our market-based transactions are generally highly rated institutions. We perform assessments of their credit risk regularly. Our market-based transactions include a variety of derivative financial instruments, none of which are used for trading or speculative purposes.

For details of our derivative instruments that are presented on the balance sheet, including their fair values as of period end, see Part I—Item 1. Financial Statements, [Note 11, "Derivative Instruments and Hedging Activities."](#) On a rolling twelve-month basis, maturities of derivative financial instruments held on March 31, 2020, based on foreign exchange rates as of March 31, 2020, are as follows:

Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
(In millions)				
\$ (400.0)	\$ (91.1)	\$ (116.6)	\$ —	\$ (192.3)

#### *Sensitivity Analysis*

Our market risk sensitive derivative and other financial instruments, as defined by the SEC, are debt, foreign currency forward contracts, commodity swaps, commodity options, cross currency swaps, forward starting interest rate swaps and warrants. We monitor foreign exchange risk, interest rate risk, commodity risk, equity price risk and related derivatives using a sensitivity analysis.

The following table presents the results of the sensitivity analysis, which reflects the impact of a hypothetical 10% adverse change in each of these risks to our derivative and debt portfolio, with the exception of interest rate risk to our forward starting interest rate swaps in which we have applied an absolute 1% adverse change to the respective instrument's interest rate:

	As of	
	March 31, 2020	December 31, 2019
(In millions)		
<b>Estimated fair value volatility</b>		
Foreign currency risk:		
Forwards	\$ (20.7)	\$ (25.8)
Foreign currency denominated debt	\$ (171.2)	\$ (194.2)
Cross currency swaps	\$ (38.2)	\$ (89.2)
Interest rate risk:		
Debt	\$ (256.4)	\$ (255.4)
Forward starting interest rate swaps	\$ (189.2)	\$ (150.4)
Commodity price risk:		
Commodity swaps	\$ (49.9)	\$ (52.9)
Commodity options	\$ —	\$ —
Equity price risk:		
Warrants	\$ (0.2)	\$ (0.6)

The volatility of the applicable rates and prices are dependent on many factors that cannot be forecast with reliable accuracy. Therefore, actual changes in fair values could differ significantly from the results presented in the table above.

#### ITEM 4. CONTROLS AND PROCEDURES

##### *Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) under the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2020 to provide reasonable assurance that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures that, by their nature, can only provide reasonable assurance regarding management's control objectives. Also, we have investments in certain unconsolidated entities that we do not control or manage.

##### *Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the three months ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

For information regarding litigation, other disputes and environmental and regulatory proceedings see Part I—Item 1. Financial Statements, [Note 12, "Commitments and Contingencies."](#)

We are also involved in other disputes and legal actions arising in the ordinary course of our business. While it is not feasible to predict or determine the outcome of these proceedings, in our opinion, based on a review with legal counsel, none of these disputes and legal actions are expected to have a material impact on our business, consolidated financial position, results



of operations or cash flows. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business.

## ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report and the risk factor noted below, you should carefully consider the factors discussed in Part I—Item 1A. "Risk Factors" in our Annual Report, which could materially affect our business, financial condition and/or future results and may be further impacted by the coronavirus pandemic. The risks described in our Annual Report and herein are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, cash flows and/or future results.

***The novel coronavirus pandemic, efforts to mitigate or disrupt the pandemic and related weak, or weakening of, economic or other negative conditions, have disrupted, and may continue to disrupt our business, which could have a material adverse effect on our operations, liquidity, financial condition and financial results.***

Our business has been, and we currently expect will continue to be, materially and adversely affected by the coronavirus pandemic and related weak, or continued weakening of, economic or other negative conditions, particularly in regions where we derive a significant amount of our revenue or profit or where our suppliers and business partners are located, including, in North America and Europe. Specifically, the coronavirus pandemic has been, and may continue to cause a disruption to our business and potential associated financial impacts include, but are not limited to, lower net sales in markets affected by the pandemic, including potential material shifts in, and impacts to, demand, the inability to sell our products to on-premise consumers and further disruption to the on-premise channel, the delay of, and potential increased costs related to, inventory production and fulfillment, including packaging availability impacted by package mix shifts related to off-premise demand and lower return rates of our returnable packaging in certain markets, potentially impacting net sales and cost of goods globally and potential incremental costs associated with mitigating the effects of the pandemic, including increased raw materials, freight and logistics costs and other expenses. Continued disruption and declines in the global economy could also impact our customers' liquidity and capital resources and therefore our ability to collect, or the timeliness of collection of our accounts receivable from them, which may have a material adverse impact on our performance, cash flows and capital resources. The coronavirus pandemic is ongoing, and its dynamic nature, including uncertainties relating to the ultimate spread of the virus, the severity of the disease, the duration of the pandemic and related prolonged weakening of economic or other negative conditions, such as a recession or slowed economic growth in our markets, and actions that may be taken by governmental authorities to contain the pandemic or to mitigate its impact, makes it difficult to forecast any effects on our results of operations for 2020 and in subsequent years. However, we currently expect our results of operations for 2020 to be significantly affected.

Specifically, difficult macroeconomic conditions in our markets, such as further decreases in per capita income and level of disposable income, increased and prolonged unemployment or a further decline in consumer confidence as a result of the coronavirus pandemic, as well as limited or significantly reduced points of access of our product, could continue to have a material adverse effect on the demand for our products. Under difficult economic conditions, consumers may continue to seek to reduce discretionary spending by forgoing purchases of our products or by shifting away from our above-premium products to lower-priced products offered by us or other companies, negatively impacting our net sales and margins. Softer consumer demand for our products, particularly in North America, could reduce our profitability and could negatively affect our overall financial performance. A significant portion of our consolidated net sales revenues are concentrated in the United States and Europe, where the coronavirus pandemic impacts have been significant. Therefore, unfavorable macroeconomic conditions, in the U.S. and Europe, including as a result of the coronavirus pandemic and any resulting recession or slowed economic growth, have had, and could continue to have, an outsized negative impact on us. In addition, difficult economic conditions may have a negative impact on our ability to access capital markets and other funding sources, on acceptable terms or at all, should we seek future financing. Additionally, we may have unexpected costs and liabilities; revenue and cash provided by operations may decline; macroeconomic conditions may continue to weaken; prolonged and severe levels of unemployment may negatively impact our consumers; and competitive pressures may increase, resulting in difficulty maintaining adequate liquidity and meeting our deleverage commitments and as a result, our credit ratings could be downgraded, which would adversely impact our business, including by increasing our costs of future borrowing and harming our ability to refinance our debt in the future on acceptable terms or access the capital markets, if we are able to obtain additional financing on terms that are acceptable to us at all. Further, should the impacts of the pandemic and resulting performance adversely affect our ability to remain compliant with our covenants in our revolving credit facility agreement and absent a waiver or amendment from participating lenders, the outstanding borrowings on our revolving credit facility agreement may become immediately due. Such events may additionally trigger an event of default on our senior notes resulting in the potential acceleration of amounts due thereunder.

In addition, the coronavirus pandemic and related efforts to mitigate its spread, have impacted, and may continue to impact for the foreseeable future, customer traffic to the on-premise channel, which includes bars, restaurants and sporting, festival and other large venues. Many governmental authorities in our North America and Europe businesses have required that bars and restaurants close or cease sit-down service, which has negatively impacted and we expect will continue to negatively impact on-premise sales of our beverages and incur costs to repurchase products that on-premise accounts or distributors were unable or prohibited from selling as a result of the governmental regulations. Other restaurants and bars have also implemented closures and/or modified their hours, either voluntarily or as a result of governmental orders or quarantines. Such closures have continued through the date of this report and we currently expect that they may continue for an unknown period. In addition, sporting events, festivals and other large public gatherings where our products are served have been canceled throughout North America and Europe. Additionally, these and other governmental or societal impositions of restrictions on public gatherings, especially if prolonged in nature, will have adverse effects on on-premise traffic and, in turn, our business. Even if such measures are not implemented and coronavirus does not spread more significantly, or if after the pandemic has initially subsided, fear of re-occurrence or the perceived risk of infection or health risk may adversely affect traffic to the on-premise channel and, in turn, may have a material adverse effect on our business, liquidity, financial condition and results of operations, particularly if any self-imposed or governmental changes are in place for a significant amount of time.

Moreover, our operations could be disrupted by our employees or employees of our business partners, including our supply chain partners, being diagnosed with coronavirus or were suspected of having coronavirus or other illnesses since this could require us or our business partners to quarantine some or all such employees or close and disinfect our or their facilities. If a significant percentage of our workforce or the workforce of our business partners are unable to work or if we or our business partners are required to close our or their production facilities, including because of illness or travel or government restrictions in connection with the coronavirus pandemic, our operations, including manufacturing and distribution capabilities, may be negatively impacted, potentially materially adversely affecting our business, liquidity, financial condition or results of operations.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **ITEM 5. OTHER INFORMATION**

None.

## ITEM 6. EXHIBITS

The following are filed or incorporated by reference as a part of this Quarterly Report on Form 10-Q:

### (a) Exhibits

Exhibit Number	Document Description
10.1*	<a href="#">Option Agreement, dated as of January 6, 2020, by and among MillerCoors LLC, MillerCoors USA LLC and Pabst Brewing Company, LLC.</a>
10.2**	<a href="#">Executive Employment Offer Letter, dated November 17, 2019, by and between Molson Coors Brewing Company and E. Lee Reichert.</a>
10.3**	<a href="#">Executive Employment Offer Letters, dated November 17, 2019 and January 12, 2019, by and between Molson Coors Brewing Company and Michelle St. Jacques.</a>
31.1	<a href="#">Section 302 Certification of Chief Executive Officer.</a>
31.2	<a href="#">Section 302 Certification of Chief Financial Officer.</a>
32	<a href="#">Written Statement of Chief Executive Officer and Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 USC, Section 1350).</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.***
101.SCH	XBRL Taxonomy Extension Schema Document.***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.***
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.***
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.***
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.***

\* This filing excludes certain schedules and exhibits pursuant to Item 601(b)(2) of Regulation S-K, which the registrant agrees to furnish supplementally to the SEC upon request by the SEC.

\*\* Represents a management contract or a compensatory plan or arrangement.

\*\*\* Attached as Exhibit 101 to this report are the following documents formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Unaudited Condensed Consolidated Statements of Operations, (ii) the Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) the Unaudited Condensed Consolidated Balance Sheets, (iv) the Unaudited Condensed Consolidated Statements of Cash Flows, (v) the Unaudited Condensed Consolidated Statements of Stockholders' Equity and Noncontrolling Interests, (vi) the Notes to Unaudited Condensed Consolidated Financial Statements, and (vii) document and entity information.

**SIGNATURE**

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 BEVERAGE COMPANY

By:

/s/ BRIAN C. TABOLT

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Brian C. Tabolt  
*Vice President and Controller*  
*(Principal Accounting Officer)*  
April 30, 2020

## OPTION AGREEMENT

This Option Agreement (including all Schedules, exhibits and annexes attached hereto or referenced herein, which in each case are made a part hereof, this “**Agreement**”) is entered into and effective as of January 6, 2020 (the “**Effective Date**”) by and between Pabst Brewing Company, LLC, a Delaware limited liability company (“**Pabst**”), MillerCoors LLC, a Delaware limited liability company (“**MillerCoors**”) and MillerCoors USA LLC, a Delaware limited liability company (“**Optionor**”). Each of Pabst, MillerCoors and Optionor may be referred to herein collectively as the “**Parties**” and separately as a “**Party**.”

### RECITALS

WHEREAS, MillerCoors and Pabst entered into a Settlement Agreement dated as of the date hereof (the “**Settlement Agreement**”);

WHEREAS, Optionor owns the fee simple interest in and to the parcels of real property as legally described in Exhibit A attached hereto and incorporated herein by reference (the “**Land**”), together with all buildings and improvements located thereon (the “**Improvements**”), which Improvements include the brewery at 81 East First Street and 15801 First Street in Irwindale, California (the “**Brewery**”);

WHEREAS, in accordance with the terms provided for herein, Optionor and MillerCoors hereby agree to grant to Pabst an option to acquire the Purchased Assets (as hereinafter defined), which includes the Brewery and certain additional assets, and Pabst hereby agrees to accept the option to acquire the Purchased Assets, upon the terms and provisions set forth more fully below; and

WHEREAS, capitalized terms have the meanings ascribed to them in this Agreement, including in Annex A hereto.

NOW, THEREFORE, for good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged by the Parties, the Parties hereto agree as follows:

#### 1. OPTION GRANT; TERM; EXERCISE NOTICE; CLOSING.

**1.1 Option Grant.** Optionor and MillerCoors hereby grant Pabst an option (the “**Option**”) to purchase, subject to and in accordance with the terms of this Agreement (including, without limitation, the conditions precedent contained in Section 7.2 below), all of the Optionor’s right, title and interest in and to the Purchased Assets. The purchase price for the Purchased Assets shall be One Hundred Fifty Million and No/100 US Dollars (\$150,000,000.00) (the “**Purchase Price**”), subject to adjustment in accordance with Article 9. No later than sixty (60) days following the Exercise Date (as defined below), Optionor shall deliver to Pabst a valuation study by a third-party appraiser allocating the Purchase Price among the Purchased Assets (the “**Allocation Appraisal**”). Optionor shall choose the third party appraiser (i) with the prior written consent of Pabst (not to be unreasonably withheld) for any nationally recognized appraiser of breweries or (ii) in its sole discretion for any “Big Four” accounting firm. Pabst shall have fifteen (15) days thereafter

to review and raise any objections with respect to the Allocation Appraisal. If Pabst does not timely raise any objections, Pabst will be deemed to have approved the Allocation Appraisal as delivered by Optionor for purposes of: (i) the filing of all tax returns and any other forms relating to state and federal income taxes, transfer taxes, excise taxes, sales taxes and/or similar taxes in the event of a Closing (such returns and forms, the “**Tax Returns**”) and (ii) valuing the Land other than the Pits for purposes of Section 1.10(a). If Pabst raises any such objections, Pabst and Optionor shall, for the thirty (30) days thereafter, exercise good faith efforts to resolve those objections, and, if Pabst and Optionor cannot resolve any disagreements relating to the Allocation Appraisal within such thirty (30)-day period, Pabst and Optionor shall submit the matter for resolution to the Independent Accountants as provided in Section 12.5 below, who shall in such case make the final determination with respect to the Allocation Appraisal. Each of the Parties shall file all Tax Returns and other forms with all applicable tax authorities on a basis consistent with the Allocation Appraisal.

## 1.2 Purchased Assets.

(a) The Purchased Assets shall include the Land, the Improvements (including, without limitation, the Brewery) and all rights, privileges and easements appurtenant to Optionor’s interest in the Land and the Improvements, including (without limitation) all of Optionor’s right, title and interest, if any, in and to all mineral and water rights and all easements, covenants and other rights of way or other appurtenances used in connection with the beneficial use and enjoyment of the Land and the Improvements, including (without limitation) any easements for parking, accesses or utilities (the Land, the Improvements and all such easements, rights and appurtenances, collectively, the “**Real Property**”), together with the following assets (hereinafter referred to collectively with the Real Property as the “**Purchased Assets**”):

- (i) Brewery Assets. All of the owned machinery, equipment (including, for the avoidance of doubt, the keg line and all equipment (including the CIP system) related thereto), furniture, fixtures, trade fixtures, maintenance, repair and operations inventory (“**MRO Inventory**”; MRO Inventory, for the avoidance of doubt, shall not be considered inventory for purposes of Section 1.2(c)(v)), improvements, office equipment, office supplies, and other tangible personal property, which are used primarily in the operation of the Brewery (including without limitation the manufacturing, packaging, bottling, canning, and distribution processes) and are located on or at the Real Property (collectively, with the computer equipment described in (iii) below, and excluding, for the avoidance of doubt, the Excluded Assets, the “**Brewery Assets**”), provided that Brewery Assets shall not include any property that is leased by an Optionor Party from a third party, it being understood that the scope of leased Purchased Assets is provided for below in Section 1.2(a)(ii).
- (ii) Leased Assets and Equipment Leases. All rights and interest in and to all equipment leases and other leases for Leased Assets located on or at the Real Property and used primarily at the Real Property, (the

“**Equipment Leases**”), to the extent assignable and save and except the Cancelled Contracts; provided that any equipment leases and/or master equipment leases which include any equipment located outside of the Real Property (the “**Master Leases**”) shall not be transferred.

- (iii) Computer Equipment. (1) All (x) computer equipment located on or at the Real Property and used in Brewery operations specifically designated as “Brewery” and containing a “Y” in Column H, in Schedule 1.2(a)(iii) attached hereto (collectively, “**Brewery Computer Equipment**”) that is owned by Optionor or MillerCoors and (y) all rights and interest in and to all leases and licenses (if any) for Brewery Computer Equipment, to the extent assignable and save and except the Cancelled Contracts, and (2) all software (i) applications contained in the Brewery Computer Equipment or (ii) designated as “Brewery” and containing a “Y” in Column G in Schedule 1.2(a)(iii) attached hereto (collectively “**Transferred Software**”), save and except the Cancelled Contracts, provided that the Transferred Software shall only include software subject to the ability to transfer such software to Pabst, and subject to consents of third parties as necessary. For the avoidance of doubt, Transferred Software does not include proprietary data that includes MillerCoors' competitively sensitive information as determined by MillerCoors, including without limitation, specifications, recipes and formulas that are not used to produce Pabst beer.
- (iv) Union Contracts. All right, title and interest in and to any agreements with any union, including collective bargaining agreements, side letters and memoranda of understanding covering employees located at the Brewery as written on the Effective Date with any amendments as required by law or as mandated by amendments to or otherwise required by a Union Employee Benefit Plan (the “**Union Contracts**”), as such contracts may be amended at or prior to Closing by Pabst (subject to the terms of Section 1.7(d) and paragraph (c) of Schedule 1.4).
- (v) Service Contracts. All right, title and interest in and to all service contracts and maintenance contracts pertaining primarily to the Purchased Assets (the “**Service Contracts**”), to the extent assignable, and all warranties, guarantees, and other agreements pertaining solely to the Purchased Assets, to the extent assignable, in all cases save and except the Cancelled Contracts.
- (vi) Licenses and Permits. All licenses, permits, approvals, qualifications, registrations and governmental authorizations (the “**Permits**”)

related primarily to the Purchased Assets, but (subject to Sections 4.2 and 7.1(e)) only to the extent assignable or transferable, and, further, not including any licenses and/or permits issued by the Alcohol and Tobacco Tax and Trade Bureau or any state alcoholic beverage commission (the “**TTB Licenses**”).

- (vii) Records. All engineering data, designs, drawings, surveys, maintenance records, equipment manuals and equipment records to the extent related solely to the Purchased Assets (“**Records**”), but subject to Section 4.4, not including formulas, competitively sensitive information, accounting records, recipes, and/or trade secrets of Optionor, MillerCoors and/or their Affiliates or any employment information of any employee or former employee of MillerCoors or any of its Affiliates. Notwithstanding the foregoing, Purchased Assets shall include the relevant employment information and records of current employees of Optionor, MillerCoors and/or their Affiliates who consent in writing to the transfer of such information/records.
- (viii) Non-union Benefit Plans. The Kaiser Permanente Traditional HMO Plan (the “**Kaiser Plan**”), to the extent such plan is assignable.
- (ix) Union Employee Benefit Plans. All rights to the Multiemployer Plans provided under any of the collective bargaining agreements with the unions at the Brewery, as amended pursuant to Section 1.2(a)(iv) (each, a “**Union Employee Benefit Plan**”).
- (x) Leases. Subject to Section 1.8, all space leases, subleases, licenses and other occupancy agreements, together with any and all amendments, modifications or supplements thereto and guaranties related thereto, relating to the Purchased Assets or any portion thereof and pursuant to which Optionor or any Optionor Party is lessor or sublessor and the counterparty thereunder is not an Optionor Party (the “**Leases**”).
- (xi) Keg and Pallets. Any 1/2 barrel kegs and pallets associated with such kegs located at the Real Property.
- (xii) Greenhouse Credits. All greenhouse gas emission credits, carbon credits or similar environmental tax credits related to the Brewery and allocated to the Brewery for periods from and after Closing.

Notwithstanding anything to the contrary in this Section 1.2(a), the Purchased Assets shall not include any assets located as of the Effective Date at any brewery other than the Brewery.

(b) The Purchased Assets may be subject to the Permitted Liens. As used herein, the term “**Permitted Liens**” shall mean (i) statutory liens for current taxes, assessments, fees and



other charges by Governmental Entities that are not due and payable as of the Closing Date, (ii) zoning restrictions, building codes and other land use laws regulating the use or occupancy of the Brewery or activities conducted thereon, (iii) easements, rights of way, imperfections in title, covenants, conditions, encroachments, restrictions, and similar encumbrances against real property, in each case of record as of the Exercise Date and which do not, individually or in the aggregate, hinder the use or operation of the Purchased Assets, (v) any survey matters which would be revealed, as of the Exercise Date, by an accurate ALTA/ACSM survey of the Brewery; and (vi) those statutory and contractual liens granted by Optionor to any lessor or licensor under any leases or licenses assumed by Pabst under Section 1.2 (provided that any such statutory or contractual liens granted in violation of Article 4 shall not be considered Permitted Liens). For purposes of clarity, Permitted Liens shall mean all matters disclosed in the title commitment and surveys obtained by Pabst prior to the Exercise Date, other than the Mandatory Cure Items, as hereinafter defined. Notwithstanding the foregoing, Optionor shall be required prior to the Closing to cure and cause the removal from title to the Real Property of all monetary liens related to the Real Property or any portion of the Purchased Assets, including without limitation all mortgage liens, mechanic's liens and judgment liens suffered or incurred (or arising from actions or omissions) by Optionor or its Affiliate (“**Mandatory Cure Items**”), and, notwithstanding anything to the contrary herein, Mandatory Cure Items shall not constitute Permitted Liens.

(c) Notwithstanding the foregoing, the following assets of Optionor (the “**Excluded Assets**”) shall not be transferred to Pabst even though they may relate primarily to a Purchased Asset:

- (i) Cash. All cash, cash equivalents, bank accounts and securities.
- (ii) All prepaid expenses. Subject to the provisions of Article 9, all (A) prepaid expenses and advance payments in respect of periods following the Closing Date, and (B) security deposits.
- (iii) Accounts Receivable. All accounts receivables, notes receivables, affiliate receivables, and similar rights of Optionor.
- (iv) TTB Licenses. The TTB Licenses.
- (v) Inventory. All inventory (but not MRO Inventory), finished goods and work in progress, other than the specific kegs and related pallets described in Section 1.2(a)(xi).
- (vi) [Omitted.]
- (vii) Raw Materials. All of the raw materials, including without limitation, Optionor's hops, its wort streams, its yeasts, its cans, its bottles and its ingredients.
- (viii) Software. All software and all right, title and interest in and to all the software licenses for any software located or used at the Brewery

that are, in each case, identified in Schedule 1.2(a)(iii) and containing an “N” in column G attached hereto (the “**Excluded Software**”) and any software located or used at the Brewery which cannot be transferred to Pabst under the terms of the applicable agreement or for which a consent from the third party provider has not been obtained at or prior to the Closing.

- (ix) Computer Equipment. All (A) laptops, (B) all computer equipment which is not located at the Real Property and (C) if Optionor discovers additional computer equipment at the Brewery after the Effective Date (i.e., equipment not referenced as of the Effective Date on Schedule 1.2(a)(iii)), and if in each case such additional equipment is not integral to Brewery operations, then any such additional equipment of which MillerCoors notices Pabst in writing that it is excluding pursuant to this Section 1.2(a)(ix) within sixty (60) days of the Effective Date (collectively, “**Excluded Computer Equipment**”).
- (x) Employee Benefit Plans. All employee benefit plans, programs or arrangements providing for compensation, bonuses, profit sharing, stock option or other forms of deferred compensation, fringe benefits, health or medical benefits, employee assistance program, disability or sick leave benefits, workers’ compensation, supplemental unemployment benefits, severance benefits and post-employment or retirement benefits (including compensation, pension, health, medical or life insurance benefits), including any assets related to such employee benefit plans; provided that the benefit plans listed as Purchased Assets would be transferred.
- (xi) Intellectual Property Assets. All of the U.S. and foreign patents, patent applications, trademarks, trademark registrations, trademark applications, copyrights, copyright registrations, copyright applications, mask works, service marks, service mark registrations, service mark applications, European Community design rights, domain names, web sites, trade names, inventions, research and development, discoveries, and recipes, formula, trade secrets, know-how, proprietary information, confidential information, technical knowledge, advertising rights, goodwill and related rights of the Optionor, MillerCoors and/or their Affiliates (collectively, the “**Intellectual Property**”); provided that any DBA filings, if any, with the Los Angeles County Registrar’s office related to Pabst or any Pabst products and any derivations thereof shall not be Excluded Assets.

- (xii) Retained Entities. Any right, title and interest in any entity owned directly or indirectly by Molson Coors Beverage Company.
- (xiii) MillerCoors USA. Optionor's franchise to be a limited liability company, organizational costs, certificate of formation, operating agreement, minute books, corporate seals and other corporate records having to do with its organization and capitalization.
- (xiv) Rights. All rights to any action, suit or claim of any nature available to or being pursued by Optionor, whether arising by way of counterclaim or otherwise.
- (xv) Retained Breweries. All right, title and interest in any breweries, other than the Brewery.
- (xvi) Real Estate Leases. All right, title and interest in and to any real estate leases not demising the Purchased Assets or any portion thereof.
- (xvii) Certain Intangible Assets. All (A) customer and distributor lists, (B) supplier lists, other than any specific suppliers whose raw materials are used in the operation of the Brewery, and (C) research and development materials unrelated to the brewing of Pabst products.
- (xviii) Taxes. All tax refunds, credits and prepayments relating to the period on or prior to the Closing Date.
- (xix) Records. All books of account, ledgers, billing records, accounting records, correspondence, manuals, marketing and sales literature, and other books and records of Optionor, including any information containing any confidential information, formulas and/or trade secrets of Optionor, MillerCoors and/or their Affiliates, in each case not relating primarily to the production or packaging of Pabst products, and all employment records of employees or former employees unless such individual consents to the transfer to Pabst.
- (xx) Miscellaneous Assets. All artwork and any historic memorabilia and rights therein.
- (xxi) Vehicles and Trailers. All vehicles and trailers.
- (xxii) Supply Agreements. All rights to supply agreements with any third parties.
- (xxiii) Insurance. All rights to MillerCoors' and/or their Affiliates' insurance policies, except for any monetary awards which Pabst is entitled to receive pursuant to Article 5 (*Damage or Condemnation*).

(xxiv) Greenhouse Credits. All greenhouse gas emission credits, carbon credits or similar environmental tax credits related to the Brewery and allocated to the Brewery for periods prior to the Closing Date.

(xxv) All Other Assets. All other assets of Optionor, other than those assets specifically set forth in the definition of Purchased Assets.

(d) **Signage**. Optionor shall not have any obligation (including financial) to remove any logos and signs related to the Optionor, MillerCoors and their brands, including all signage and skins on any vats included within the Purchased Assets (collectively, “**Signage**”). Should Pabst exercise the Option and a Closing occur, Pabst shall have the right from and following Closing to remove and dispose of Signage.

(e) **Kegs and Pallets**. For clarity, any kegs and pallets which are included in the Purchased Assets shall count towards 85,000 1/2 barrel kegs and pallets associated with such kegs to be delivered to Pabst pursuant to the Settlement Agreement.

(f) **Contracts**. To the extent any Permits or Assumed Contracts included as part of the Purchased Assets require any fees, costs or expenses to be paid to any Person (other than an Affiliate of Optionor or MillerCoors) in connection with the transfer or assignment of such Purchased Assets at the Closing, Pabst shall be solely responsible for the payment of such fees, costs and expenses associated with the transfer or assignment to Pabst of any such Permits or Assumed Contracts. Pabst shall also be responsible for any costs to be paid to any Person (other than an Affiliate of Optionor or MillerCoors) to obtain licenses to software and to configure any software to allow Pabst to operate the Brewery.

(g) **Covenant Not to Sue**. From and after the Closing Date, Optionor and MillerCoors shall not, and shall cause their Affiliates not to, directly or indirectly, sue or initiate, be a party to, or otherwise assert or participate in any way with respect to any action against Pabst or its current or future Affiliates or their respective successors or assigns for any infringement, misappropriation, or other violation of any Brewery IP (defined herein) in connection with the: (i) use, copying, modification, development, creation of derivative works, or other exploitation of any and all such Brewery IP for purposes of the operation of the Brewery, or (ii) use of such Brewery IP to make or otherwise produce any Pabst product (currently existing or developed in the future) at the Brewery or the sale, offer for sale, import or other distribution of any such product. Optionor and MillerCoors, on behalf of themselves and their Affiliates, acknowledge and agree that the covenant not to sue granted under this Section 1.2(g) shall be binding upon any assignee, exclusive licensee, or any other successor-in-interest. Pabst shall not brew any of MillerCoors' or its Affiliates' beer at the Brewery following the Closing Date, without a written alternation agreement. This Section 1.2(g) shall survive the Closing indefinitely. For clarity, the foregoing does not represent an obligation that MillerCoors or its Affiliates will obtain a covenant not to sue from any third party, including software providers.

(h) **Brewery IP**. “**Brewery IP**” means patents, copyrights, trade secrets (only as they relate to the Brewery and the operation of the Brewery with respect to the manufacture, packaging, bottling, canning and distribution of Pabst’s beer, including its wort streams used to

make Pabst products), related know-how, and specific applications corresponding to Transferred Software (including any specific configurations or customized environments specific to the Brewery) owned by Optionor or MillerCoors or their Affiliates and used in the operation of the Brewery. For the avoidance of doubt, Brewery IP does not include any (1) any formulas, recipes, and/or trade secrets of Optionor, MillerCoors and/or their Affiliates not related to the Brewery and the production of Pabst's products at the Brewery, (2) any third-party software, (3) trademarks, service marks, goodwill and related rights of Optionor, MillerCoors and/or their Affiliates or (4) any Intellectual Property not used at the Brewery.

(i) **IT Acknowledgement.** Pabst acknowledges that it will not be obtaining Optionor's ERP system and certain other hardware servers and software that are necessary for the Brewery to operate, designated by an "N" in columns G and H on the Schedule 1.2(a)(iii) hereto and any third-party software which is not permitted to be transferred or cannot be transferred without consent. Pabst acknowledges that it must obtain at its election its own licenses for all software that is listed with a "Y" in column G on Schedule 1.2(a)(iii) and such software will only be assigned to Pabst with the approval of the third parties and if such license can be separated. Pabst acknowledges that it will not be entitled to any software that is listed with a "N" on Schedule 1.2(a)(iii).

### **1.3 No Assumption; Liability Disclosure Notice.**

(a) Subject to Section 12.15 (As-Is Sale) and other than pursuant to applicable laws or the express terms of this Agreement, Pabst shall not assume or have any responsibility for any Liability relating to the Purchased Assets (or any portion thereof) for any acts, omissions or occurrences of the Optionor Parties prior to the Closing, and, notwithstanding anything to the contrary herein, Optionor and MillerCoors shall retain, and Optionor and MillerCoors shall discharge and perform when due and payable, all Liabilities relating to the Purchased Assets (or any portion thereof) for any acts, omissions or occurrences of the Optionor Parties prior to the Closing. For instance, if an employee of MillerCoors brings a wage and hour claim after Closing relating to acts, omissions or occurrences of the Optionor Parties that exist or arise prior to Closing or amends a pre-Closing claim after Closing to add additional claims such as waiting time penalties relating to acts, omissions or occurrences of the Optionor Parties that exist or arise prior to Closing, MillerCoors shall be responsible for any resulting Liabilities. The Parties acknowledge and agree that Pabst shall assume all Liabilities arising from the Assumed Contracts (including with respect to the Leased Assets leased thereunder) following the Closing pursuant to the Assignment and Bill of Sale entered into at Closing, as well as the Permits assigned thereunder. For clarity, any claim pursuant to this Section 1.3(a) shall be made pursuant to Section 11.2(d).

(b) Within sixty (60) days of the Effective Date, Optionor agrees to deliver to Pabst a list, as of such date of delivery, of any pending or, to Optionor's Knowledge, threatened (in writing) lawsuits or governmental actions, which are of the type to be set forth on Schedule 3.1(d) (the "**Liability Disclosure Notice**").

(c) In the event the Closing occurs, MillerCoors shall not assume or have any responsibility for any Liability relating to the Purchased Assets (or any portion thereof) for acts or occurrences on or after the Closing, and Pabst shall assume, and shall discharge and perform when due and payable, all Liabilities relating to the Purchased Assets (or any portion thereof) for acts or

occurrences on or after the Closing. MillerCoors shall have no obligation to maintain any insurance on the Purchased Assets after the Closing. For instance, if an employee falls or is injured by an unsafe piece of equipment the day following the Closing, Pabst shall be responsible for any Liabilities related to a claim arising from such fall or injury. In the event that an employee or third party contractor falls and is injured the day prior to the Closing, Optionor shall be responsible for any Liabilities related to a claim arising from such fall or injury. For clarity, any claim pursuant to this Section 1.3(c) shall be made pursuant to Section 11.3(a)(iv).

(d) Pabst shall be responsible for any Liabilities solely for Pabst's unlawful actions with respect to Optionor's and MillerCoors' employees prior to or after the Closing (including wrongful termination, discrimination, retaliation or unlawful harassment claims) (any such Liabilities, "**Pabst's Hiring Liability**").

(e) This Section 1.3 shall survive the Closing.

**1.4 Employees.** The Parties agree to the terms and conditions of Schedule 1.4. Further, in connection with the termination of any of its employees, MillerCoors and its Affiliates shall pay out all paid time off to its employees in accordance with California law for the pre-Closing period. This Section 1.4 shall survive the Closing indefinitely.

### **1.5 Option Term.**

(a) *Exercise.* Pabst may exercise the Option by delivering (i) written notice to Optionor electing to purchase the Purchased Assets (the "**Exercise Notice**"; and the date of delivery of the Exercise Notice, the "**Exercise Date**") at any time during the one hundred twenty (120) days following Pabst's receipt of the Closure Notice and (ii) the Deposit (as defined below) to Escrow Agent in accordance with Section 6.1 below. If Pabst fails to timely deliver the Exercise Notice and the Deposit in accordance with this Section 1.5 and Section 6.1 below, the Option and this Agreement shall immediately expire, terminate and be of no further force or effect, and Optionor may (x) commence the Plant Closure, (y) commence to market the Purchased Assets for sale, and/or (z) sell any of the Purchased Assets free of Pabst's Option.

(b) *Plant Closure.* Optionor shall elect, prior to March 1, 2020 (the timing of such election prior to March 1, 2020 to be made by Optionor in its sole and absolute discretion), to discontinue its operations at the Brewery and close the Brewery (hereinafter referred to as a "**Plant Closure**"); provided that MillerCoors shall comply with its obligations set forth in Article 4. Optionor shall provide Pabst with written notice of its election to effectuate a Plant Closure no later than March 1, 2020 (the "**Closure Notice**"; and the date of delivery (including deemed delivery), the "**Closure Notice Delivery Date**"), it being understood that if Optionor does not timely provide the Closure Notice to Pabst, the Closure Notice shall be deemed delivered by Optionor and received by Pabst on March 1, 2020. Optionor and Pabst agree to discuss any modifications to the Plant Closure process to allow for a more seamless transition and sale process; provided that MillerCoors and its Affiliates shall not be required to pay any stay bonuses to any of its employees or to guarantee the number of employees who will continue to work through any transition.

(c) *Closing Date.* The Exercise Notice must include a date for the closing of the purchase and sale of the Purchased Assets (the “**Closing**”), which Closing shall be within six (6) months after the Exercise Date, but in no event earlier than September 1, 2020 or later than December 31, 2020. The date of the Closing, as the same may be extended pursuant to Section 10.1 and/or Section 10.2, is referred to herein as the “**Closing Date.**”

(d) *Transition Services.* Within sixty (60) days of the Exercise Date upon the prior written request by Pabst delivered to Optionor, the Parties will use commercially reasonable efforts to negotiate a transition services agreement (the “**Transition Services Agreement**”) that would remain in place for a maximum of ninety (90) days after the Closing; provided however, that Optionor shall not be liable for any damages under the Transition Services Agreement (except breach by Optionor of the standard of service set forth in the Transition Services Agreement) and the Transition Services Agreement shall provide commercially reasonable compensation to Optionor for the services provided thereunder. The Transition Services Agreement shall cap MillerCoors’ liability at 10% of the amount it is paid under the Transition Services Agreement.

**1.6 Option Consideration.** The Option is granted in part as consideration for the Settlement Agreement, separate and independent of the Deposit. The Purchase Price contained herein is not subject to reduction or credit except as set forth in Sections 9.1 and 9.2.

### **1.7 Inspections.**

(a) *Data Room.* From the Effective Date until the Closing or earlier termination of this Agreement in accordance with its terms, Optionor shall grant and provide access to the Data Room to Pabst and such Authorized Persons as Pabst from time to time requests. From and following the Effective Date, (1) to the extent not heretofore made available to Pabst and uploaded to the Data Room, Optionor and MillerCoors shall use commercially reasonable efforts to deliver to Pabst the information and documents included in Schedule 1.7(a)(1) (the “**Transition Outline**”) and the information and documents included in Schedule 1.7(a)(2) (the “**Due Diligence List**”) in each case via the Data Room and in approximately the timeframes set forth therein (if any, otherwise reasonably promptly upon request), and in each case other than any materials or information which the Transition Outline or the Due Diligence List states will not be provided, and (2) to the extent not heretofore completed, MillerCoors shall use its commercially reasonable efforts to do such acts as the Transition Outline specifically provides in approximately the timeframes set forth therein. Promptly (and in any case no later than sixty (60) days following the Closure Notice Delivery Date), Optionor shall populate the Data Room with all Contracts, but only to the extent in each case that such items are to the then-current knowledge of Optionor or MillerCoors then in the possession or reasonable control of the Optionor Parties. Optionor shall reasonably promptly after any request by Pabst therefor from time to time upload to the Data Room such documents as Pabst may reasonably request from time to time with respect to the Purchased Assets, subject to the succeeding provisions of this Section 1.7(a); other than any materials or information, which the Transition Outline and the Due Diligence List states will not be provided. Notwithstanding anything to the contrary herein, no Optionor Party has any obligation under this Section 1.7(a) to deliver or make available to Pabst any Optionor Party’s internal memoranda, internally-produced reports, financial statements, attorney-client privileged materials, information which would cause a breach of any obligations to a third party (including confidentiality), any competitively sensitive information and/or any pricing

or costs. Except as may be otherwise specifically and expressly set forth in Article 3 below, Optionor Parties make no representations or warranties of any kind regarding the accuracy, thoroughness or completeness of, or conclusions drawn in, the information contained in the Documents. The Parties agree that, in an effort to minimize or eliminate the risk of any unintended antitrust concerns arising from the exchange of information in the diligence process, upon request of any Party, the Parties will implement reasonable customary precautions to protect information provided in the diligence process (such as, by way of example only, establishing a “clean team” to review certain diligence materials).

(b) *General.* Upon execution of this Agreement until the earlier of Closing and termination of this Agreement in accordance with its terms, Pabst and Pabst’s employees, agents, consultants, representatives and contractors (hereinafter collectively referred to as “**Pabst’s Agents**”) shall have the right to enter upon the Real Property at reasonable times during normal business hours to perform such inspections, testing, and surveys at the Real Property, at Pabst’s sole risk, cost and expense, provided that the times and methods of such inspections and investigations shall, prior to the Closure Notice Delivery Date, be subject to MillerCoors’ prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. Pabst’s and Pabst’s Agents’ access to the Real Property shall be for the purposes of (a) reviewing such materials in Optionor’s or MillerCoors’ possession regarding the Purchased Assets as may be provided or made available to Pabst at the Real Property by Optionor (or its Affiliates, agents or representatives), (b) inspecting the physical condition of the Real Property and the other Purchased Assets and conducting physical and environmental tests and assessments of the Real Property, including a Phase I and Phase II environmental site assessment or any similar testing of the Real Property, (c) performing a land title survey of the Real Property (the “**Survey**”), and (d) otherwise conducting Pabst’s diligence review of the Purchased Assets consistent with the terms of this Agreement. Optionor agrees that Pabst’s and Pabst’s Agents’ access and inspection rights may include the following: (I) PZR or another third party zoning consultant engaged by Pabst may make contact with the zoning and/or building department of the city and/or county in which the Real Property is located as part of Pabst’s customary due diligence to confirm compliance with applicable zoning and building code requirements, and (II) only after the delivery of an Exercise Notice, Pabst may contact Governmental Entities having jurisdiction over the Real Property and/or Optionor in order to discuss Pabst’s acquisition of the Brewery. Pabst shall not have any contact or conversations with Optionor’s nor MillerCoors’ employees (other than those who are on the transition team for the Transaction) or unions until after the Closure Notice Delivery Date. Furthermore, with regard to any Phase II environmental testing or any invasive testing of building materials, Pabst shall first provide Optionor with a detailed explanation of the reasons and methods for such test and obtain Optionor’s prior written consent to such testing, which consent shall not be unreasonably conditioned, withheld or delayed. Furthermore, unless required by law, Pabst agrees not to discuss or disclose the results of such Phase II environmental testing nor the results of the tests on building materials with or to Optionor and shall treat such information as Confidential Information. For avoidance of doubt, this is an “as is, where is” transaction intended to resolve ongoing disputes between the Parties and, therefore, Optionor shall be under no obligation whatsoever to reduce the Purchase Price further nor to provide Pabst with any credits (except as expressly provided in Section 9) under any circumstances, including but not limited to in the event Pabst’s inspections and/or due diligence investigation of the Purchased Assets reveal any material defects, liabilities or imperfections. Pabst



agrees not to renegotiate the Purchase Price. Provided that Optionor and MillerCoors have complied with Section 4.1 (and, with respect to the following prong (y) only, Section 4.2 below) and subject to the provisions of Section 7.3 and Section 10.2 below, if Pabst (x) discovers any material defect, liabilities or imperfections with the Purchased Assets at any time prior to Closing or (y) is unable to secure all Material Consents or permission to transfer or assume any of Material Agreements and Permits, then Pabst may (i) waive such finding or condition precedent or (ii) as its sole and exclusive remedy, terminate this Agreement and forfeit the Deposit (if the Option has been exercised), without any further recourse against MillerCoors and/or Optionor.

(c) *Others at the Property; Notice.* Pabst agrees that, in exercising its rights under this Section 1.7, Pabst will not, and will cause Pabst's Agents not to, unreasonably interrupt or interfere with the activities of Optionor's employees, guests, tenants or other persons or entities occupying or providing service at the Real Property or with respect to its operation of the Brewery. Pabst shall, upon at least three days' prior notice before entering upon the Real Property for purpose of the permitted activities set forth in this Section 1.7, give Optionor notice of its intention to conduct such activity (which such notice may be given by e-mail to the member of the transition team designated by the officers of MillerCoors) so that Optionor shall have an opportunity to have a representative present during any such inspection. Following delivery of an Exercise Notice, Pabst may (subject to the terms of Section 1.7(b)) discuss the Purchased Assets with any Governmental Entities.

(d) *Employee Matters.* At any time within one (1) year after the Closure Notice Delivery Date, Pabst may initiate discussions and make offers of employment to any of Optionor's or MillerCoors' employees at the Brewery that Pabst would like to retain, provided that such offers of employment are not effective until on or after Closing. In addition, at any time after the Closure Notice Delivery Date, Pabst may initiate discussions with any or all of the unions representing employees at the Brewery, provided that Pabst gives at least 3 days advance notice to MillerCoors. Pabst may consult with certain of Optionor's or MillerCoors' employees regarding the discussions with the unions but whether any employee or representative of Optionor or MillerCoors participates in the union meetings shall be at Pabst sole and absolute discretion. Optionor and MillerCoors agree to make such personnel, including but not limited to labor relations and human resources employees, reasonably available to Pabst. Any agreement(s) reached between Pabst and any union may be binding but shall not have an effective date prior to Closing. The Parties will keep each other reasonably informed on an ongoing basis about their respective negotiations with the unions. Notwithstanding the foregoing, after the Closure Notice Delivery Date or earlier if MillerCoors gives notice to Pabst that it will be issuing notices pursuant to the WARN Laws, Pabst shall be permitted at Pabst's own expense to offer retention incentives to non-union employees it may wish to retain, and such offers may be payable at any time at, before or after Closing, provided Pabst pays all taxes associated with such retention incentives. Similarly, Pabst shall be permitted to negotiate with the unions retention incentives for certain union employees it may wish to retain, and such offers may be payable by Pabst at any time before or after Closing, as well as all taxes associated therewith. The Parties agree to follow the additional procedures set forth on Schedule 1.7(d) with respect to the Unions.

(e) *Restoration.* With respect to any damage or alteration of the physical condition of the Real Property (or any other Purchased Assets) caused by Pabst or Pabst's Agents' entry upon and on-site inspections of the Real Property (and the Purchased Assets), Pabst shall, at its sole cost and expense, promptly repair and restore the Real Property (or any other Purchased Assets) to the same condition as existed prior to such inspection.

(f) *Independent Investigation.* During the 120 day period after the Closure Notice Delivery Date, Pabst is to conduct its own independent investigation, review and analysis of the Purchased Assets. In the event Pabst makes a decision to provide an Exercise Notice, Pabst is making its own decision at such time to exercise the Option or not and to consummate the transactions contemplated hereby, and Pabst acknowledges it is to rely on its own investigation.

(g) *Indemnification.* Pabst agrees to indemnify, defend and hold Optionor and MillerCoors pursuant to Article 11 free and harmless from any loss, damage, claim, liability, cost or expense (including reasonable attorneys' fees and costs) caused by Pabst or Pabst's Agent's entry upon and inspection of the Real Property, excluding any loss or damage arising from (i) the mere discovery of pre-existing conditions at the Real Property without exacerbation by Pabst or Pabst's Agents and (ii) Optionor's (or its agents', employees', representatives' or contractors') negligence or willful misconduct (the "**Pabst Inspection Liabilities**").

**1.8 Assumed Contracts.** Within sixty (60) days after the Exercise Date, Pabst shall notify Optionor in writing as to which of the Service Contracts and Equipment Leases (which, for the avoidance of doubt, do not include the Master Leases) and all other Contracts which Pabst elects (in its sole discretion) to assume (each of the foregoing, subject to obtaining any third-party consents needed for such assignments, and each of the Lease(s), an “**Assumed Contract**”). At Closing, (x) Pabst shall assume all obligations of Optionor accruing after the Closing Date under each Assumed Contract and Pabst shall be responsible for the payment of the assumption fee in respect of each such Assumed Contract (if any); and (y) all other Contracts (herein, collectively, the “**Cancelled Contracts**”) shall be cancelled by Optionor at Closing, it being agreed that at Closing Optionor shall, at Optionor’s expense and risk, (i) terminate all such Cancelled Contracts (in which case Optionor shall deliver to Pabst at or promptly following Closing copies of such written notices and/or agreements of termination of all such Cancelled Contracts; provided, that Optionor shall not be required to deliver such written notices of termination with regard to such Cancelled Contracts until if, as and when the Closing occurs, at which time Optionor shall deliver such notices of termination (and provide copies of such notices to Pabst) in accordance with the applicable terms and provisions of each such Cancelled Contract) and/or (ii) maintain such Cancelled Contracts at no liability to Pabst. In the event Pabst provides notice of a Cancelled Contract, Optionor Party may cancel such contract at any time prior to the Closing Date. Notwithstanding the above, if the Closing occurs, Pabst must assume the Union Contracts as currently written or as amended pursuant to Sections 1.2(a)(iv) and 1.7(d). Pabst shall not be permitted to cancel or terminate the Union Contracts (as currently written or as amended pursuant to Section 4.6) at or prior to Closing pursuant to this Section 1.8, provided that if a Closing occurs Pabst complies with its obligations to assume the Union Contracts either as written or amended pursuant to Section 4.6. Notwithstanding the above, if the Closing occurs, Pabst must assume the Leases affecting the Land and Improvements.

**1.9 Non-Assignable Assets.** Notwithstanding anything to the contrary in this Agreement, to the extent that the sale, assignment, transfer, conveyance or delivery, or attempted sale, assignment, transfer, conveyance or delivery, to Pabst of any Purchased Asset would result in a violation of applicable law, or would require the consent, authorization, approval or waiver of a Person who is not a Party to this Agreement or an Affiliate of a Party to this Agreement (including any Governmental Entity), and such consent, authorization, approval or waiver shall not have been obtained prior to the Closing, this Agreement shall not constitute a sale, assignment, transfer, conveyance or delivery, or an attempted sale, assignment, transfer, conveyance or delivery, thereof; *provided, however*, that, subject to the satisfaction or waiver (by the applicable Party for whom such condition was intended to benefit) of the conditions contained in Article VII, the Closing shall occur notwithstanding the foregoing without any adjustment to the Purchase Price on account thereof. Following the Closing, the Parties shall use commercially reasonable efforts (applying Section 4.2 mutatis mutandis) to obtain any such required consent, authorization, approval or waiver. Once such consent, authorization, approval or waiver is obtained, Optionor Parties shall sell, assign, transfer, convey and deliver to Pabst the relevant Purchased Asset to which such consent, authorization, approval or waiver relates for no additional consideration. Applicable sales, transfer and other similar taxes in connection with such sale, assignment, transfer, conveyance or license shall be paid in accordance with Section 12.1.

**1.10 Post-Closing Transactions.**

(a) The Parties agree to the terms and provisions of Schedule 1.10(a).

(b) The Parties agree to the terms and provisions of Schedule 1.10(b).

(c) *Competitors*. For five (5) years after the Closing Date, Pabst shall not sell title to all or a material portion of the Brewery to any of the Prohibited Transferees (as defined on Schedule 1.10(c)) or any Affiliate directly or indirectly controlled by any of the Prohibited Transferees; provided, that, the foregoing restriction shall not apply to a Security Transaction or any “**Sale of Pabst**”, meaning (i) any change of control of, or direct or indirect sale of, Pabst or its any of its direct or indirect owners (or any other transaction effected at the Pabst level or above), or (ii) any direct or indirect investment in Pabst or any of its direct or indirect owners, or a merger, restructuring or change of control of Pabst or any of its direct parent entities.

(d) *Audit Rights*.

(i) As Optionor reasonably deems appropriate and at Optionor’s reasonable request, but in no event more often than once per calendar year, and only after Optionor and its independent auditors shall have entered into an appropriate confidentiality agreement with Pabst, the independent auditors of Pabst will examine the relevant books and records of Pabst to verify its compliance with the provisions of this Section 1.10 or that an Excluded Transaction has occurred (“**Compliance**”). Pabst’s auditors will promptly thereafter disclose the results of the audit and their work product to the independent auditors of Optionor, provided that the independent auditors of Optionor have entered into the appropriate confidentiality agreements prohibiting them from disclosing the details of such audit to Optionor.

(ii) As to any Dispute arising between the Parties pertaining to Compliance, both parties agree to be bound by any mutual resolution of that Dispute reached by Optionor’s and Pabst’s respective auditors.

(iii) The details of each audit shall remain confidential to the respective auditors and only the ultimate result of the audit will be communicated to Optionor, except that if a Dispute regarding Compliance is not mutually resolved by the parties’ respective independent auditors, then Optionor’s auditors may disclose the details of the audit to Optionor to the extent necessary to fully apprise Optionor of the issues underlying the Dispute; provided that in no event shall any competitively sensitive information (including details regarding bills of materials) be disclosed to Optionor for any reason whatsoever. Notwithstanding anything to the contrary in the Agreement, (i) neither Pabst nor any of its Affiliates shall be required to transfer or make available to MillerCoors any tax returns or information with respect to Taxes of Pabst or any of its Affiliates, and (ii) Optionor’s

auditors may not disclose to any Person any tax returns or information with respect to Taxes of Pabst or any of its Affiliates; *provided* that Optionor's auditors may disclose to MillerCoors information with respect to Taxes of Pabst or its Affiliates solely and specifically relating to the consideration received by Pabst in exchange for the Pits in a Qualifying Transaction (other than any Excluded Transaction).

- (iv) Thereafter, at either Party's request, the Dispute will be submitted to the Independent Accountants as set forth in Section 12.5. Optionor and Pabst hereby agree to be bound by the decision of such third party accounting firm. Such third party accounting firm may be required by either party to execute an appropriate confidentiality agreement.
- (v) The cost of the original audit conducted by Optionor shall be borne by Optionor; provided that Pabst shall reimburse Optionor the amount of the fee up to and including the net amount found by the auditor to be due to Optionor pursuant to this Section 1.10(d) and Section 12.5, as applicable. The Independent Accountants shall determine the percentage of its fees and expenses to be paid by Pabst and the Optionor Parties, with such fees and expenses being borne in inverse proportion to the degree to which the accountants accepted the positions of the respective parties. Payment of any such reimbursements will be due within eleven (11) Business Days of the Independent Accountants' final determination.

**1.11 Further Acknowledgements.** Pabst acknowledges that the B3 line included in the Purchased Assets was decommissioned in 2008. Pabst acknowledges that the B5 line is currently decommissioned and is only capable of running a grenade shaped bottle.

**1.12 Asset List and Hardware and Software List.** The asset list attached hereto as Schedule 1.12 (the “**Asset List**”) includes certain key equipment used in the operation of the Brewery according to various records relied upon by Optionor over the last 5 years at differing times, and the Asset List is intended as a general matter to detail the Equipment to be included in the Purchased Assets at Closing, it being agreed that property ancillary to such Equipment needed to make such Equipment functional (for example, piping, valves and the like) shall be included in the sale to the extent not specifically excluded herein. The parties acknowledge that the Asset List and Schedule 1.2(a)(iii) shall be updated by Optionor within sixty (60) days from the Effective Date (and Schedule 1.12 and Schedule 1.2(a)(iii) shall thereby be deemed updated accordingly) by delivery of a written notice to Pabst, (1) in the case of the Asset List, containing a more detailed list, with additions or deletions to the Equipment that have occurred in the ordinary course prior to the Effective Date and (2) in the case of Schedule 1.2(a)(iii), in good faith populating columns J and K therein (it being understood that the analysis contained in such columns shall be for reference only and that Pabst will conduct its own review as to the transferability of items referenced in Schedule 1.2(a)(iii)).

**1.13 Possible Transition of Coors’ Products.** On the Exercise Date and concurrent with the Exercise Notice, Pabst shall notify MillerCoors as to whether it intends to produce, package and ship Pabst products from the Brewery immediately after the Closing Date. If Pabst provides notice that it will not produce, package and ship Pabst products from the Brewery immediately after the Closing Date (a “**Notice of Intent to Transition**”), (i) MillerCoors shall prior to the Closing Date transition the production of Pabst products produced at the Brewery to MillerCoors’ other facility or facilities (such as the Golden, Colorado brewery), which transition and production shall be governed by the Brewing Agreement and (ii) Pabst agrees to the use of Coors’ yeast with respect to any Pabst products brewed in the Golden Colorado Brewery. To the extent Pabst provides notice that it will produce, package and ship Pabst products from the Brewery immediately after the Closing Date, Pabst agrees that, upon Closing and notwithstanding anything contained in the parties’ Brewing Agreement to the contrary, Optionor or its Affiliates shall no longer be required to brew the Pabst products made at the Brewery, and Optionor and its Affiliates shall not be required to move the production of Pabst products which are made at the Brewery to other locations within MillerCoors and its affiliates’ other breweries. To the extent that Pabst provides a Notice of Intent to Transition and subsequently determines to produce, package and ship Pabst products from the Brewery, Pabst shall provide notice thereof to MillerCoors pursuant to the terms of and in the time periods required by the Brewing Agreement and Pabst and MillerCoors shall transition the volume subject to such notice from MillerCoors’ facility or facilities to the Brewery in accordance with the terms of the Brewing Agreement. This Section 1.13 shall survive the Closing.

## **2. REPRESENTATIONS AND WARRANTIES OF EACH PARTY**

**2.1** As of the Effective Date, as of the Exercise Date and as of the Closing, each of Optionor and MillerCoors represent to Pabst, and Pabst represents to Optionor:

(a) Due Organization and Good Standing. Such Party is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Authority. Such Party has all requisite power and authority to enter into and perform its obligations hereunder and under each of the Transition Services Agreement (if applicable) and those agreements and instruments to be (if the Exercise Notice is delivered in accordance with this Agreement) entered into or delivered at Closing (collectively, the “**Ancillary Agreements**”) and has all requisite corporate or similar power and authority and has taken all organizational action necessary in order to execute, deliver and perform its obligations under this Agreement and each of the Ancillary Agreements. This Agreement has been, and (if applicable) each of the Ancillary Agreements will be at Closing, duly executed and delivered by such Party and, when executed and delivered by the other Parties, will constitute a valid and binding agreement of such Party, enforceable against such Party in accordance with its terms, except as limited by bankruptcy, receivership, insolvency, reorganization, moratorium, or other such laws concerning the rights of creditor.

(c) Brokers. Such Party and its agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders’ fees or agents’ commissions or other similar payment in connection with this Agreement.

(d) Not a Foreign Person. Such Party is not a “foreign person” or “foreign corporation” as those terms are defined in Section 1445 of the Internal Revenue Code of 1986, as amended (and the regulations promulgated thereunder).

(e) OFAC. Such Party is not, nor, to such Party’s knowledge, are any of its Affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents, is a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control (“**OFAC**”) of the Department of the Treasury (including those named on OFAC’s Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action.

**2.2** Pabst represents and warrants to the Optionor Parties that, as of the Representation Date, as of the Closing, and immediately after giving effect to the transactions contemplated hereby: (a) Pabst is and shall be solvent and able to pay its debts as they become due; (b) Pabst owns assets that have a fair market value greater than the amounts required to pay its debts (including a reasonable estimate of the amount of all contingent liabilities); (c) Pabst has adequate capital to carry on its business; (d) no transfer of property is being made by Pabst and no obligation is being incurred by Pabst in connection with the transactions contemplated hereby with the intent to hinder, delay or defraud either present or future creditors of Pabst or the Optionor Parties; and

(e) in connection with the transactions contemplated hereby. Pabst has not incurred, nor does Pabst plan to incur, debts beyond its ability to pay as they become absolute and matured.

### 3. ADDITIONAL REPRESENTATIONS AND WARRANTIES.

**3.1** Optionor and MillerCoors hereby represent and warrant to Pabst as of the date that is sixty (60) days following the Effective Date (the “**Representation Date**”), as follows:

(a) Authority; Qualification. Optionor (i) has all requisite corporate or similar power and authority to own the Purchased Assets and operate the Purchased Assets (including the Brewery) as such operations are presently conducted, and (ii) is qualified to do business and is in good standing as a foreign legal entity in each jurisdiction where such ownership and operation of the Purchased Assets requires such qualification.

(b) Governmental Filings; No Violations.

(i) Other than the filings and/or notices under the HSR Act and consents, notices and filings set forth on Schedule 3.1(b)(i), no notices, reports or other filings are required to be made by Optionor or any of its Affiliates with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by Optionor or any other Optionor Party from, any Governmental Entity, in connection with the execution, delivery and performance of this Agreement and the Ancillary Agreements by Optionor and the consummation of the transactions contemplated hereby and thereby, including the purchase and sale of the Purchased Assets (the “**Transaction**”), except those that the failure to make or obtain would not, individually or in the aggregate, reasonably be likely to prevent, materially delay or materially impair the consummation of the Transaction.

(ii) Except with respect to any Cancelled Contracts and except as set forth on Schedule 3.1(b)(ii), the execution, delivery and performance by Optionor of this Agreement and the Ancillary Agreements, and the consummation of the Transaction, will not conflict with or result in any violation or default as of the Closing Date (with or without notice, lapse of time, or both) under, or give rise to a right of termination or loss of rights or result in the creation of any Lien on, over, upon or in respect of any of the Purchased Assets under any provision of (A) the governing documents of Optionor or MillerCoors, (B) any material contract, note, mortgage, indenture, arrangement or other obligation binding upon Optionor or MillerCoors related to the Purchased Assets.

(c) Absence of Certain Changes. Except as set forth on Schedule 3.1(c), from November 28, 2018 until the Closure Notice Delivery Date, Optionor and the other Optionor Parties



have operated (or did operate) the Brewery in the ordinary course, consistent with past practices in all material respects.

(d) Litigation. Except as set forth on Schedule 3.1(d), there are no material civil, criminal or administrative actions, suits, demands, claims, hearings, arbitrations, investigations or other proceedings pending or for which Optionor Parties have received notice in the last two years or to Optionor's Knowledge threatened in the last two years against Optionor or any of the other Optionor Parties related to the Purchased Assets that would, or would be reasonably likely to have or cause material liability or a material adverse impact on the Purchased Assets or on the operation of the Brewery. Except as set forth on Schedule 3.1(d), neither Optionor nor any of the other Optionor Parties is a party to or subject to the provisions of any Order which has had, or would, individually or in the aggregate, reasonably be likely to have or cause a material liability or otherwise have an material adverse impact on the Purchased Assets or on the operation of the Brewery. For clarity, the Regional Groundwater Plume need not be disclosed on Schedule 3.1(d) as no claim has been made that any Optionor Party is a potentially responsible party for such action.

(e) Compliance with Laws. Except as set forth on Schedule 3.1(e), the operation of the Brewery and the other Purchased Assets has not in the past two (2) years been, and is not being, conducted in material violation of any Laws. In the last two years, no investigation or review by any Governmental Entity with respect to Optionor or any of the Optionor Parties is pending for which Optionor or MillerCoors has received notice or, to Optionor's Knowledge, threatened, in each case in connection with any of the Purchased Assets. Except as set forth on Schedule 3.1(e), in the prior two years, Optionor has not received any notice or communication of any material noncompliance in connection with any of the Purchased Assets with any Law that has not been cured. Except as set forth on Schedule 3.1(e), during the prior two years, Optionor obtained and is in material compliance with all permits, licenses, certifications, approvals, registrations, consents, authorizations, franchises, variances, exemptions and orders issued or granted by any Governmental Entity necessary to conduct the business of the Brewery as presently conducted and to own and operate the Purchased Assets as currently owned and operated. Except as set forth on Schedule 3.1(e), all requisite material certificates of occupancy and other Permits or approvals required with respect to the Improvements and the occupancy and current use of the Improvements and the other Purchased Assets have been obtained and are currently in effect.

(f) Documents; Assumed Contracts. Except as set forth on Schedule 3.1(f) and assuming receipt of any consents affecting any Assumed Contract and required to be obtained in connection with the Transaction, each Assumed Contract is valid, binding and enforceable on Optionor, and, to Optionor's Knowledge, each other party thereto, and is in full force and effect. Except as set forth on Schedule 3.1(f), to Optionor's Knowledge there is no uncured material violation of, or uncured default under, any Assumed Contract by Optionor or any of its Affiliates, no material default by the counterparty under any Assumed Contract, and no event has occurred that, with the lapse of time or the giving of notice or both, would constitute a default thereunder by Optionor or any of its Affiliates. For the avoidance of doubt, this representation shall not be applicable with respect to any Cancelled Contracts.

(g) Title; Sufficiency of Assets.

- (i) Except as set forth on Schedule 3.1(g)(i), Optionor is the sole owner of the Real Property and has, and if the Exercise Notice is timely delivered and the Closing occurs, Optionor shall transfer to Pabst, good, indefeasible and marketable fee simple title to the Real Property, free and clear of all Liens other than Permitted Liens.
- (ii) Other than the rights of Pabst pursuant to this Agreement, Optionor has not granted nor are there any preemptive or other outstanding options, warrants, purchase rights, rights of first offer or first negotiation, rights of first refusal or any similar rights in favor of any other party to purchase the Real Property (or any portion thereof) or that require any Optionor Party to sell or offer the owned property included within the Purchased Assets or any portion thereof (nor, to Optionor's Knowledge, the leased property included in the Purchased Assets).
- (iii) Optionor has valid and marketable title to all owned items of personal property and equipment located on or used in connection with the Real Property or other Purchased Assets (collectively, the "**Personal Property**"), free and clear of all Liens other than Permitted Liens and Mandatory Cure Items. Other than the rights of Pabst pursuant to this Agreement, Optionor has not granted nor are there any preemptive or other outstanding options, warrants, purchase rights, rights of first offer or first negotiation, rights of first refusal or any similar rights in favor of any other party to purchase any of the Purchased Assets or any portion thereof (it being understood that this representation does not apply to the Real Property, which is not addressed in this paragraph (g)(iii)) or that require any Optionor Party to sell or offer the Purchased Assets or any portion thereof (other than the Real Property, which is not addressed in this paragraph (g)(iii)).
- (iv) The Purchased Assets include such land, equipment and personal property as are necessary for Brewery operations to continue with respect to Pabst's products in materially the same manner following the Closing as such operations have been conducted in the ordinary course of business as of the Effective Date (other than any asset specifically excluded from the Purchased Assets, including without limitation any Excluded Software, Excluded Computer Equipment, and rights under any non-assignable contracts, rights under any contracts for which consents have not been obtained, the Cancelled Contracts and Master Leases, each of which shall not be transferred at Closing, and the Leased Assets leased pursuant to any of the foregoing).

(v) Except as set forth on Schedule 3.1(g)(v), all work done for Optionor or its Affiliates or materials furnished to Optionor or its Affiliates with respect to any Real Property have been paid for in full or will be paid in full and discharged by the Closing Date.

(vi) Hardware and Software. To the Optionor's Knowledge, Schedule 3.1(g)(vi) identifies all material categories of hardware and software and all material software, in each case licensed by Optionor or MillerCoors that are considered materially necessary for the operation of the Brewery.

(h) Insurance. Schedule 3.1(h) lists the current fire and casualty, property, and general insurance policies maintained by Optionor or its Affiliates with respect to the Purchased Assets (“**Insurance Policies**”) and the carriers with respect to each such policy, and (y) each Insurance Policy is in full force and effect and all applicable premiums due with respect to all Insurance Policies have been paid. Except as set forth on Schedule 3.1(h), to Optionor’s Knowledge, neither Optionor or MillerCoors has received any written notice in the last 12 months from any insurance company requesting or demanding the performance of any material work or alteration with respect to any Purchased Asset that has not been satisfied.

(i) Rights. Other than as set forth on Schedule 3.1(i), there are no written or oral leases, subleases, licenses, concessions, occupancy agreements or other contracts or arrangements granting to any Person the current or future right of use, occupancy or possession of the Real Property or any portion thereof, and there is no Person (other than Optionor) in possession of the Real Property (or any portion thereof).

(j) Condemnation. Except as set forth on Schedule 3.1(j), Optionor has received no written notice of any pending condemnation, eminent domain, annexation or other similar proceedings affecting the Real Property in the last three (3) years, or, to Optionor’s Knowledge, at any earlier time, and, to Optionor’s Knowledge, no such proceedings are currently threatened.

(k) Environmental Matters. Except as set forth on Schedule 3.1(k): (i) during the prior two years, and to Optionor’s Knowledge, prior thereto, no Optionor Party has received any written notice alleging any material violation of or any material liability under Environmental Laws with respect to the Real Property; (ii) to Optionor’s Knowledge, no Optionor Party (or agent or employee of any Optionor Party) has disposed of or released any Hazardous Material on, in or under the Real Property in violation of or as would reasonably be expected to require remediation under Environmental Laws (except in de minimis quantities that are typical of facility operations and are not reasonably expected to give rise to any material liability under Environmental Laws); (iii) except as set forth on Schedule 3.1(k), to Optionor’s Knowledge, no Hazardous Materials have been disposed of or released at on, in or under the Real Property in violation of or as would reasonably be expected to require remediation under Environmental Laws (except in de minimis quantities that are typical of facility operations and are not reasonably expected to give rise to any material liability under Environmental Laws); (iv), Optionor has provided to Pabst all environmental studies and site assessments with respect to the Real Property conducted during the prior two years, and to Optionor's Knowledge the periods prior thereto; and (v) Optionor has provided Pabst with all air audits and

other material audits conducted within the prior 2 years. For clarity, Optionor is making no representation with respect to the Regional Groundwater Plume other than that no Optionor Party has disposed of any Hazardous Materials which caused or contributed to the Regional Groundwater Plume.

(l) IRCA. Except as set forth on Schedule 3.1(l), Optionor and MillerCoors maintain I-9 Forms for all employees at the Brewery that comply in all material respects with the Immigration Reform & Control Act (IRCA).

(m) Benefits Plans.

- (i) Schedule 3.1(m)(i) sets forth a list of each benefit plan that is a Purchased Asset pursuant to Section 1.2(a)(ix), each of which is a “multiemployer plan” within the meaning of Section 3(37) of ERISA to which the Optionor or its ERISA Affiliates contributes with respect to employees at the Brewery (the “**Multiemployer Plans**”, and together with the Kaiser Plan, the “**Benefits Plans**”). For purposes of this Agreement, “**ERISA Affiliate**” means all employers (whether or not incorporated) that would be treated together with Optionor or its Affiliates as a “single employer” within the meaning of Section 414 of the Code.
- (ii) Optionor or its Affiliates have made available to Pabst, to the extent applicable, accurate and complete copies of (1) the Kaiser Plan insurance contract, and (2) the most recent summary plan description together with any summaries of all material modifications thereto.
- (iii) Except as set forth on Schedule 3.1(m)(iii) with respect to (1) the Kaiser Plan and (2) to Optionor’s Knowledge, the Multiemployer Plans, (A) such plan has been established, operated and administered in all material respects in compliance with its terms and applicable Laws, including, without limitation, ERISA and the Code, (B) all contributions or other amounts payable by Optionor with respect to such plan in respect of current or prior plan years have been paid or accrued in accordance with generally accepted accounting principles, and (3) there are no pending or, to Optionor’s Knowledge, threatened claims (other than routine claims for benefits) or proceedings by a Governmental Entity by, on behalf of or against such plan which could reasonably be expected to result in any Liability to Pabst.

(n) Documents. To Optionor’s Knowledge, the copies of all Assumed Contracts which Optionor has provided to Pabst via the Data Room are complete copies of all Documents in Optionor’s or any Optionor Party’s possession.

(o) Asset List. The Asset List is the asset list used by MillerCoors for its internal purposes with respect to the Brewery, and the information set forth in Section 1.12 is true in all material respects.

**3.2 Union Contracts.** Optionor and MillerCoors hereby represent and warrant to Pabst that, to Optionor's Knowledge, as of the Effective Date, the copies of all collective bargaining agreements, and side letters and memorandums of understanding with respect thereto, which Optionor has provided to Pabst via the Data Room are complete copies of all collective bargaining agreements, and side letters and memorandums of understanding with respect thereto. For purposes of Sections 3.1(m) and 3.2 only, Optionor's Knowledge shall mean the actual knowledge of Steven Avalos (Director of Labor Relations).

**3.3 No Other Representations and Warranties.** Except for the representations and warranties set forth in Article II and III, the Optionor Parties make no other express or implied warranties, whether written or oral, on behalf of any Optionor Party, including any representations regarding the accuracy or completeness of any information regarding the Purchased Assets furnished or made available to Pabst in the Data Room (nor regarding any information, documents or materials in any other form or any other representation or warranty arising from statute or otherwise in law).

#### 4. COVENANTS

**4.1 Pre-Closing Operating Covenant.** From and after the Effective Date until the earlier of the Closing or the termination of this Agreement in accordance with its terms:

(a) Optionor shall not (i) sell, lease, license, transfer, grant an option, warrant or purchase right with respect to or dispose of Purchased Assets or any portion thereof or directly or indirectly market the Purchased Assets or any portion thereof or make or solicit any offer with respect to any of the foregoing, nor (ii) encumber or pledge (unless such pledge or encumbrance shall be, and is, removed and cleared from title at or prior to the Closing at Optionor's sole cost and expense) Purchased Assets or any portion thereof, in each case with a fair market value in excess of One Hundred Thousand Dollars (\$100,000) in any one instance, or Five Hundred Thousand Dollars (\$500,000) collectively (the "**Fundamental Covenant**");

(b) Optionor will continue to operate, manage and maintain the Brewery and the other Purchased Assets in the ordinary course of business until the Closure Notice Delivery Date. From the Closure Notice Delivery Date until the Closing or earlier termination of this Agreement in accordance with its terms, Optionor shall maintain the machinery and equipment included within the Purchased Assets to OEM standards and in accordance with its practices prior to the Closure Notice Delivery Date, and shall maintain the Improvements and the other Purchased Assets in material accordance with its past practices prior to delivery of the Closure Notice. Optionor shall use commercially reasonable efforts to operate and manage the Brewery and other Purchased Assets to allow for the transition of the Brewery's operations to Pabst (it being understood that Optionor will likely not be able to maintain its current levels of employment or operations in light of the Closure Notice); provided further that Pabst acknowledges that certain contracts and licenses used to operate the Brewery may not be transferred to Pabst under the terms of this Agreement. Notwithstanding the foregoing, Optionor shall not be required to make any capital expenditures in

excess of \$10,000 individually and \$50,000 in the aggregate by operation of any provision of this Section 4.1(b);

(c) The Optionor Parties shall not materially change the use or purpose of the Purchased Assets, except at the request of Pabst;

(d) Subject to Section 4.1(a) above, Optionor shall not remove any Purchased Assets from the Real Property, except as is reasonably needed for repair or replacement thereof or with respect to any Leased Assets under the terms of the applicable lease agreement or at Pabst's request; provided that, for the avoidance of doubt, MRO Inventory that are consumables may be used and disposed of in the ordinary course of business. Any material Purchased Assets replaced after the Effective Date shall be promptly installed and shall be of substantially similar quality to the Purchased Assets replaced (subject to Section 4.1(b) above);

(e) Optionor shall maintain insurance coverages in kind, levels, and amounts on all of the Purchased Assets in such amounts as Optionor reasonably deems appropriate for the operations of its breweries generally, and in any case not materially different than the Insurance Policies;

(f) Optionor will not, without the prior written consent of Pabst, which consents will not be unreasonably withheld, conditioned or delayed (and which, after the Exercise Notice is delivered, may be withheld in Pabst's sole and absolute discretion), enter into, amend, modify or supplement any lease or license for space in, on or under the Real Property or lease or license any of the Purchased Assets to any person or entity which would remain in effect after the Closing Date;

(g) Optionor shall not make or agree to make any change to the zoning or other entitlements of the Real Property or any portion thereof or approve of the terms of any restrictive covenant affecting the Real Property or any portion thereof, including any variance with respect to a special use permit, nor shall Optionor subdivide the Real Property or any portion thereof;

(h) Optionor shall not suffer, enter into or allow any Lien on, over or in respect of any of the Purchased Assets (or any portion thereof) in a manner which would hinder the current use or operation of the Purchased Assets (or any portion thereof) and would survive the Closing, unless such Lien can and will be removed by Optionor at or prior to Closing (it being understood that any such item will be a Mandatory Cure Item);

(i) If to Optionor's Knowledge during the pendency of this Agreement any of Optionor's representations or warranties would be untrue in any material respect if remade (whether at the time Optionor so becomes aware or at the Closing Date), Optionor shall promptly deliver written notice to Pabst disclosing such matter and updating (or producing) the applicable representation schedule (each, a "**Representation Schedule Update**");

(j) Optionor shall not take or permit to be taken (or agree to take or permit to be taken) any action that would frustrate the purpose of this Agreement;

(k) Optionor shall on the Effective Date deliver to Pabst Optionor's original executed and notarized signature page to the Option Memorandum, dated as of the Effective Date;

(l) Neither MillerCoors nor Optionor shall, except as required pursuant to the terms of any Benefit Plan in effect as of the date hereof, in accordance with the terms of this Agreement (including negotiations and effects bargaining contemplated in Section 1.7(d) herein), or as otherwise required by applicable Law, (A) increase in any manner the severance or termination pay of any Brewery employee in a manner that could be binding on Pabst following the Closing, or (B) become a party to, establish, adopt, amend (except as required pursuant to the terms of the applicable Benefit Plan), commence participation in or terminate any Benefit Plan that will be a Purchased Asset or any arrangement that would have been a Benefit Plan that will be a Purchased Asset had it been entered into prior to this Agreement; and

(m) No Optionor Party shall recognize any union not currently representing Brewery employees, enter into any neutrality or card check agreement covering any Brewery employees, or expand or alter the scope of any existing bargaining unit without Pabst's prior written consent.

**4.2 Material Consents.** From and after the Exercise Date until the earlier of Closing or the termination of this Agreement in accordance with its terms, and subject to the terms of this Agreement, the Parties hereby agree to use their commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement as promptly as practicable and to cooperate with each other in connection with the foregoing; provided, for the avoidance of doubt, that Pabst's election whether or not to deliver the Exercise Notice shall be made in Pabst's sole discretion. Promptly following receipt of the Exercise Notice (or, if Pabst requests, promptly following the Closure Notice Delivery Date) until the earlier of the Closing or the termination of this Agreement in accordance with its terms, Pabst shall use commercially reasonable efforts in an effort to obtain any Permits (including, without limitation, any TTB Licenses) and Contracts required in order for Pabst to be able to operate, manage and maintain the Brewery and the other Purchased Assets as operated, managed and maintained by Optionor in the ordinary course of business as of the Effective Date (such Permits and Contracts, the "**Material Agreements and Permits**") and to cause all Governmental Entities and other third parties to deliver such consents as are needed for the transfer, assignment, novation or re-issuance of any Material Agreements and Permits (the "**Material Consents**") (including, without limitation, the consent to Pabst's assumption of the Water Supply Agreement). MillerCoors and Optionor agree, at no cost, to cooperate with Pabst's effort to obtain the Material Consents, using their commercially reasonable efforts, which shall not include payment of any fees or costs by MillerCoors or any of its Affiliates. For the avoidance of doubt, the failure of any Governmental Entity or other third party to grant any consent contemplated herein shall not constitute a default by any Party, provided such Party used the requisite efforts and requisite cooperation and assistance to obtain such consent and without prejudice to Article 7 below. Pabst shall be solely responsible for any and all fees payable to Governmental Entities and any other parties to Material Agreements and Permits in connection with the transfer, assignment, novation or re-issuance of any Material Agreements and Permits.

### 4.3 Regulatory Filings/Approvals

(a) *Submission of Filings and Notices.*

- (i) Exchanging Information. Optionor and Pabst shall each, upon request by the other, furnish the other (or if requested, its outside counsel) with all information concerning itself, its Affiliates, and their respective directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with any statement, filing, notice or application made by or on behalf of Pabst, Optionor, MillerCoors or any of their respective Affiliates to any Governmental Entity in connection with the Transaction.
- (ii) Initial Submissions. Optionor and Pabst shall prepare and file as promptly as reasonably practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, clearances, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any Governmental Entity in order to consummate the Transaction. Without limiting the foregoing, each of Optionor and Pabst shall cause Molson Coors Beverage Company and Blue Ribbon Intermediate Holdings LLC to make its respective filing pursuant to the HSR Act with respect to the Transaction as promptly as reasonably practicable after the Exercise Date and no later than twenty (20) Business Days after the Exercise Date. Whether or not the Transaction is consummated, Pabst shall be responsible for all fees and payments to any Governmental Entity (including filing fees) incurred in order to obtain any consent, clearance, registration, approval, permit or authorization or any expiration or termination or a waiting period.
- (iii) Subsequent Submissions. Optionor and Pabst shall promptly provide (or cause their respective Affiliates to provide) all non-privileged information and documents requested by any Governmental Entity to the extent necessary or advisable to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from such Governmental Entity in order to consummate the Transaction.
- (iv) Conduct of Interactions with Governmental Entities. Subject to applicable Laws relating to the exchange of information, outside counsel for Pabst and Optionor shall have the right to review in advance and, to the extent practicable, the Parties will consult with the other on and consider in good faith the views of the other in connection with, all the information relating to Pabst or Optionor, as the case may be, and any of their respective Affiliates, that appears



in any filing made with, or written materials submitted to, any Governmental Entity in connection with the Transaction. In exercising the foregoing rights, Optionor and Pabst shall act reasonably and as promptly as practicable.

(b) **Remedies.** Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement, including Section 4.4(a), shall require Pabst or any of its Affiliates (except where, following a change of control of Pabst, such action or inaction would not materially impair the benefits or advantages Pabst or any of its Affiliates expects to receive from the transactions contemplated hereby or give rise to a material adverse effect on the business plan or business strategy of Pabst or any of its Affiliates) to: (a) proffer to, agree to, or to sell, divest, lease, license, transfer, dispose of or otherwise encumber or hold separate, before or after the Closing, any material assets of Pabst (including, for the avoidance of doubt, any of the Purchased Assets) or any of its Affiliates (or to consent thereto); (b) proffer to, agree to or implement any changes in (including through a licensing arrangement), or any restrictions on or other impairment of, Pabst's ability to use, own, operate or take any other actions with respect to any material assets of Pabst or any of its Affiliates or the operation of the Brewery; or (c) take any action to overturn, defend against or oppose any action by any Governmental Entity to prohibit the Transaction or prevent consummation of the Transaction.

**4.4 Supplier Lists.** Within 30 days following the Effective Date, (i) Optionor shall provide Pabst with a list of all utility providers and suppliers for Pabst's products brewed at the Brewery (the "**Supplier List**") and (ii) MillerCoors will provide Pabst with complete copies of all of the formulas and recipes for Pabst's beer brewed at the Brewery (which, for the avoidance of doubt, any modifications, changes to or improvements to formulas, recipes and related know-how of Pabst shall be considered Purchased Assets for all purposes of this Agreement). In the event of any conflict between this Section 4.4 and any other provision of this Agreement, including the provisions of Section 1.2, this Section 4.4 shall govern.

**4.5 Software Configurations.** Promptly upon the request of Pabst, Optionor, MillerCoors, or any affiliate, agent or representative of Optionor or MillerCoors (1) shall provide (for no additional consideration) all required consents from Optionor, MillerCoors, or any Affiliate, for Pabst to obtain and use any specific configurations or customized environments of third-party software used at the Brewery for the production of Pabst beer, and (2) shall use commercially reasonable efforts to make introductions to third-party vendors for the software set forth on Schedule 1.2(a)(iii) as needed to make available to Pabst (at Pabst's sole expense) any such configurations or customized environments to use at the Brewery in substantially the same manner as currently used (provided, for the avoidance of doubt, that neither Optionor nor MillerCoors shall have any obligation to cause any third-party vendor to make available to Pabst such configurations or customized environments); provided it does not involve MillerCoors' or its Affiliates' owned intellectual property. The covenant required in this Section 4.5 shall survive the Closing for twelve (12) months.

**4.6 Pabst Notice to MillerCoors.** The parties agree to the terms and provisions set forth in Schedule 4.6.

**4.7 Estoppels.** At Pabst's request, Optionor shall deliver estoppel certificates or certifications in the form required or permitted by any Lease(s) or contract or agreement counterparties (or as otherwise reasonably approved by Pabst if no such form exists) to any tenant(s) under the Lease(s) and/or contract or agreement counterparties and shall use commercially reasonable efforts to obtain such tenant(s)' or contract counterparties' execution of such estoppels and deliver them to Pabst; provided, for the avoidance of doubt, that the delivery of any tenant estoppel(s) shall not be a condition precedent to Closing or (for the avoidance of doubt, without prejudice to Section 9.1(d)), the basis for a Purchase Price reduction.

**4.8 Legal Description.** If a Closing occurs, MillerCoors and Optionor covenant to convey to Pabst at the Closing pursuant to the Deed all real property that any Optionor Party owns and which is located at or in the near vicinity of 81 East First Street and 15801 First Street in Irwindale, California, including without limitation all real property owned by any Optionor Party designated by the following tax parcel identification numbers: APN 8533-011-052, 8533-009-023, 8533-009-024 and 8533-009-021. In furtherance of the foregoing, and to account for any changes reasonably requested by Pabst, MillerCoors and Optionor agree, at Pabst's request, to cooperate with Pabst prior to the Closing to update the legal description attached as Exhibit A hereto and intended to be included in the Deed. Further, the real property excepted out of the legal description and described on the last two pages of Exhibit A hereto shall only be so excepted from the real property conveyed to Pabst at Closing to the extent that such real property (1) was actually conveyed to Metro Gold Line Foothill Construction Authority pursuant to the Condemnation Judgment and, (2) for the avoidance of doubt, is not as of the Effective Date owned by any Optionor Party.

## **5. DAMAGE OR CONDEMNATION**

**5.1 Damage or Condemnation.** All risk of loss resulting from any fire, flood or any other casualty before the Closing shall remain with Optionor. If, before the Closing, any Purchased Assets shall be materially damaged, or if the Purchased Assets or any material portion thereof shall become the subject of any proceedings, judicial, administrative or otherwise, with respect to the taking by eminent domain or condemnation, Optionor shall notify Pabst in writing in reasonable detail within five (5) Business Days of the damage or taking, and, if Pabst has prior to its receipt of such notice delivered the Exercise Notice to Optionor, then Pabst may terminate this Agreement by written notice to Optionor given within ten (10) Business Days after Pabst receives written notice from Optionor of the damage or taking, in which event Escrow Agent shall deliver the Deposit to Pabst. If the Closing Date is within the aforesaid 10-Business Day period, then Closing shall be extended to the next Business Day following the end of said 10-Business Day period. If no such election to terminate is made, and in any event if the taking or damage is not material (as applicable), this Agreement shall remain in full force and effect and, upon the Closing, Optionor shall assign, transfer and set over to Pabst all of the right, title and interest of Optionor in and to any awards that have been or that have or may thereafter be made for such taking, and Optionor shall assign, transfer and set over to Pabst any insurance proceeds that may thereafter be made for such damage or destruction, less any amounts reasonably and actually expended by Optionor to collect any such insurance proceeds or to remedy any unsafe conditions at the Real Property or, to the extent reasonably approved by Pabst (it being understood that it would not be considered "reasonable" for Pabst not to approve any repair or restoration work that any Optionor is required by applicable law)

to repair or restore any damage provided and the Purchase Price allocated to the Property will be credited by the amount of the deductible applicable to such insurance payout to the extent not paid or satisfied as of the Closing. For the purposes of this paragraph, the phrases “material damage”, “materially damaged”, “material portion”, and “material taking” shall mean, damage to, or one or more takings of, all or any portion of the Purchased Assets, (a) exceeding in the cost of repair and/or value of taken property \$5,000,000 in the aggregate, (b) not covered by insurance, unless Optionor agrees to credit the Purchase Price for the repair cost of such uninsured casualty not expended by Optionor prior to Closing or (c) adversely affecting access to the Real Property or Brewery operations.

## 6. ESCROW PROVISIONS

**6.1 Deposit.** Not later than two (2) Business Days after the Exercise Date, Pabst shall deposit in escrow with First American Title Insurance Company and, in such capacity, the “**Escrow Agent**”; and in its capacity as issuer of the Title Policy, the “**Title Company**”), in immediately available federal funds, the sum of Ten Million Dollars (\$10,000,000) (including interest thereon, the “**Deposit**”). In the event that Pabst fails to timely deposit the Deposit with the Escrow Agent, this Agreement shall terminate and be of no further force and effect except for such obligations as expressly survive the termination of this Agreement. At Closing, the Deposit shall be applied to the Purchase Price. Otherwise, the Deposit shall be delivered to the Party entitled to receive the Deposit in accordance with the provisions of this Article 6. The Party that receives the benefit of the Deposit shall be responsible for any income taxes on the interest portion (if any) of the Deposit.

**6.2 Investment and Use of Funds.** The Escrow Agent shall invest the Deposit in government insured interest-bearing accounts satisfactory to Pabst and Optionor, shall not commingle the Deposit with any funds of the Escrow Agent or others, and shall promptly provide Pabst and Optionor with confirmation of the investments made. If the Closing under this Agreement occurs, the Escrow Agent shall apply the Deposit to the Purchase Price at Closing and deliver it to Optionor.

**6.3 Termination.** Except as otherwise expressly provided in this Agreement, upon not less than ten (10) Business Days’ prior written notice to the Escrow Agent and the other Party, Escrow Agent shall deliver the Deposit to the Party requesting the same; provided, however, that if the other Party shall, within said ten (10) Business Day period, deliver to the requesting Party and the Escrow Agent a written notice that it disputes the claim to the Deposit, Escrow Agent shall retain the Deposit until it receives written instructions executed by both Optionor and Pabst as to the disposition and disbursement of the Deposit, or until ordered by final court order, decree or judgment, which is not subject to appeal, to deliver the Deposit to a particular Party, in which event the Escrow Agent shall deliver the Deposit in accordance with such notice, instruction, order, decree or judgment.

**6.4 Interpleader.** Pabst and Optionor mutually agree that in the event of any controversy regarding the Deposit, unless mutual written instructions are received by the Escrow Agent directing the Deposit’s disposition, the Escrow Agent shall not take any action, but instead shall await the disposition of any proceeding relating to the Deposit or, at the Escrow Agent’s option, the Escrow Agent may interplead all parties and deposit the Deposit with a court of competent jurisdiction in

which event the Escrow Agent may recover all of its court costs and reasonable attorneys' fees. Pabst and Optionor, whichever loses in any such interpleader action, shall be solely obligated to pay such costs and fees of the Escrow Agent, as well as the reasonable attorneys' fees of the prevailing party in accordance with the other provisions of this Agreement.

**6.5 Liability of Escrow Agent.** The Parties acknowledge that the Escrow Agent is acting solely as a stakeholder at their request and for their convenience, that the Escrow Agent shall not be deemed to be the agent of either of the Parties, and that the Escrow Agent shall not be liable to either of the Parties for any action or omission on its part taken or made in good faith, and not in disregard of this Agreement, but shall be liable for its negligent acts and for any loss, cost or expense incurred by Pabst or Optionor resulting from the Escrow Agent's mistake of law respecting the Escrow Agent's scope or nature of its duties. Optionor and Pabst jointly and severally indemnify and hold the Escrow Agent harmless from and against all costs, claims and expenses, including reasonable attorneys' fees, incurred in connection with the performance of the Escrow Agent's duties hereunder, except with respect to actions or omissions taken or made by the Escrow Agent in bad faith, in disregard of this Agreement or involving negligence on the part of the Escrow Agent.

## 7. CLOSING CONDITIONS

### 7.1 Conditions Precedent to Pabst's Obligations

The obligation of Pabst to consummate the purchase of the Purchased Assets in accordance with this Agreement following the Exercise Date is subject to the satisfaction at or prior to the Closing Date (as the same may be extended pursuant to Section 10.2) of the following conditions, any of which may be waived in writing by Pabst (in its sole discretion):

(a) *Accuracy of Optionor's Representations and Warranties.* The representations and warranties of Optionor and MillerCoors shall have been true and correct in all material respects when made and shall be true and correct in all material respects when remade on as of the Closing Date (without giving effect to any materiality qualifier in such representations and warranties themselves), as if made at each such time, in each case after giving effect to any Representation Schedule Update (but only if such Representation Schedule Updates (i) are delivered in accordance with the terms of this Agreement, (ii) are not the cause or result of a breach of Optionor's or MillerCoors' covenants or agreements herein, and (iii) are not material;

(b) *Performance by Optionor under this Agreement.* Optionor and MillerCoors shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement;

(c) *Material Consents.* Pabst shall have received all Material Consents;

(d) *Material Agreements and Permits.* All Material Agreements and Permits shall have been transferred to Pabst as of the Closing Date;

(e) *Delivery of Documents.* Optionor shall have timely executed and delivered or caused to be delivered to Pabst or Escrow Agent (as applicable) the deliveries listed in Section 8.2;

(f) *Absence of Prohibitions.* No Law or Order (as defined below) shall have been enacted, entered, issued, promulgated or enforced, in each case that is in effect on the Closing Date and that prohibits or restricts the transactions contemplated by this Agreement.

(g) *Liens; Survey; Title Insurance.* The Purchased Assets shall be free and clear of all Liens except the Permitted Liens, and Pabst shall have obtained the Title Policy (or Title Company's irrevocable commitment to issue the Title Policy at and as of the Closing) subject to the Permitted Liens;

(h) *Casualty; Condemnation.* Pabst shall have not elected to terminate this Agreement pursuant to Section 5.1.

(i) *HSR.* All filings required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "**HSR Act**"), in connection with Pabst's acquisition of the Purchased Assets shall have been made and the applicable waiting periods under the HSR Act shall have expired or terminated.

(j) *Schedule 7.1(j).* The condition set forth on Schedule 7.1(j).

## **7.2 Conditions Precedent to Optionor's Obligations.**

The obligations of Optionor and MillerCoors to consummate the sale, transfer and assignment to Pabst of the Purchased Assets in accordance with this Agreement following receipt of the Exercise Notice are subject to satisfaction at or prior to the Closing Date (as the same may be extended pursuant to Section 10.1) of the following conditions, any of which may be waived in writing by Optionor (in its sole discretion):

(a) *Accuracy of Pabst's Representations and Warranties.* The representations and warranties of Pabst contained in this Agreement shall have been true and correct in all material respects when made and shall be true and correct in all material respects when remade on and as of the Closing Date (in each case without giving effect to any materiality qualifier in such representations and warranties themselves).

(b) *Performance by Pabst.* Pabst shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required to be performed or complied with by Pabst under this Agreement on the Closing Date (including payment of the Purchase Price).

(c) *Delivery of Documents.* Pabst shall have timely executed and delivered or caused to be delivered to Optionor or Escrow Agent, as applicable, the deliveries listed in Section 8.3;

(d) *Absence of Prohibitions.* No Law or Order shall have been enacted, entered, issued, promulgated or enforced, in each case in effect on the Closing Date and that prohibits or restricts the transactions contemplated by this Agreement.

(e) *HSR.* All filings required by the HSR Act in connection with Pabst's acquisition of the Purchased Assets shall have been made and the applicable waiting periods under the HSR Act shall have expired or terminated.

### **7.3 Failure or Waiver of Conditions Precedent.**

(a) Either Optionor or Pabst may, at its election, at any time or times on or before the Closing Date, waive in writing the benefit of any of the conditions set forth in Section 7.1 or Section 7.2 above, as applicable. If any of the conditions set forth in Section 7.1 or Section 7.2 are not fulfilled or waived by the Party for whose benefit they are provided as of the Closing Date, the Party to be benefitted by such unfulfilled conditions may, by written notice to the other Party, terminate this Agreement as its sole recourse other than as set forth in Section 7.3(b), whereupon all rights and obligations hereunder of each Party shall be at an end except those that expressly survive any termination.

(b) If this Agreement is terminated as a result of the failure of any condition set forth in Section 7.1(a)-(b), Section 7.1(e)-(i) or Section 7.2(d)-(e), Pabst shall be entitled to a return of the Deposit.

(c) Subject to the provisions of Article 10, if this Agreement is terminated as a result of the failure of any condition set forth in Section 7.1(c)-(d), Section 7.1(j), or Section 7.2(a)-(c), then Optionor shall be entitled to the Deposit.

## **8. CLOSING**

**8.1 Closing.** The Closing shall occur on the Closing Date at the offices of the Escrow Agent or through Escrow Agent pursuant to escrow arrangements reasonably satisfactory to Optionor and Pabst. Upon completion of the deliveries pursuant to Section 8.2 and Section 8.3, and satisfaction of the other conditions to Closing set forth in Article 7, the Parties shall direct Escrow Agent to release such deliveries and disbursements according to the terms of this Agreement.

**8.2 Optionor Parties' Deliveries in Escrow.** On or before 2 P.M. Central Time on the Closing Date, the Optionor and/or MillerCoors shall deliver in escrow to the Escrow Agent the following:

(a) *Deed.* A grant deed for the Real Property (the "**Deed**") in the form set forth in Schedule A attached hereto, executed and acknowledged by Optionor.

(b) *Assignment of Leases and Contracts and Bill of Sale.* An Assignment of Leases and Contracts and Bill of Sale for each class of the Purchased Assets in the form of Exhibit D attached hereto, executed by Optionor (the "**Assignment and Bill of Sale**").

(c) *State Law Disclosures.* Such disclosures and reports as are required from Optionor by applicable state and local law in connection with the conveyance of the Real Property and other Purchased Assets being conveyed by Optionor hereunder, but excepting property disclosure statements which are hereby waived by Pabst to the fullest extent allowed by law.

(d) *IRS Form W-9.* Optionor shall deliver an IRS Form W-9, duly completed and executed by Optionor and MillerCoors.

(e) *Optionor's Certificate.* A certificate (“**Optionor's Rep Certificate**”) executed by Optionor and MillerCoors certifying that all of the representations and warranties of Optionor set forth in Article 2 and Article 3 are true and correct in all material respects (without giving effect to any materiality qualifier in such representations and warranties themselves) on and as of the Closing Date, after giving effect to the Representations Schedule Updates. Optionor and Pabst acknowledge that any matter disclosed in the Optionor's Rep Certificate that makes any of the representations and warranties of Optionor after giving effect to the Representation Schedule Updates set forth in Article 2 or Article 3 untrue in any material respect shall be subject to the provisions of Section 10.2.

(f) *Evidence of Authority.* Documentation to establish, to the reasonable satisfaction of the Title Company, the due authorization, execution and delivery by Optionor and MillerCoors of this Agreement and the transaction and of all other documents contemplated by this Agreement to be executed and delivered by Optionor and/or MillerCoors.

(g) *Evidence of Termination.* Documentation evidencing the termination of or the written notices of termination sent with respect to all Cancelled Contracts.

(h) *Memorandum.* A memorandum of the restrictions in Section 1.10.

(i) *Tax Forms.* All applicable real property transfer tax, personal property transfer tax and other document recording tax forms and related documents (collectively, the “**Transfer Tax Returns**”) as are required from Optionor in order to permit the recording of the Deed or are otherwise required by applicable law in connection with the transfer of the Property provided for herein (including a California State Form 593-C certificate from Optionor or its applicable parent entity sufficient to exempt Optionor from any California state withholding requirement with respect to the transfer contemplated herein), in each case, duly executed by Optionor.

(j) *Owner's Affidavit.* An owner's affidavit executed and acknowledged by Optionor which is acceptable to the Title Company in order to issue (i) an ALTA 2006 Owner's Title Insurance Policy insuring the Real Property, (ii) customary “gap” protection through the date of recording of the Deed, (iii) any CLTA or ALTA owner endorsement or affirmative insurance requested by Pabst and issuable in California, and (b) any other affidavit(s) reasonably required by the Title Company in order to issue (i), (ii) and (iii).

(k) *Liability Disclosure.* An updated and final Liability Disclosure Notice.

(l) *Additional Documents*. Such additional documents as Escrow Agent or the Title Company or any other title insurer issuing coverage in connection with the transfer or financing of the Property may reasonably require for the consummation of the transactions contemplated by this Agreement.

**8.3 Pabst's Deliveries in Escrow.** On or before 2 P.M. Central Time on the Closing Date, Pabst shall deliver in escrow to the Escrow Agent the following:

(a) *Purchase Price*. The Purchase Price in cash, less the Deposit (which is to be applied to the Purchase Price), plus or minus applicable proration and adjustments under Article 9, deposited by Pabst with the Escrow Agent in same-day federal funds wired for credit into the Escrow Agent's escrow account;

(b) *Assignment of Leases and Contracts and Bill of Sale*. The Assignment and Bill of Sale executed by Pabst;

(c) *Evidence of Authority*. Documentation to establish to Title Company's reasonable satisfaction the due authorization of Pabst's execution of this Agreement and the due authorization of Pabst of the transaction and all documents contemplated by this Agreement, including a certificate of secretary;

(d) *Pabst's Certificate*. A certificate executed by Pabst certifying that all of the representations and warranties of Pabst set forth in Article 2 are true and correct in all respects on and as of the Closing Date.

(e) *State Law Disclosures*. Such disclosures and reports as are by applicable state and local law in connection with the conveyance of the Real Property and Purchased Assets, but excepting property disclosure statements which are hereby waived by MillerCoors to the fullest extent allowed by law;

(f) *Memorandum*. A memorandum of the restrictions in Section 1.10; and

(g) *Additional Documents*. Such additional documents as Escrow Agent or the Title Company may reasonably require for the consummation of the transactions contemplated by this Agreement.

(h) *Tax Forms*. The (i) Transfer Tax Returns as are required from Pabst in order to permit the recording of the Deed or are otherwise required by applicable law in connection with the transfer of the Property provided for herein (including a Preliminary Change of Ownership Report to be filed with the Deed at Closing), in each case, duly executed by Pabst and (ii) if applicable, exemption certificate in form and substance necessary to claim the partial manufacturing exemption from California sales and use tax in connection with the sale of the Purchased Assets and any resale exemption certificate for any inventory included within the Purchased Assets.



**8.4 Closing Statements/Escrow Fees.** At the Closing, Optionor and Pabst shall deposit with the Escrow Agent an executed closing statement consistent with this Agreement in the form required by the Escrow Agent.

**8.5 Post-Closing Deliveries.** Promptly after the Closing, Optionor shall deliver to the Real Property or to such address as Pabst shall otherwise request at or prior to Closing, to the extent in Optionor's or its Affiliates' possession or control all keys, combinations and codes to all locks on the Real Property or the other Purchased Assets.

**8.6 Closing Costs.** Each Party shall pay its portion of the Closing costs as set forth in Section 12.1. The provisions of this Section 8.6 shall survive the Closing and any earlier termination of this Agreement.

**8.7 Close of Escrow.** Upon satisfaction or completion of the foregoing conditions and deliveries, the Parties shall direct the Escrow Agent to close this transaction by making disbursements according to the closing statements executed by Optionor and Pabst, and thereafter to record and deliver the documents described above to the appropriate parties.

## 9. PRORATIONS

Prorations and adjustments with respect to the Purchased Assets shall be made as of the Closing Date as set forth in this Article 9.

**9.1 Prorations.** All prorations hereinafter provided to be made as of the Closing shall each be made as of the end of the day before the Closing Date. Optionor shall provide Pabst with a schedule of proposed prorations no later than seven (7) Business Days prior to the Closing Date and the Parties shall cooperate with each other in a commercially reasonable manner to finalize the prorations prior to the Closing. In each such proration set forth below, the portion thereof applicable to periods beginning as of Closing shall be credited to Pabst or charged to Pabst as applicable and the portion thereof applicable to periods ending immediately prior to the Closing shall be credited to Optionor or charged to Optionor as applicable. At the Closing, the Purchase Price shall be adjusted by the net prorations made pursuant to this Article 9.

(a) *Operating Costs.* Maintenance costs and expenses, utility (including without limitation water, sewer, electric and gas) and other operating costs and expenses (collectively, "**Operating Costs**") in connection with the ownership, operation, maintenance and management of the Purchased Assets shall be prorated as of the Closing (and reasonably estimated by the Parties if final bills or meter readings (as applicable) are not available).

(b) *Taxes and Assessments.* *Taxes and Assessments.* Real property ad valorem taxes and assessments and personal property ad valorem taxes and assessments (all such real property and personal property taxes and assessments, "**Property Taxes**") and installments for special assessments or similar taxes applicable to the Land and Improvements ("**Special Assessments**") imposed by Governmental Entity applicable to tax year in which the Closing occurs, shall be prorated as of the Closing Date (with amounts allocable to the portion of the year on or prior to the Closing Date being allocated to Optionor and amounts allocable to the portion of the year after the Closing

Date being allocated to Pabst), and Pabst shall be responsible for payment of all such amounts payable after the Closing; provided that if Pabst is required to pay to any Governmental Entity an amount that is allocable to Optionor under this Section 9.1(b), then such amount shall be paid by Optionor to Pabst within three (3) days of payment by Pabst to the applicable Governmental Entity. Optionor shall receive a credit at Closing for any taxes and assessments paid by Optionor and applicable to any period, or portion thereof, after the Closing. Notwithstanding anything else in this Agreement to the contrary, Optionor shall be responsible for any Property Taxes and any Special Assessments imposed or assessed with respect to a period (or portion thereof) ending on or prior to the Closing Date, including, for the avoidance of doubt, any such Property Taxes and such Special Assessments assessed or levied after the Closing in respect of periods prior to Closing. Any refund or rebate of taxes resulting from a tax audit, protest, challenge or appeal, including, without limitation, the ongoing property tax appeal with Los Angeles County for the years 2013 through 2019, (an “**Appeal**”) for a tax year, or portion thereof, ending on or prior to the Closing Date shall belong to Optionor, whether received before or after Closing, and Optionor shall have the sole authority to prosecute such Appeal; provided that Pabst shall allow Optionor, its Affiliates, and its representatives access to the Purchased Assets (including site tours of the Land and Improvements) as reasonably requested by Optionor in connection with an Appeal; provided, further, that Pabst, at its own expense, may participate in such Appeal; provided, further, that Optionor shall not settle or compromise any Appeal without the written consent of Pabst (which consent shall not be unreasonably withheld, conditioned or delayed) if such settlement or compromise may reasonably be expected to result in an increase in the taxes for any tax year ending after the Closing Date. Any refund or rebate of taxes, less costs incurred in connection therewith, resulting from an Appeal for the tax year in which the Closing Date occurs shall be prorated between the parties as of the Closing Date, whether received before or after Closing, and Optionor and its Affiliates and Pabst shall mutually cooperate in the prosecution of any such Appeal. Any reasonable costs that Optionor and its Affiliates or Pabst incurs in such cooperation will be paid out of any refund or rebate of taxes arising from such protest or other Appeal. Optionor shall pay any and all sales taxes owed for periods prior to the Closing and assist Pabst in obtaining a tax clearance certificate evidencing the payment of all such taxes owed for periods prior to Closing and owed in connection with the Closing promptly following the Closing. The foregoing obligations of Optionor and Pabst shall survive the Closing without limitation.

(c) *Fees and Charges under Service Contracts, Licenses and Permits.* Except for any transfer or assignment fees incurred under Section 4.2, which are the responsibility of Pabst, fees and charges under such of the Service Contracts, licenses and permits as are being assigned to and assumed by Pabst at the Closing, shall be prorated on the basis of the periods to which such fees and charges under said Service Contracts, licenses and permits relate.

(d) *Collected Rent.* All collected rent and other collected income under leases demising the Purchased Assets in effect on the Closing Date shall be prorated as of the Closing.

(e) *Carbon Credits.* Optionor and its Affiliates shall retain all greenhouse gas emission credits, carbon credits or similar environmental tax credits which are related to the Brewery allocated to the Brewery for periods prior to the Closing Date.

(f) *Final Adjustment After Closing.* If final prorations cannot be made at Closing for any item being prorated under this Section 9.1, then Pabst and Optionor agree to allocate such items on a fair and equitable basis as soon as invoices or bills are available, with final adjustment to be made as soon as reasonably possible after the Closing but no later than sixty (60) days after the Closing (except as to real property ad valorem taxes and personal property ad valorem taxes applicable to the tax year in which the Closing occurs, the final adjustment with respect to which shall take place not later than thirty (30) days after receipt of the tax notice or the final disposition of any Appeal thereof), to the effect that income and expenses (other than ad valorem taxes) are received and paid by the Parties on an accrual basis with respect to their period of ownership. Payments in connection with the final adjustment shall be due within ten (10) days of written notice. In the event Optionor's Appeal of the taxes due for the year of Closing are successful, the parties agree to re-prorate the taxes based on the results of said Appeal within ninety (90) days after the finalization of the Appeal.

**9.2 Deposits.** Pabst shall be responsible for making any deposits and prepaid expenses relating to the post-Closing period required with utility companies or under the terms of any other Assumed Contracts. Any of Optionor's (or its Affiliates) deposits, prepaid expenses or advances relating to the post-Closing period shall be returned to Optionor and its Affiliates or paid to Optionor and its Affiliates at Closing.

**9.3 Survival.** The provisions of this Article 9 shall survive the Closing.

## 10. DEFAULT AND DAMAGES

**10.1 Default by Pabst.** If Pabst, following delivery of the Exercise Notice, defaults in its obligation to purchase the Purchased Assets on the Closing Date, Optionor shall have the right, after written notice to Pabst and a thirty (30) day opportunity for Pabst to cure the same (provided however, that in no event may the Closing Date be extended beyond December 31, 2020), to terminate this Agreement by written notice to Pabst and thereafter to obtain and retain the Deposit as liquidated damages to recompense the Optionor and MillerCoors for time spent, labor and services performed, and the loss of its bargain. Pabst and MillerCoors and Optionor agree that it would be impracticable or extremely difficult to affix damages if Pabst so defaults and that the Deposit represents a reasonable estimate of Optionor's damages. Optionor and MillerCoors agree to accept the Deposit as Optionor's total damages and relief hereunder if Pabst defaults in any of its obligations to be performed on the Closing Date, and Optionor thereafter exercises its termination right. If this Agreement is so terminated, Pabst shall have no further right to purchase the Purchased Assets and the Option shall have no force and effect.

/s/ RU      /s/ GH      /s/ GH

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Pabst's Initials   Optionor's Initials   MillerCoors' Initials

**10.2 Default by Optionor.** If (i) Optionor or MillerCoors default in a material obligation under this Agreement to be performed on or prior to the Closing Date, then, in each case, Pabst may elect, after written notice to Optionor and MillerCoors and a thirty (30) day opportunity for Optionor to cure the same: (a) to terminate this Agreement on or prior to the Closing Date, in which event Pabst shall be entitled to the return of the Deposit to Pabst without any further action by Optionor and MillerCoors and to recover from Optionor and MillerCoors (on a joint and several basis) an amount equal to third party out-of-pocket costs and expenses incurred by Pabst in connection with this Agreement and the transactions contemplated hereby, (b) to bring a suit for specific performance of this Agreement or any of its terms, and/or (c) to pursue any and all other remedies at law or in equity, but (1) in respect of any claims for breach of the Fundamental Covenant, subject to a liability cap of \$40,000,000, and (2) in respect of any claims for breach of any other covenant, subject to a liability cap of \$10,000,000, except in each case in the event of intentional misconduct that materially impairs the value of, or Pabst's use or operation of, the Purchased Assets. In the event that a Representation Schedule Update or Optionor's Rep Certificate discloses information revealing that any of the representations and warranties of Optionor and/or MillerCoors set forth in Article 2 or Article 3 is or was untrue in any manner which would have a Material Adverse Effect or would be untrue in a material respect were it to be re-made at Closing without the benefit of such Representation Schedule Update or the inclusion of such information in such Optionor's Rep Certificate, then, provided that the relevant information became untrue after the Representation Date and is not the cause or result of a breach of Optionor's or MillerCoors' covenants or agreements herein, then Pabst may elect in its sole discretion (i) to waive such breach or (ii) to terminate this Agreement, in which event Pabst shall be entitled to the return of the Deposit to Pabst without any further action by Optionor and MillerCoors and (if such Representation Schedule Update or Optionor's Rep Certificate evidences a material impairment to the value, use or operation of the

Purchased Assets), to recover from Optionor and MillerCoors (on a joint and several basis) an amount equal to third party out-of-pocket costs and expenses incurred by Pabst in connection with this Agreement and the transactions contemplated hereby, but not to exceed Five Hundred Thousand and No/100 (\$500,000.00).

The provisions of this Article 10 shall survive the Closing or the termination of this Agreement.

## 11. SURVIVAL; INDEMNIFICATION; CERTAIN REMEDIES

### 11.1 Survival.

(a) The representations and warranties of the Parties contained in this Agreement (other than the Optionor's Fundamental Representations and Pabst's Fundamental Representations) and all claims with respect thereto shall survive for one (1) year after the Closing Date, whereupon they shall terminate and be without any further effect.

(b) The Optionor's Fundamental Representations and the Pabst's Fundamental Representations shall survive for so long as the applicable statute of limitations with respect thereto after the Closing Date, whereupon they shall terminate and be without any further force or effect. All covenants and agreements contained in this Agreement (a) that contemplate performance in full on or prior to the Closing, and all claims with respect thereto, shall survive the Closing until the date which is one (1) year from the Closing Date, whereupon they shall terminate and be without any further effect; and (b) that contemplate performance, in full or in part, following the Closing (including, without limitation, the provisions of Section 11.2(d) and Section 11.3(a)(iv), and all claims with respect thereto, shall survive the Closing until the expiration of the applicable statute of limitations period therefor, whereupon they shall terminate and be without any further effect. Each aforementioned period (including as set forth in Section 11.1(a)) is referred to herein as the "**Survival Period**" as applicable to the corresponding representation and warranty, covenant or agreement. The Parties agree that in the event notice of any claim for indemnification under this Article 11 has been delivered within the applicable Survival Period, such claim and the representations and warranties, covenants, agreements and/or other terms and provisions that are the subject of such claim shall survive until such time as such claim is finally resolved.

**11.2 Indemnification by Optionor and MillerCoors.** From and after the Closing, Optionor and MillerCoors shall indemnify, defend and hold harmless Pabst, its Affiliates and their respective directors, officers, shareholders, partners, members, agents, representatives and employees and their heirs, successors and permitted assigns, each in their capacity as such (the "**Pabst Indemnified Parties**"), from, against and in respect of any damages, losses, claims, charges, Liabilities, proceedings, payments, judgments, settlements, assessments, deficiencies, taxes, interest, penalties, and costs and expenses (including removal costs, remediation costs, closure costs, fines, penalties and expenses of investigation, successful enforcement and ongoing monitoring, reasonable attorneys' fees and other reasonable out of pocket disbursements) (collectively, "**Losses**") actually imposed on, sustained, incurred or suffered by, or asserted against, any of the Pabst Indemnified Parties, whether in respect of Third Party Claims, claims between the Parties or otherwise, arising out of:

- hereto;
- (a) any breach of any representation or warranty made by Optionor contained in Article 2 or Article 3 attached hereto;
  - (b) any breach of any covenant or agreement of Optionor contained in this Agreement;
  - (c) any taxes for which Optionor is responsible under this Agreement;
  - (d) any Liabilities retained by Optionor or MillerCoors pursuant to Section 1.3, but only in respect of Third Party Claims;
  - (e) Employment Liabilities for which Optionor or MillerCoors are responsible under this Agreement;
  - (f) any matter contained in the Liability Disclosure Notice(s); and
  - (g) the Optionor WARN Liabilities.

From and after the Effective Date, Optionor and MillerCoors shall indemnify, defend and hold harmless the Pabst Indemnified Parties from, against and in respect of any Losses actually imposed on, sustained, incurred or suffered by, or asserted against, any of the Pabst Indemnified Parties, whether in respect of Third Party Claims, claims between the Parties or otherwise, arising out of the MC 4.6 Indemnity.

### **11.3 Indemnification by Pabst.**

(a) From and after the Closing, Pabst shall indemnify, defend and hold harmless Optionor, MillerCoors and their Affiliates and their respective directors, officers, shareholders, partners, members, agents, representatives and employees and their heirs, successors and permitted assigns, each in their capacity as such (the “**Optionor Indemnified Parties**” and, collectively with the Pabst Indemnified Parties, the “**Indemnified Parties**”), from, against and in respect of any Losses actually imposed on, sustained, incurred or suffered by, or asserted against, any of the Optionor Indemnified Parties, whether in respect of Third Party Claims, claims between the Parties or otherwise, arising out of:

- (i) any breach of any representation or warranty made by Pabst contained in Article 2;
- (ii) any breach of a covenant or agreement of Pabst contained in this Agreement;
- (iii) any taxes for which Pabst is responsible under this Agreement;
- (iv) any Liabilities assumed by Pabst pursuant to Section 1.3, but only in respect of Third Party Claims;

- (v) Employment Liabilities for which Pabst is responsible under this Agreement; and
- (vi) the Pabst WARN Liabilities.

(b) From and after the Effective Date, Pabst shall indemnify, defend and hold harmless the Optionor Indemnified Parties from, against and in respect of any Losses actually imposed on, sustained, incurred or suffered by, or asserted against, any of the Optionor Indemnified Parties, whether in respect of Third Party Claims, claims between the Parties or otherwise, arising out of:

- (i) Pabst Inspection Liabilities;
- (ii) Pabst Hiring Liability; and
- (iii) the Pabst 4.6 Indemnity.

#### **11.4 Third Party Claim Indemnification Procedures.**

(a) From and after Closing, in the event that any written claim or demand for which an indemnifying party (an “**Indemnifying Party**”) may have liability to any Indemnified Party under this Agreement asserted against or sought to be collected from any Indemnified Party by a third party (a “**Third Party Claim**”), such Indemnified Party shall promptly, but in no event more than twenty (20) Business Days following such Indemnified Party’s receipt of a Third Party Claim, notify the Indemnifying Party in writing of such Third Party Claim, the amount or the estimated amount of damages sought thereunder to the extent then ascertainable (which estimate shall not be conclusive of the final amount of such Third Party Claim), any other remedy sought thereunder, any relevant time constraints relating thereto and, to the extent practicable, any other material details pertaining thereto (a “**Claim Notice**”); provided, however, that the failure timely to give a Claim Notice shall affect the rights of an Indemnified Party hereunder only to the extent that such failure has a prejudicial effect on the defenses or other rights available to the Indemnifying Party with respect to such Third Party Claim. The Indemnifying Party shall have fifteen (15) Business Days (or such lesser number of days set forth in the Claim Notice as may be required by court proceeding in the event of a litigated matter) after receipt of the Claim Notice (the “**Notice Period**”) to notify the Indemnified Party that it desires to defend the Indemnified Party against such Third Party Claim.

(b) In the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against a Third Party Claim, the Indemnifying Party shall have the right to defend the Indemnified Party by appropriate proceedings and, subject to the provisions of Section 9.1(b) with respect to an Appeal, shall have the power to direct and control such defense at the Indemnifying Party’s expense, unless (i) the amount claimed in such Third Party Claim, together with the aggregate amount of any pending claims for indemnification by the Indemnifying Party under this Article 11, exceeds (or may exceed) the liability to the Indemnified Party, (ii) such Third Party Claim is made by any Governmental Entity

or (iii) such Third Party Claim is made in respect of an Order that would materially restrict or otherwise materially adversely affect the future activity or conduct of the Indemnified Party or any of its Affiliates (including, in the case of any Pabst Indemnified Party, the future operations or conduct of the Purchased Assets (or any portion thereof)). If the Indemnifying Party does not have the right to defend the Indemnified Party pursuant to the previous sentence, then the Indemnified Party shall take all reasonable steps necessary to defend diligently such Third Party Claim within ten (10) Business Days after the date on which the Claim Notice was required to be delivered. The Indemnified Party (or the Indemnifying Party if the Indemnifying Party does not have the right to direct and control defense of a matter) shall have the right, but not the obligation, to participate in any such defense and to employ separate counsel of its choosing. If the Indemnified Party elects to participate and employ separate counsel, the fees and expenses of such counsel shall not constitute Losses unless the Indemnifying Party does not have the right to direct and control the defense of such matter or has the right to direct and control the defense of such matter and fails to take all reasonable steps to defend diligently such claim, in which case such fees and expenses shall constitute Losses. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, settle, compromise or offer to settle or compromise any Third Party Claim on a basis that would result in %3. the imposition of an Order that would restrict or otherwise adversely affect the future activity or conduct of the Indemnified Party or any of its Affiliates (including, in the case of any Pabst Indemnified Party, the future operations or conduct of the Purchased Assets (or any portion thereof)), %3. a finding or admission of a violation of Law or violation of the rights of any Person by the Indemnified Party or any of its Affiliates, %3. any monetary liability of the Indemnified Party that will not be fully and promptly indemnified hereunder by the Indemnifying Party, or %3. such Indemnified Party not being completely and unconditionally released from any and all liabilities (including any and all debts, guaranties, assurances, commitments and obligations of any kind, whether fixed, contingent or absolute) claimed in the Third Party Claim.

(c) If the Indemnifying Party %3. elects not to defend the Indemnified Party against a Third Party Claim, whether by not delivering the Indemnified Party timely notice of its election to so defend or otherwise, or %3. after assuming the defense of a Third Party Claim, fails to take reasonable steps necessary to defend diligently such Third Party Claim within ten (10) Business Days after receiving written notice from the Indemnified Party to the effect that the Indemnifying Party has so failed, the Indemnified Party shall have the right but not the obligation to assume its own defense (including settling, compromising or offering to settle or compromise such Third Party Claim, without the Indemnifying Party's consent); provided that the Indemnified Party's right to indemnification for a Third Party Claim shall not be adversely affected by assuming the defense of such Third Party Claim.

(d) The Indemnified Party and the Indemnifying Party shall reasonably cooperate in the defense of a Third Party Claim pursuant to Section 11.4(b), including by providing reasonable access to each other's relevant information, business records and other documents, and employees; provided that any costs and expenses related to the investigation and defense of a Third Party Claim incurred by the Indemnified Party shall be counted as Losses.

(e) The Indemnified Party and the Indemnifying Party shall use reasonable efforts to avoid production of confidential information (consistent with applicable law), and to cause



employees, counsel and others representing any party to a Third Party Claim to avoid production or disclosure of information that would reasonably be expected to cause the loss or waiver of the protection of any attorney-client privilege, attorney work product or other relevant legal privilege.

**11.5 Direct Claims.** In the event of a Closing, if an Indemnified Party wishes to make a claim for indemnification under this Agreement for a Loss that does not result from a Third Party Claim (a “**Direct Claim**”), the Indemnified Party shall notify the Indemnifying Party in writing of such Direct Claim, the amount or the estimated amount of damages sought thereunder to the extent then ascertainable (which estimate shall not be conclusive of the final amount of such Direct Claim), any other remedy sought thereunder, any relevant time constraints relating thereto and, to the extent practicable, any other material details pertaining thereto as soon as reasonably practicable, but in any event no more than twenty (20) Business Days after the Indemnified Party becomes aware of circumstances indicating that the Indemnified Party has incurred or could reasonably be expected to incur Losses in respect of which it is entitled to indemnification hereunder; provided, however, that the failure to timely deliver notice of a Direct Claim pursuant to this Section 11.5 shall affect the rights of an Indemnified Party hereunder only to the extent that such failure has a prejudicial effect on the defenses or other rights available to the Indemnifying Party with respect to such Direct Claim. If the Indemnifying Party rejects all or any part of the Direct Claim or fails to respond within twenty (20) Business Days of such notice, the Indemnified Party shall be free to seek enforcement of its rights to indemnification under this Agreement with respect to such Direct Claim.

**11.6 Payments.** The Indemnifying Party shall pay all amounts payable pursuant to this Article 11, by wire transfer of immediately available funds, promptly following receipt from an Indemnified Party of an invoice, together with all accompanying reasonably detailed back-up documentation (including bank account information), for a Loss that is the subject of indemnification hereunder, unless the Indemnifying Party in good faith disputes the Loss, in which event it shall so notify the Indemnified Party. In any event, the Indemnifying Party shall pay to the Indemnified Party, by wire transfer of immediately available funds, the amount of any Loss for which it is liable hereunder no later than three (3) Business Days following any final determination of such Loss and the Indemnifying Party’s liability therefor. A “final determination” shall exist when **%4.** the Parties have reached an agreement in writing, or **%4.** with respect to any Dispute, when such Dispute has been finally settled by arbitration pursuant to and in accordance with Section 12.4 of this Agreement or by the Independent Accountants pursuant to and in accordance with Section 12.5 of this Agreement.

**11.7 Characterization of Indemnification Payments.** All payments made by an Indemnifying Party to an Indemnified Party in respect of any claim pursuant to Section 11.2 or Section 11.3 shall be treated as adjustments to the Purchase Price for tax purposes.

**11.8 Remedies.** If the Closing occurs, the rights and remedies of the Parties under this Article 11 shall be exclusive and in lieu of any and all other rights and remedies the Parties may have after the Closing under this Agreement and Optionor each expressly waives any and all other rights or causes of action it or its Affiliates may have against the other Party or its Affiliates arising under or based on applicable Law with respect to the subject matter hereof. Each Indemnified Party shall take and shall cause its Affiliates to take reasonable steps to mitigate the Losses to the extent

required by Law after becoming aware of any event which would reasonably be expected to give rise to any Losses.

### **11.9 Limitations on Indemnification.**

(a) The liability of Optionor to the Pabst Indemnified Parties in respect of any Losses imposed on, sustained, incurred or suffered by or asserted against any of the Pabst Indemnified Parties in respect of (i) any claims pursuant to Section 11.2(a) (other than with respect to Optionor's Fundamental Representations) shall not exceed in the aggregate \$1,500,000; (ii) any claims pursuant to Section 11.2(b) other than with respect to the Fundamental Covenant shall not exceed in the aggregate \$10,000,000; (iii) any claims pursuant to Section 11.2(a) with respect to the Fundamental Representation set forth in 3.1(g)(iii) and claims pursuant to Section 11.2(b) with respect to the Fundamental Covenant shall not exceed in the aggregate \$40,000,000, (iv) any claims pursuant to Section 11.2(e) shall be as set forth in paragraph (b) of Schedule 1.4; and (v) any other claims pursuant to Section 11.2 shall not exceed in the aggregate the Purchase Price.

(b) The liability of Pabst to the Optionor Indemnified Parties in respect of any Losses imposed on, sustained, incurred or suffered by or asserted against any of the Optionor Indemnified Parties in respect of (i) any claims pursuant to Section 11.3(a)(i) (other than with respect to Pabst's Fundamental Representations) shall not exceed in the aggregate \$1,500,000; (ii) any claims pursuant to Section 11.3(a)(ii) shall not exceed in the aggregate \$10,000,000; (iii) any claims pursuant to Section 11.3(a)(v) shall be as set forth in paragraph (b) of Schedule 1.4; and (iv) any other claims pursuant to Section 11.3 shall not exceed in the aggregate the Purchase Price.

(c) The amount of any Losses payable under Article 11 by an Indemnifying Party will be (i) computed net of any insurance proceeds actually received by the Indemnified Party with respect thereto, and (ii) reduced by the amount of proceeds actually received by the Indemnified Party from any recovery from any third party in respect of such Loss, in each case relating to the matters described in the notice for the claim.

(d) No claim for indemnification under Article 11 may be made by either Party for any Losses to the extent such Losses were specifically included in the calculation of the adjustment to the Purchase Price pursuant to Article IX (Proration).

(e) Any amounts payable pursuant to the indemnification obligations under this Article 11 shall be paid without duplication, and in no event shall any Party be entitled to recover indemnification payments under different provisions of the Agreement in respect of the same Loss.

(f) If an Indemnified Party recovers an amount from a third party in respect of a Loss after all or a portion of such Loss has been paid by an Indemnifying Party pursuant to this Article 11, the Indemnified Party shall promptly remit to the Indemnifying Party the excess (if any) of (i) the amount paid by the Indemnifying Party in respect of such Loss, plus the amount received from the third party in respect thereof, *less* (ii) the full amount of the Loss.

(g) Optionor and MillerCoors shall not be liable with respect to any claim made pursuant to Section 11.2(a) for breach of representation and warranty if (i) Pabst had knowledge of

such breach prior to the Closing and (ii) Pabst has the right (due to such breach) to terminate this Agreement pursuant to Section 7.1(a) and nonetheless elects to Close the transactions contemplated hereunder. For purposes of this Section 11.9, Pabst shall be deemed to have knowledge of any breach of a representation or warranty contained herein if the breach was disclosed to Pabst in the Data Room at least forty-eight (48) hours prior to Closing.

(h) NOTWITHSTANDING ANY PROVISION TO THE CONTRARY HEREIN, EXCEPT TO THE EXTENT AWARDED BY A COURT TO A THIRD PARTY PURSUANT TO A THIRD PARTY CLAIM, AN INDEMNIFIED PARTY WILL NOT BE ENTITLED TO RECOVER ANY CONSEQUENTIAL OR INCIDENTAL, EXEMPLARY, SPECIAL OR PUNITIVE DAMAGES IN CONNECTION WITH ANY CLAIM ASSERTED PURSUANT TO THIS ARTICLE 11 OR INCLUDING ANY RECOVERY UNDER A “MULTIPLE OF PROFITS,” “MULTIPLE OF CASH FLOW,” “MULTIPLE OF EBITDA” OR SIMILAR VALUATION METHODOLOGY IN CALCULATING THE AMOUNT OF ANY INDEMNIFIABLE LOSSES.

(i) EXCEPT IN THE EVENT OF (A) FRAUD OR AN INTENTIONAL MISREPRESENTATION WITH AN INTENT TO MISLEAD OR DECEIVE, (B) WITH RESPECT TO THE COVENANTS OF OPTIONOR AND/OR MILLERCOORS (AND NOT ANY REPRESENTATIONS OR WARRANTIES), INTENTIONAL MISCONDUCT THAT MATERIALLY IMPAIRS THE VALUE OF, OR PABST’S USE OR OPERATION OF, THE PURCHASED ASSETS OR (C) AS OTHERWISE SPECIFICALLY SET FORTH IN THIS AGREEMENT, INCLUDING WITHOUT LIMITATION IN SECTION 10.2, SECTION 12.1 OR SECTION 12.2, THE RIGHTS OF INDEMNITY PROVIDED IN THIS ARTICLE 11 ARE PABST’S SOLE AND EXCLUSIVE REMEDY WITH RESPECT TO ANY AND ALL CLAIMS OF ANY KIND WHATSOEVER ARISING OUT OF OR RELATING IN ANY WAY TO THE SUBJECT MATTER OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (INCLUDING ANY AND ALL BREACHES OR ALLEGED BREACHES OF ANY REPRESENTATIONS, WARRANTIES, COVENANTS OR AGREEMENTS OF THE PARTIES, OR ANY OTHER PROVISION OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY) AND ALL OTHER REMEDIES AND RIGHTS OF INDEMNITY OR CONTRIBUTION, WHETHER CREATED BY LAW OR OTHERWISE, ARE HEREBY WAIVED.

**11.10 Submission to Arbitration.** All claims for indemnification pursuant to this Article 11 that are in Dispute shall be finally settled by arbitration pursuant to and in accordance with Section 12.4 of this Agreement, other than Accounting Disputes which shall be settled by the Independent Accountants in accordance with Section 12.5.

The provisions of this Article 11 shall survive the Closing indefinitely (it being understood, for the avoidance of doubt, that this provision does not extend the applicable Survival Period).

## **12. GENERAL; MISCELLANEOUS**

### **12.1 Expenses.**

(a) *Fees of Agents, Advisors.* Subject to Section 12.1(b) and Section 12.1(c) below, each Party will bear its respective expenses incurred in connection with the preparation, execution, and performance of this Agreement and the contemplated transactions, including all fees and expenses of agents, representatives, counsel, and accountants, whether or not a Closing occurs.

(b) *Closing Costs.* If the Closing shall occur, Optionor shall pay, at or before Closing, (a) one-half the premium for Pabst's California owner's policy of title insurance (the "**Title Policy**"), (b) all transfer, excise, sales and/or similar taxes (other than income taxes or franchise taxes) which may be assessed against any proceeds received by Optionor or MillerCoors in connection with Optionor's and MillerCoors' transfer to Pabst of title to the Purchased Assets (all such taxes, the "**Applicable Transfer and Sales Taxes**") in excess of the amount of Applicable Transfer and Sales Taxes for which Pabst is responsible for under this Section 12.1(b), (c) one-half (1/2) the fees for recording the Deed conveying the Real Property to Pabst and (d) one-half (1/2) of the escrow fee (if any) charged by Escrow Agent in connection with the transaction that is the subject of this Agreement. Pabst shall pay, at or before Closing, (i) one half of all Applicable Transfer and Sales Taxes, except Pabst shall not be responsible for any Applicable Transfer and Sales Taxes applicable to the transfer of personal property in excess of \$2,000,000, (ii) the cost of any extended coverage, endorsements or other modifications requested by Pabst to the Title Policy, (iii) one-half (1/2) of the escrow fee (if any) charged by Escrow Agent in connection with the transaction that is the subject of this Agreement, (iv) one-half the premium for Pabst's California owner's policy of title insurance and (v) one-half the fees for recording the Deed. Any other Closing costs or Closing expenses that are not expressly provided for in this Agreement shall be allocated fifty-fifty (50/50) as between MillerCoors and Optionor, on the one hand, and Pabst on the other hand.

(c) *Dispute Costs.* In the event that any Party institutes any legal suit, action, or proceeding, including arbitration, against the other Party to enforce the covenants contained in this Agreement or the Transition Services Agreement (or obtain any other remedy in respect of any breach of this Agreement or the Transition Services Agreement) arising out of or relating to this Agreement, the prevailing party in the suit, action or proceeding shall be entitled to receive, in addition to all other damages to which it may be entitled, the third party costs incurred by such Party in conducting the suit, action, or proceeding, including reasonable third party attorneys' fees and expert expenses, other expenses and court costs.

## **12.2 Confidentiality.**

(a) *Public Announcements.* Unless otherwise required by applicable law or stock exchange requirements (based upon reasonable advice of counsel), no Party to this Agreement shall make any public announcements in respect of this Agreement, the transactions contemplated hereby or the information obtained regarding the Purchased Assets or otherwise communicate with any news media in respect of this Agreement without the prior written consent of the other Parties (such consent not to be unreasonably withheld). Without the consent of Pabst, Optionor, MillerCoors and their Affiliates may (i) make a press release and/or announcements to their employees related to the Plant Closure (but not this Agreement and the transactions contemplated by this Agreement) and (ii) make an 8-K, 10-K or 10-Q filing with the U.S Securities and Exchange Commission

regarding this Agreement and the transactions contemplated by this Agreement; provided, however, that no such filing shall include the Schedules to the Agreement, unless otherwise required under applicable law or by regulatory authority. No Party shall make any other press releases, and neither Optionor nor MillerCoors shall make any announcements to its employees, in each case related to this Agreement and the transactions contemplated by this Agreement, without the consent of the other Parties hereto, not to be unreasonably withheld.

(b) “**Confidential Information**” of a Party means all information (whether in written, oral, verbal, electronic, visual or any other form) and materials regarding the Purchased Assets, the employees of the Optionor Parties, or the business of the Party which such Party and/or its Affiliates, including without limitation any employee or representative of such Party and/or its Affiliates (“**Disclosing Party**”) has furnished or hereafter furnishes to the other Party (“**Recipient**”) or its representatives which the Party and/or its Affiliates would consider to be proprietary, trade secret or other non-public information of the Disclosing Party and/or its Affiliates. Confidential Information specifically includes all information developed or obtained by Pabst in connection with the transactions contemplated by this Agreement and the Transition Services Agreement. A Party’s Confidential Information specifically includes, but is not limited to, such Party’s and its Affiliates’; pricing, costs and other financial information, financial projections, customer prospects, customer and supplier information, employee lists, employee records, employee information, strategic initiatives, marketing plans, business methods, operating and production procedures, drawings, artwork, designs, schematics, formulations, processes, patent applications, research procedures, models, computer programs, unpatented inventions (including inventions that are the subject of patent applications), recipes, formulas, prototypes, samples, specifications, test results, analyses, software, forecasts and studies, and any third party confidential information included within the information provided by the Disclosing Party and any notes, reports or analyses prepared by Recipient that contain the foregoing. “Confidential Information” includes the fact that discussions or negotiations have taken place or are taking place between the Parties regarding the transactions contemplated by this Agreement (the “**Purpose**”) or any of the terms or conditions of this Agreement. Notwithstanding the foregoing, Confidential Information of a Disclosing Party does not include any information or materials which (i) is or becomes generally available to the public other than as result of a breach by Recipient or its Authorized Persons (defined below) of this Agreement, (ii) was specifically known to Recipient or its Authorized Persons prior to receipt thereof by Recipient or its Authorized Persons from Disclosing Party (other than with respect to information or materials known to Recipient or its Authorized Persons subject to the terms of a separate confidentiality agreement with any Optionor Party), (iii) was or is independently developed without breaching this Agreement by the Recipient or by Recipient’s employees or agents and where Recipient can demonstrate such independent development, or (iv) is approved for release by the express written authorization of Disclosing Party, and then only after such approval and only for the purpose specified. Notwithstanding anything in this Agreement to the contrary, no Party shall be prohibited from disclosing the Purchase Price as required by Law or applicable filings with the U.S. Securities and Exchange Commission (including an 8-K, 10-K or 10-Q) and the delivery or recording of the Deed and other Closing documents, and no Party shall be prohibited from disclosing the Purchase Price or other relevant terms or conditions of this Agreement in connection with any Appeal or other action to enforce the terms and provisions of this Agreement.

(c) Recipient shall keep or cause to be kept in strict confidence all Confidential Information of Disclosing Party and shall not disclose it to anyone except to it and its Affiliates, directors, officers, accountants, attorneys, and a limited group of its employees who are engaged in the evaluation of such Confidential Information in connection with the transactions contemplated by this Agreement, any other person or entity assisting Recipient with the transaction or participating in the transaction (including potential and actual co-packers or alternating proprietorships with which Pabst may transact after the Closing Date) and, in the case of Pabst, Recipient's prospective and actual (x) debt and equity sources and (y) Financing Transaction counterparties and (z) potential and actual co-packers or alternating proprietorships with whom Pabst may brew beer for after the Closing Date ("**Authorized Persons**"). All Authorized Persons shall, prior to any disclosure to them, be informed of the confidentiality provisions of this Agreement and instructed to treat such information as confidential as provided for herein. Recipient will use all Confidential Information only in connection with the Purpose (including, for the avoidance of doubt, evaluating and/or implementing the transaction with respect to the Purchased Assets, determining whether to proceed with the contemplated purchase, or if same is consummated, in connection with the ownership or operation of the Purchased Assets post-Closing) or for the purpose of fulfilling its responsibilities hereunder. Recipient shall use at least the same degree of care in safeguarding Confidential Information of Disclosing Party as Recipient uses for its own proprietary information of like importance, but in no event less than reasonable care. Each of the Authorized Persons of Recipient to whom Confidential Information of Disclosing Party is disclosed will be advised by Recipient of its confidential nature and of the terms of this Agreement. In the event of the breach of this Agreement by an Authorized Person, the Disclosing Party shall have rights against the Authorized Person and the Recipient to the fullest extent permitted by law, and Recipient agrees to take all steps necessary to secure such rights. In the event that Disclosing Party deems any of the Confidential Information to be competitively sensitive information, Disclosing Party may request that such competitively sensitive information be reviewed only by Authorized Persons who are third parties and who are not directors, officers or employees of Recipient or its Affiliates.

(d) Upon Disclosing Party's written request after the termination or expiration of this Agreement, Recipient will either destroy or return to Disclosing Party all Confidential Information of Disclosing Party which is in tangible form, including any copies thereof which Recipient or its Authorized Persons may have made, and Recipient will destroy all abstracts, notes and summaries thereof and destroy or delete all references thereto in its documents; provided, however, that Recipient (and its Authorized Persons) may retain copies of Confidential Information to the extent that failing to do so would be reasonably likely to violate any applicable law, regulation, request from a Governmental Entity, or would contravene Recipient's (or such Authorized Person's) record document retention policies or procedures for legal, compliance or regulatory purposes. If Disclosing Party notifies Recipient in writing as to any of the Confidential Information of Disclosing Party which it does not wish copied, Recipient shall comply. Notwithstanding anything to the contrary herein, nothing in this Agreement shall require the destruction of any standard electronic back-up or archival copies made in the ordinary course of business; provided that any Confidential Information so retained shall continue to be subject to the terms and conditions of this Agreement, subject to subsection (j) below. If Recipient or anyone to whom Recipient transmits the Confidential Information of Disclosing Party is requested or required by applicable law or regulation, or securities exchange, or by order of a court or Governmental Entity or otherwise in connection with a legal

proceeding (by oral questions, interrogatories, requests for information or documents, subpoenas, civil investigative demands or otherwise) to disclose any of such Confidential Information, Recipient will use commercially reasonable efforts to provide Disclosing Party with prompt notice, if lawful, so that Disclosing Party may seek, at Disclosing Party's expense, a protective order or other appropriate remedy or Disclosing Party will waive compliance with the provisions of this Agreement. If such protective order or other remedy is not obtained, or if Disclosing Party waives compliance with the provisions of this Agreement, Recipient will furnish only that portion of the Confidential Information of Disclosing Party which Recipient is advised by its counsel it is legally required to be furnished.

(e) Recipient recognizes that irreparable injury may result to Disclosing Party if Recipient breaches any provision of this Section 12.2 and agrees money damages might not be a sufficient remedy for any breach. Accordingly, if Recipient or any of its Representatives engage in any act in violation of any provision of this Section 12.2, Disclosing Party shall be entitled, in addition to such other remedies as may be available to it under applicable law, to seek an injunction prohibiting Recipient and its Representatives from engaging in any such act, or specifically enforcing the terms of this Section 12.2, as the case may be. The Parties waive any requirement for the posting of any bond or the showing of actual monetary damages.

(f) Except as provided in Article 3, neither the Disclosing Party nor any of its Representatives or Affiliates makes any representation or warranty, expressed or implied, as to the accuracy or completeness of the Confidential Information disclosed to the Recipient hereunder. Except as expressly provided in this Agreement, neither the Disclosing Party nor any of its Representatives or its Affiliates shall be liable to the Recipient or any of its Representatives relating to or resulting from the Recipient's use of any of the Confidential Information or any errors therein or omissions therefrom; provided that this shall apply only with respect to this Agreement and not with respect to any other agreement entered into between the Parties.

(g) Each Party agrees to comply with all laws in connection with its receipt and any transmission of Confidential Information, including without limitation any privacy and data security laws. Recipient shall not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

(h) Notwithstanding anything to the contrary in this Agreement, Pabst may record a memorandum of this Option in the form attached hereto as **Exhibit C** (the "**Option Memorandum**") with the Los Angeles County Recorder's Office.

(i) This Section 12.2 is subject to the additional terms and provisions set forth in Section 1.7 above.

(j) The Parties' obligations under this Section 12.2 will continue until the earlier of (a) Closing and (b) five (5) years following the Effective Date, at which time the Parties obligations under this Section 12.2 shall terminate and be of no further force or effect; provided that any trade

secrets shall survive for so long as such trade secret is considered to be a trade secret under applicable law.

**12.3 Notices.** All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by electronic message (email) to the email address set forth below; provided that a copy also is mailed by registered mail, return receipt requested, or (c) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses set forth below (or to such other addresses as a Party may designate by notice to the other Parties):

**Optionor:** MillerCoors USA LLC  
250 S. Wacker Dr., Suite 800  
Chicago IL 60606  
Attn: Chief Legal Officer  
E-mail: kelly.grebe@millercoors.com

With a copy to:

Quarles & Brady LLP  
Attn: Jennifer Clements  
411 E. Wisconsin Avenue  
Suite 2350  
Milwaukee, WI 53202  
E-mail: jennifer.clements@quarles.com

**Pabst:** Pabst Brewing Company, LLC  
Attn: Rob Urband  
10635 Santa Monica Blvd.  
Suite 350  
Los Angeles, CA 90025  
E-mail: rurband@pabst.com

With a copy to:

Sullivan & Cromwell LLP  
Attn: Robert M. Schlein  
125 Broad Street  
New York, New York 10004  
Email: schleinr@sullcrom.com

Any notice hereunder shall be deemed to have been given (i) upon receipt, if personally delivered, (ii) on the Business Day after dispatch, if sent by overnight courier, (iii) upon dispatch, if transmitted by email with return receipt requested and received.



## 12.4 Dispute Resolution.

(a) Dispute. As used in this Agreement, “**Dispute**” means any dispute or disagreement between or among Optionor, Pabst and/or MillerCoors concerning the interpretation of this Agreement, the validity of this Agreement, any breach or alleged breach by any Party of this Agreement or any other matter relating in any way to this Agreement; provided that Dispute shall not include a dispute concerning Section 12.2 or any other confidentiality agreement between the Parties, or a dispute with respect to the Accounting Disputes. Further, any action for specific performance shall be governed by Section 12.7.

(b) Process. If a Dispute arises, other than a Dispute with respect to an Accounting Dispute, the Parties will follow the procedures specified in subsections (c) through (e) below.

(c) Negotiations. The Parties will promptly attempt to resolve any Dispute by negotiations between the Optionor and Pabst. Either the Optionor or Pabst may give the other Party written notice of any Dispute not resolved in the normal course of business. The Optionor and Pabst will meet at a mutually acceptable time and place within twenty (20) calendar days after delivery of such notice, and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the Dispute. If the Dispute has not been resolved by these Parties within thirty-five (35) calendar days of the disputing Party’s notice, or if the Parties fail to meet within such thirty (30) calendar days, either the Optionor or Pabst may initiate arbitration as provided in Section 12.4(d). If a Party intends to be accompanied at a meeting by legal counsel, the other Party will be given at least three (3) Business Days’ notice of such intention and may also be accompanied by legal counsel.

**(d) ARBITRATION OF DISPUTES. IF A DISPUTE IS NOT RESOLVED BY NEGOTIATION PURSUANT TO SUBSECTION (C), SUCH DISPUTE SHALL BE RESOLVED BY A JAMS ARBITRATOR (WITH AT LEAST TEN (10 YEARS EXPERIENCE ARBITRATING COMMERCIAL REAL ESTATE OR MERGERS AND ACQUISITIONS DISPUTES IN CALIFORNIA) IN ACCORDANCE WITH THE JAMS COMPREHENSIVE ARBITRATION RULES AND PROCEDURES. SUCH DECISION SHALL BE BINDING UPON THE PARTIES AND JUDGMENT ON THE AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE PLACE OF ARBITRATION SHALL ALTERNATE BETWEEN CHICAGO AND CALIFORNIA. THE ARBITRATION SHALL BE GOVERNED BY THE INTERNAL LAWS OF CALIFORNIA. EXCEPT AS MAY BE REQUIRED BY LAW, NEITHER A PARTY NOR ANY ARBITRATOR MAY DISCLOSE THE EXISTENCE, CONTENT, OR RESULTS OF ANY ARBITRATION HEREUNDER WITHOUT THE PRIOR WRITTEN CONSENT OF THE PARTIES.**

**NOTICE: BY INITIALLING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE ‘ARBITRATION OF DISPUTES’ PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING**

**IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE ‘ARBITRATION OF DISPUTES’ PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.**

**WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE ‘ARBITRATION OF DISPUTES’ PROVISION TO NEUTRAL ARBITRATION.**

/s/ RU                      /s/ GH      /s/ GH \_\_\_\_\_  
Pabst’s Initials   Optionor’s Initials      MillerCoors’ Initials

(e) General.

- (i) Extension of Deadlines. All deadlines specified in this Section 12.4 may be extended by mutual agreement between the Optionor and Pabst.
- (ii) Enforcement. The Parties regard the obligations in this Section 12.4 to constitute an essential provision of this Agreement and one that is legally binding on them. In case of a violation of the obligations in Section 12.4(b), (c) and (d) by any Party, the other Party may bring an action to seek enforcement of such obligations in a court of law as set forth in Section 12.7 (subject to the terms of Section 12.6).
- (iii) Costs. With respect to proceedings under Section 12.4(d), the Optionor and Pabst will each pay fifty percent (50%) of the fees and expenses of the arbitrator in connection with the application of the provisions of Section 12.4(d).
- (iv) Replacement. With respect to proceedings under Section 12.4(d), if JAMS is no longer in business or is unable or refuses or declines to act or to continue to act under this Section 12.4 for any reason, then the functions specified in this Section 12.4 to be performed by JAMS will be performed by the American Arbitration Association (“AAA”) in accordance with its Commercial Arbitration Rules, unless another replacement is mutually agreed to by the Parties.

**12.5 Independent Accountants**. The Parties shall attempt to resolve any Disputes with respect to Section 1.10 (Post-Closing Transactions), 12.1 (Expenses), any tax matter (including any Tax Returns), the Allocation Appraisal, or Article 9 (the “Accounting Disputes”); *provided, however*, that if no resolution is reached on or before the thirtieth (30th) day following a Party's

receipt of a notice of dispute, the Parties shall employ a firm of certified public accountants mutually agreed to and independent of both Parties (which shall be a large regional firm or a big 4 firm) (the “**Independent Accountants**”) for purposes of settling the items in dispute. In the event the Parties cannot mutually agree on the Independent Accountants after providing at least three suggestions each, either Party may choose to have an arbitrator determine the Independent Accountants as set forth in Section 12.4. Such Independent Accountants shall only review the items in dispute and shall determine whether such disputed items are consistent with this Agreement and, if not, shall make such changes thereto as are necessary to resolve such Accounting Disputes and the provisions of this Agreement. The Independent Accountants may specify appropriate procedures for resolving the disputed items, including requesting written or oral submissions and explanations. The decision of the Independent Accountants on each item in dispute may not be greater than the higher position of Pabst and the Optionor Parties nor the lower position of Pabst and the Optionor Parties with respect to such item. The conclusions of the Independent Accountants shall have the legal effect of an arbitral award and shall be final and binding on the Parties. The Independent Accountants shall determine the percentage of its fees and expenses to be paid by Pabst and the Optionor Parties, with such fees and expenses being borne in inverse proportion to the degree to which the Independent Accountants accepted the positions of the respective Parties.

**12.6 WAIVER.** EACH PARTY TO THIS AGREEMENT EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OR OTHERWISE OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING UNDER THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR (B) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT OR TORT OR OTHERWISE. EACH PARTY AGREES THAT SUCH DISPUTES SHALL BE DECIDED BY MANDATORY ARBITRATION PURSUANT TO SECTION 12.4 OF THIS AGREEMENT. THE PARTIES AGREE THAT THE PROVISIONS CONTAINED HEREIN HAVE BEEN NEGOTIATED ON AN ARMS-LENGTH BASIS, WITH THE PARTIES AGREEING TO THE SAME KNOWINGLY AND BEING AFFORDED THE OPPORTUNITY TO HAVE THEIR RESPECTIVE LEGAL COUNSEL ADVISE THEM AS TO THE MATTERS CONTAINED HEREIN.

**12.7 Jurisdiction, Service of Process.** With respect to (a) enforcement claims in respect of Disputes subject to arbitration or Accounting Disputes or (b) in the event any Party desires to seek specific performance or to enforce the confidentiality obligations under Section 12.2, the Parties hereby submit to the exclusive venue and jurisdiction of the State of California and United States District courts located within the City of Los Angeles in respect of any suit or other proceeding brought in connection with or arising out of this Agreement, each of the Parties consents to the exclusive jurisdiction of such courts (and their respective appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or

proceeding referred to in the preceding sentence may be served on any Party anywhere in the world. Nothing in this Section 12.7 shall limit in any way the provisions of Sections 12.4 and 12.5 of this Agreement. In addition, the Parties hereby submit to the exclusive venue and jurisdiction of the State of Wisconsin and the United States Districts courts located within the City of Milwaukee for any claims related to the Settlement Agreement.

**12.8 Waiver.** The rights and remedies of the Parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any Party in exercising any right, power, or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. Notwithstanding the foregoing, to the extent Pabst does not exercise its option rights within the time periods set forth herein, Pabst's rights shall be deemed to be waived. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or the documents referred to in this Agreement can be discharged by one Party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other Party; (b) no waiver that may be given by a Party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one Party will be deemed to be a waiver of any obligation of such Party or of the right of the Party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

**12.9 Entire Agreement and Modification.** This Agreement and the Settlement Agreement supersede all prior discussions and agreements between the Parties with respect to the option to purchase the Brewery. This Agreement, the Settlement Agreement and, with respect to the site visit referenced therein, the Location Access Agreement dated January 28, 2019, constitute a complete and exclusive statement of the terms of the agreement between the Parties with respect to the Option to purchase the Brewery. This Agreement may not be amended except by a written agreement executed by all of the Parties hereto. In the event of a conflict between this Agreement and the Settlement Agreement, this Agreement shall control.

**12.10 Assignments, Successors, and No Third-Party Rights.** No Party may assign or transfer any of its rights under this Agreement, whether voluntarily or by operation of law, without the prior written consent of the other Parties, and any such assignment shall be null and void; provided, however, that Pabst shall have the right to assign and transfer this Agreement (and/or any right to acquire the Purchased Assets under this Agreement) without Optionor's or MillerCoors' consent if all of the following conditions are satisfied: (a) as of the date of such assignment, the assignee of Pabst must be an entity (x) in which Pabst directly or indirectly owns and controls at least a fifty one percent (51%) equity or like ownership and fifty one percent (51%) voting interest (each, a "**Pabst Entity**") or (y) an entity which is at least 51% owned (directly or indirectly) by an entity which also directly or indirectly owns at least 51% of Pabst, (b) the assignee shall assume all obligations of Pabst hereunder (but, subject to the last sentence of this Section 12.10, from and after such assumption Pabst shall not be conditionally discharged from any of its obligations and liabilities under or in connection with this Agreement unless discharged in writing by Optionor and MillerCoors); and (c) a copy of the fully executed assignment and

assumption agreement together with evidence of control and ownership shall be delivered to Optionor at least 30 days prior to Closing. Notwithstanding the foregoing, the assignee may not be a Prohibited Transferee. If Pabst assigns this Agreement in accordance with this Section 12.10, Optionor shall not be obligated to use its commercially reasonable efforts to aid Pabst in having consents re-assigned if already obtained or re-assigned or re-issued to Pabst's assignee. Nothing expressed or referred to in this Agreement will be construed to give any person other than the Parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. Notwithstanding anything to the contrary herein, any restriction on Pabst set forth in this Section 12.10 shall be terminated as of the Closing; provided that Section 1.10 (Post-Closing Transactions) shall be in full force and effect. For the avoidance of doubt, no Sale of Pabst shall constitute an assignment or transfer for purposes of this Section 12.10.

**12.11 Severability.** If any provision of this Agreement is held invalid or unenforceable by any arbitrator or in the case of breaches of the confidentiality obligations or any access agreements, a court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

**12.12 Section Headings, Construction.** The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

**12.13 Time of Essence.** With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

**12.14 Governing Law.** This Agreement will be governed by the laws of the State of California, without regard to conflicts of laws principles.

**12.15 As-Is Sale.** EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES OF OPTIONOR OR MILLERCOORS SET FORTH HEREIN OR IN ANY DOCUMENT OR INSTRUMENT DELIVERED AT THE CLOSING, PABST ACKNOWLEDGES AND AGREES THAT IT WILL BE PURCHASING THE PURCHASED ASSETS BASED SOLELY UPON ITS INSPECTIONS AND INVESTIGATIONS OF THE PURCHASED ASSETS AND THAT PABST WILL BE PURCHASING THE PURCHASED ASSETS "AS IS" AND "WITH ALL FAULTS", BASED UPON THE CONDITION OF THE PURCHASED ASSETS AS OF THE DATE OF THIS AGREEMENT, ORDINARY WEAR AND TEAR EXCEPTED, AND THAT, EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES OF OPTIONOR OR MILLERCOORS SET FORTH HEREIN OR IN ANY DOCUMENT OR INSTRUMENT DELIVERED AT THE CLOSING, OPTIONOR AND MILLERCOORS MAKE NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR

A PARTICULAR PURPOSE, IN RESPECT OF THE PURCHASED ASSETS. WITHOUT LIMITING THE FOREGOING, PABST ACKNOWLEDGES THAT, EXCEPT AS MAY OTHERWISE BE SPECIFICALLY SET FORTH ELSEWHERE IN THIS AGREEMENT OR IN ANY DOCUMENT OR INSTRUMENT DELIVERED AT THE CLOSING, NONE OF OPTIONOR, MILLERCOORS, THEIR AFFILIATES, THEIR CONSULTANTS OR AGENTS HAVE MADE ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND UPON WHICH PABST IS RELYING AS TO ANY MATTERS CONCERNING THE PURCHASED ASSETS, INCLUDING, BUT NOT LIMITED TO: (I) THE CONDITION OF THE LAND OR ANY IMPROVEMENTS COMPRISING THE PURCHASED ASSETS; (II) THE EXISTENCE OR NON-EXISTENCE OF ANY POLLUTANT, TOXIC WASTE AND/OR ANY HAZARDOUS MATERIALS OR SUBSTANCES; (III) ECONOMIC PROJECTIONS OR MARKET STUDIES CONCERNING THE PURCHASED ASSETS, OR THE INCOME TO BE DERIVED FROM THE PURCHASED ASSETS; (IV) ANY DEVELOPMENT RIGHTS, TAXES, BONDS, COVENANTS, CONDITIONS AND RESTRICTIONS AFFECTING THE PURCHASED ASSETS; (V) THE NATURE AND EXTENT OF ANY RIGHT OF WAY, LEASE, LIEN, ENCUMBRANCE, LICENSE, RESERVATION OR OTHER TITLE MATTER; (VI) WATER OR WATER RIGHTS, TOPOGRAPHY, GEOLOGY, DRAINAGE, SOIL OR SUBSOIL OF THE PURCHASED ASSETS; (VII) THE UTILITIES SERVING THE PURCHASED ASSETS; (VIII) THE SUITABILITY OF THE PURCHASED ASSETS FOR ANY AND ALL ACTIVITIES AND USES WHICH PABST MAY ELECT TO CONDUCT THEREON; OR (IX) THE COMPLIANCE OF THE PURCHASED ASSETS WITH ANY ZONING, ENVIRONMENTAL, BUILDING OR OTHER LAWS, RULES OR REGULATIONS AFFECTING THE PURCHASED ASSETS. OPTIONOR AND MILLERCOORS MAKE NO REPRESENTATION OR WARRANTY THAT THE PURCHASED ASSETS COMPLY WITH THE AMERICAN WITH DISABILITIES ACT OR ANY FIRE CODE OR BUILDING CODE. PABST HEREBY RELEASES OPTIONOR, MILLERCOORS, AND THEIR AFFILIATES FROM ANY AND ALL LIABILITY IN CONNECTION WITH ANY ENVIRONMENTAL CLAIMS WHICH PABST OR ANY OTHER PARTY MAY HAVE AGAINST OPTIONOR, MILLERCOORS AND THEIR AFFILIATES AND PABST HEREBY AGREES, SUBJECT TO ITS RIGHTS WITH RESPECT TO BREACH OF REPRESENTATIONS UNDER ARTICLE 3 HEREOF NOT TO ASSERT ANY ENVIRONMENTAL CLAIMS FOR CONTRIBUTION, COST RECOVERY OR OTHERWISE, AGAINST OPTIONOR, MILLERCOORS OR THEIR AFFILIATES RELATING DIRECTLY OR INDIRECTLY TO THE EXISTENCE OF ASBESTOS OR HAZARDOUS MATERIALS OR SUBSTANCES ON, OR ENVIRONMENTAL CONDITIONS OF, THE PURCHASED ASSETS, WHETHER KNOWN OR UNKNOWN.

As further consideration for this release, Optionor, MillerCoors and Pabst hereby agree, represent and warrant that the matters released herein are not limited to matters which are known or disclosed, and the undersigned, and each of them, hereby waive any and all rights and benefits which they, or either of them, now has, or in the future may have, conferred upon them, by virtue of the provisions of Section 1542 of the Civil Code of the State of California which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR

AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Each party hereto understands and acknowledges the significance and the consequence of the waiver of Section 1542 of the California Civil Code. Except as otherwise expressly provided for herein, Optionor and MillerCoors agree, represent and warrant that they, and each of them, realize and acknowledge that the factual matters now unknown to them may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and the undersigned further agree, represent and warrant that this release has been negotiated and agreed upon in light of that realization and that they nevertheless hereby intend to release, discharge and acquit each other from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses described herein.

MillerCoors Initials Pabst Initials                      Optionor Initials

/s/GH                      /s/ RU                      /s/ GH

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Subject to the remedies set forth in this Agreement for breach of representations and warranties, Pabst and its successors in interest release Optionor, MillerCoors and their Affiliates, and its and their respective officers, directors, representatives, successors and assigns (the “**Released Parties**”), from, and waives all claims and liability against the Released Parties for any environmental condition at or relating to the Purchased Assets whether known or unknown, and further releases the Released Parties from, and waives all liability against the Released Parties attributable to, the environmental condition of the Purchased Assets, including without limitation the presence, discovery, or removal of any Hazardous Materials in, at, under, about, or from the Purchased Assets, or for, connected with, or arising out of any and all claims or causes of action based upon any Environmental Law.

Without in any way limiting the foregoing, Pabst specifically acknowledges that the Real Property is located within or near a contaminated groundwater plume commonly known as the Baldwin Park Operable Unit of the San Gabriel Valley Superfund Site (“**Regional Groundwater Plume**”). Optionor, MillerCoors and their Affiliates do not assume any Liabilities related to the Regional Groundwater Plume in the San Gabriel Valley, and, subject to the rights and remedies for breach of representations and warranties set forth in this Agreement, Pabst and its successors in interest release and waive all claims and liabilities against the Released Parties related to the Regional Groundwater Plume, and Optionor, MillerCoors and their Affiliates release and waive all claims and liabilities against Pabst and its successors in interest related to the Regional Groundwater Plume to the extent that Optionor, MillerCoors or Affiliates have released Hazardous Materials prior to Closing that have caused or contributed to the Regional Groundwater Plume (if any).

**12.16 Joint and Several Liability.** MillerCoors and Optionor are and shall be jointly and severally liable for, and each of MillerCoors and Optionor absolutely and unconditionally guarantees to Pabst, the prompt payment and performance of all liabilities, obligations and agreements of both MillerCoors and Optionor under this Agreement and the Ancillary Documents.

**12.17 No Third-Party Beneficiaries.** Nothing in this Agreement, express or implied, is intended to confer to any third party any rights or benefits.

**12.18 Section References.** References to sections in this Agreement shall also refer in each case to the Schedules corresponding to such sections.

**12.19 Interpretation.** This Agreement shall not be construed more strictly against any party than against the other by virtue of the fact that it may have been prepared by counsel for one of such parties, it being recognized that all Parties have contributed substantially and materially to the preparation of this Agreement.

**12.20 Counterparts/Signature.** This Agreement may be executed (a) in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement and (b) by e-mail, .pdf, telecopy or other facsimile signature (each of which shall be deemed an original).

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**



IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first written above.

Pabst Brewing Company, LLC

By: /s/ Eugene Kashper

Name: Eugene Kashper

Title: Chief Executive Officer

MillerCoors USA LLC

By: /s/ Gavin Hattersley

Name: Gavin Hattersley

Title: Chief Executive Officer

MillerCoors LLC

By: /s/ Gavin Hattersley

Name: Gavin Hattersley

Title: Chief Executive Officer

## ANNEX A

### DEFINITIONS

“AAA” shall have the meaning set forth in Section 12.4(e)(iv).

“Accounting Disputes” shall have the meaning set forth in Section 12.5.

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person as of the date on which, or at any time during the period for which, the determination of affiliation is being made (for purposes of this definition, the term “control” (including the correlative meanings of the terms “controlled by” and “under common control with”), as used with respect to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise).

“Agreement” shall have the meaning set forth in the preamble of this Agreement.

“Allocation Appraisal” shall have the meaning set forth in Section 1.1.

“Ancillary Agreements” shall have the meaning set forth in Section 2.1(b).

“Appeal” shall have the meaning set forth in Section 9.1(b).

“Applicable Transfer and Sales Taxes” shall have the meaning set forth in Section 12.1(b).

“Assignment and Bill of Sale” shall have the meaning set forth in Section 8.2(b).

“Assumed Contracts” shall have the meaning set forth in Section 1.8.

“Authorized Persons” shall have the meaning set forth in Section 12.2(c).

“Benefits Plans” shall have the meaning set forth in Section 3.1(m).

“Brewery” shall have the meaning set forth in the recitals of this Agreement.

“Brewery Assets” shall have the meaning set forth in Section 1.2(a)(i).

“Brewery Computer Equipment” shall have the meaning set forth in Section 1.2(a)(iii).

“Brewery IP” shall have the meaning set forth in Section 1.2(h).

“Brewing Agreement” shall mean that certain Brewing Agreement between Pabst Brewing Company, Pearl Brewing Company LLC, Falstaff Brewing Corporation and General Brewing Company LLC, and S&C Co. and Miller Brewing Company, dated as of January 29, 2007, as amended.

“Business Day” shall mean any day that is not a Saturday, Sunday or other day on which banking institutions in California are authorized or required by law or executive order to close.

“Cancelled Contracts” shall have the meaning set forth in Section 1.8.

“Claim Notice” shall have the meaning set forth in Section 11.4(a).

“Closing” shall have the meaning set forth in Section 1.5(c).

“Closing Date” shall have the meaning set forth in Section 1.5(c).

“Closure Notice” shall have the meaning set forth in Section 1.5(b).

“Closure Notice Delivery Date” shall have the meaning set forth in Section 1.5(b).

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Compliance” shall have the meaning set forth in Section 1.10(d).

“Condemnation Judgment” shall mean the judgment entered into in the case Metro Gold Line Foothill Extension Construction Authority v MillerCoors LLC case No. BC497583

“Confidential Information” shall have the meaning set forth in Section 12.2(b).

“Contracts” means the Equipment Leases, Service Contracts, and any other agreements pertaining solely to the Purchased Assets, but excluding the Master Leases, the TTB Licenses, all Union Contracts and any Excluded Assets.

“Data Room” shall mean the dedicated proprietary website via which Optionor shares due diligence documentation with Pabst and its Authorized Persons regarding the Transaction.

“Deed” shall have the meaning set forth in Section 8.2(a).

“Deposit” shall have the meaning set forth in Section 6.1.

“Direct Claim” shall have the meaning set forth in Section 11.5.

“Disclosing Party” shall have the meaning set forth in Section 12.2(b).

“Dispute” shall have the meaning set forth in Section 12.4(a).

“Documents” means all documents and information to be delivered pursuant to Section 1.7(a) and all other uploads to the Data Room.

“Due Diligence List” shall have the meaning set forth in Section 1.7(a).

“Effective Date” shall have the meaning set forth in the preamble of this Agreement.

“Employment Liabilities” shall have the meaning set forth in paragraph (b) of Schedule 1.4.

“Environmental Laws” shall mean all federal, state, local, or other law, rule, regulation, or governmental requirement or restriction of any kind, including, but not limited to, any rules, regulations orders, plan approvals and regulatory policies relating to the protection of human health or the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or regulating the use of or imposing obligations with respect to Hazardous Materials, including, without limitation, (i) the Resource Conservation and Recovery Act, 42 U.S.C.A. § 6901, *et seq.*, and the rules, regulations and orders promulgated thereunder and any state counterparts thereto; (ii) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C.A. § 9601, *et seq.*, and the rules, regulations and orders promulgated thereunder and any state counterparts thereto; (iii) the Clean Water Act, 33 U.S.C. § 1251, *et seq.*, and the rules, regulations and orders promulgated thereunder and the state counterparts thereto; (iv) the Clean Air Act, 42 U.S.C. § 7401 *et seq.*, and the rules, regulations and orders promulgated thereunder and the state counterparts thereto; (v) the Toxic Substances Control Act, 15 U.S.C. § 2601, *et seq.*, and the rules, regulations and orders promulgated thereunder; (vi) the Hazardous Materials Transportation Act, 49 U.S.C. § 1801, *et seq.*, and the rules, regulations and orders promulgated thereunder; (vii) the Occupational Safety and Health Act, 29 U.S.C. § 651 *et seq.*, and the rules, regulations, and orders promulgated thereunder; and (viii) California’s Hazardous Waste Control Law in Cal. Health and Safety Code, Division 20, Chapter 6.5, and the rules, regulations, and orders promulgated thereunder; (ix) any other applicable foreign or U.S. federal, state, local, or other statutes or Laws, and the rules, regulations, and orders promulgated thereunder.

“Equipment” means the Brewery Assets and Brewery Computer Equipment.

“Equipment Leases” shall have the meaning set forth in Section 1.2(a)(ii).

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” shall have the meaning set forth in Section 3.1(m).

“Escrow Agent” shall have the meaning set forth in Section 6.1.

“Excluded Assets” shall have the meaning set forth in Section 1.2(c).

“Excluded Computer Equipment” shall have the meaning set forth in Section 1.2(c)(ix).

“Excluded Software” shall have the meaning set forth in Section 1.2(c)(viii).

“Excluded Transaction” shall have the meaning set forth in Section 1.10(a).

“Exercise Date” shall have the meaning set forth in Section 1.5(a).

“Exercise Notice” shall have the meaning set forth in Section 1.5(a).

“Financing Transaction” shall mean a lessor or other counterparty in respect of a bona fide sale leaseback, leaseback or other financing transaction.

“Fraud” shall mean the actual knowledge (as opposed to imputed or constructive knowledge) of a Party, with the intent to induce the other party to act or refrain from acting, and such party relied on such inducement.

“Fundamental Covenant” shall have the meaning set forth in Section 4.1(a).

“Fundamental Representations” means the representations and warranties of Optionor and/or MillerCoors, on the one hand, and Pabst, on the other hand, in Section 2.1(a) (*Due Organization and Good Standing*) and Section 2.1(b) (*Authority*) and Optionor's and MillerCoors' representations in Section 3.1(g)(ii) and 3.1(g)(iii) (*Title and Sufficiency of Assets*) of this Agreement.

“Governmental Entity” means any governmental, quasi-governmental or regulatory authority, agency, commission, body, court or other legislative, executive or judicial governmental entity.

“Hazardous Materials” means any hazardous or toxic substance, material, or waste that is or becomes regulated by any Governmental Entity, including, without limitation, any substance, material, or waste that is (i) listed in the United States Department of Transportation Hazardous Materials Table (49 C.F.R. § 172.101 and appendix thereto), (ii) identified by the United States Environmental Protection Agency as a hazardous substance under 40 C.F.R. Part 302, (iii) designated as a “hazardous substance” under Section 311 of the Federal Water Pollution Control Act, 33 U.S.C. § 1317, (iv) defined as a “hazardous waste” under Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. § 6901, *et seq.*, (v) defined as a “hazardous substance” under Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601, *et seq.*, (vi) meets the definition of “waste” under a “hazardous material” under Cal. Health and Safety Code § 25501(n)(1), (vii) an asbestos containing material, (viii) any petroleum product or material in any way derived from or containing any petroleum product,

(ix) any perfluorinated, perfluoroalkyl or polyfluoroalkyl compounds or (x) defined as a “hazardous waste,” a “hazardous material,” a “hazardous substance,” a “contaminant,” or a “waste” under any other laws or regulations applicable to the Purchased Assets (all as (i) through (x) above may, from time to time, be amended, revised, supplemented, replaced, or interpreted by rule or regulation).

“HSR Act” shall have the meaning set forth in Section 7.1(i).

“Improvements” shall have the meaning set forth in the recitals of this Agreement.

“Indemnified Parties” shall have the meaning set forth in Section 11.3(a).

“Indemnifying Party” shall have the meaning set forth in Section 11.4(a).

“Independent Accountants” shall have the meaning set forth in Section 12.5.

“Insurance Policies” shall have the meaning set forth in Section 3.1(h).

“Intellectual Property” shall have the meaning set forth in Section 1.2(c)(xi).

“Land” shall have the meaning set forth in the recitals of this Agreement.

“Law” means any federal, state, local or foreign, international or transactional law, statute or ordinance, common law, or any rule, regulation, standard, judgment, determination, order, writ, injunction, decree, arbitration award, agency requirement, authorization, license or permit of any Governmental Entity.

“Leased Assets” shall mean those items of personal property that Optionor or MillerCoors leases and uses on the Real Property.

“Leases” shall have the meaning set forth in Section 1.2(a)(x).

“Liabilities” means all debts, liabilities, commitments and obligations of any kind, whether fixed, contingent or absolute, matured or unmatured, liquidated or unliquidated, accrued or not accrued, asserted or not asserted, known or unknown, determined, determinable or otherwise, whenever or however arising (including, whether arising out of any contract or tort based on negligence or strict liability) and whether or not the same would be required by GAAP to be reflected in financial statements or disclosed in the notes thereto.

“Liability Cap” shall mean \$10,000,000.

“Liability Disclosure Notice” shall have the meaning set forth in Section 1.3(b).

“Lien” shall mean mortgage, lien, charge, pledge, security interest, claim or other encumbrance

“Losses” shall have the meaning set forth in Section 11.2.

“Mandatory Cure Items” shall have the meaning set forth in Section 1.2(b).

“Master Leases” shall have the meaning set forth in Section 1.2(a)(ii).

“Material Agreements and Permits” shall have the meaning set forth in Section 4.2.

“Material Adverse Effect” means any change, occurrence or development, effect, fact or circumstance that, individually or taken together with any other changes, occurrences or developments, effects, facts or circumstances (x) is, or would reasonably be expected to materially adverse to the Purchased Assets taken as a whole or the operation of the Brewery or (y) prevents or would reasonably be expected to prevent, materially delay or materially impair the ability of the Parties to consummate the Transaction.

“Material Consents” shall have the meaning set forth in Section 4.2.

“MC 4.6 Indemnity” shall have the meaning set forth in Schedule 4.6.

“MillerCoors” shall have the meaning set forth in the preamble of this Agreement.

“Mineral Rights Profits Participation” shall have the meaning set forth in Section 1.10(b).

“Multiemployer Plans” shall have the meaning set forth in Section 3.1(m).

“MRO Inventory” shall have the meaning set forth in Section 1.2(a)(i).

“Non-Pabst Person” shall have the meaning set forth in Section 1.10(b).

“Notice of Intent to Transition” shall have the meaning set forth in Section 1.13.

“Notice Period” shall have the meaning set forth in Section 11.4(a).

“OFAC” shall have the meaning set forth in Section 2.1(e).

“Operating Costs” shall have the meaning set forth in Section 9.1(a).

“Option” shall have the meaning set forth in Section 1.1.

“Option Memorandum” shall have the meaning set forth in Section 12.2(h).

“Optionor” shall have the meaning set forth in the preamble of this Agreement.

“Optionor Indemnified Parties” shall have the meaning set forth in Section 11.3(a).

“Optionor Party” means Optionor, MillerCoors and their respective Affiliates.

“Optionor WARN Liabilities” shall have the meaning set forth in paragraph (a) of Schedule 1.4.

“Optionor’s Knowledge”, “to Optionor’s Knowledge” and corollary terms shall mean the actual knowledge of the officers of Optionor, without investigation or inquiry.

“Optionor’s Rep Certificate” shall have the meaning set forth in Section 8.2(e).

“Order” means any order, writ, judgment, award, injunction or decree of any Governmental Entity.

“Pabst” shall have the meaning set forth in the preamble of this Agreement.

“Pabst 4.6 Indemnity” shall have the meaning set forth in Schedule 4.6.

“Pabst EL Cap” shall have the meaning set forth in paragraph (b) of Schedule 1.4.

“Pabst Entity” shall have the meaning set forth in Section 12.10.

“Pabst Indemnified Parties” shall have the meaning set forth in Section 11.2.

“Pabst Inspection Liabilities” shall have the meaning set forth in Section 1.7(g).

“Pabst’s Agents” shall have the meaning set forth in Section 1.7(b).

“Pabst’s Hiring Liability” shall have the meaning set forth in Section 1.3(d).

“Pabst WARN Liabilities” shall have the meaning set forth in paragraph (a) of Schedule 1.4.

“Participation Right” shall have the meaning set forth in Section 1.10(a).

“Party” and “Parties” shall have the meanings set forth in the preamble of this Agreement.

“Permits” shall have the meaning set forth in Section 1.2(a)(vi).



“Permitted Liens” shall have the meaning set forth in Section 1.2(b).

“Person” means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, other legal entity of any kind or any governmental entity.

“Personal Property” shall have the meaning set forth in Section 3.1(g)(iii).

“Pits” shall have the meaning set forth in Section 1.10(a).

“Plant Closure” shall have the meaning set forth in Section 1.5(b).

“Prohibited Transferees” shall have the meaning set forth in Section 1.10(c).

“Purchased Assets” shall have the meaning set forth in Section 1.2(a).

“Purchase Price” shall have the meaning set forth in Section 1.1.

“Purpose” shall have the meaning set forth in Section 12.2(b).

“Qualifying Transaction” shall have the meaning set forth in Section 1.10(a).

“Real Property” shall have the meaning set forth in Section 1.2(a).

“Recipient” shall have the meaning set forth in Section 12.2(b).

“Records” shall have the meaning set forth in Section 1.2(a)(vii).

“Regional Groundwater Plume” shall have the meaning set forth in Section 12.15.

“Released Parties” shall have the meaning set forth in Section 12.15.

“Representation Date” shall have the meaning set forth in Section 3.1.

“Representation Schedule Update” shall have the meaning set forth in Section 4.1(i).

“Sale of Pabst” shall have the meaning set forth in Section 1.10(c).

“Schedules” shall mean all schedules referenced in this Agreement, including without limitation all Representation Schedule Updates.

“Security Interest” shall have the meaning set forth in the definition of “Security Transaction.”

“Security Transaction” shall mean the granting of any mortgages, pledges, security interests or similar encumbrances on the Purchased Assets or any portions thereof

or any direct or indirect ownership interests therein (collectively, “Security Interests”), a foreclosure or other enforcement of any Security Interest, a deed or assignment in lieu of a foreclosure or other enforcement of a Security Interest, or a sale or transfer by any lender or its designee (or any other person) following a foreclosure, deed or assignment in lieu of foreclosure or other enforcement of a Security Interest.

“Service Contracts” shall have the meaning set forth in Section 1.2(a)(v).

“Settlement Agreement” shall have the meaning set forth in the recitals of this Agreement.

“Signage” shall have the meaning set forth in Section 1.2(d).

“Supplier List” shall have the meaning set forth in Section 4.4.

“Survey” shall have the meaning set forth in Section 1.7(b).

“Survival Period” shall have the meaning set forth in Section 11.1(b).

“Tax Returns” shall have the meaning set forth in Section 1.1.

“Third Party Claim” shall have the meaning set forth in Section 11.4(a).

“Title Company” shall have the meaning set forth in Section 6.1.

“Title Policy” shall have the meaning set forth in Section 12.1(b).

“Transaction” shall have the meaning set forth in Section 3.1(b)(i).

“Transfer Tax Returns” shall have the meaning set forth in Section 8.2(i).

“Transferred Software” shall have the meaning set forth in Section 1.2(a)(iii).

“Transition Outline” shall have the meaning set forth in Section 1.7(a).

“Transition Services Agreement” shall have the meaning set forth in Section 1.5(d).

“TTB Licenses” shall have the meaning set forth in Section 1.2(a)(vi).

“WARN Laws” shall have the meaning set forth in paragraph (a) of Schedule 1.4.

“Water Supply Agreement” means that certain Amended and Restated Water Supply Agreement, dated as of February 23, 2009, by and between MillerCoors and the City of Azusa, California, a California municipal corporation, as amended from time to time.

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November 17, 2019

**VIA EMAIL**

Lee Reichert

Dear Lee:

It is a pleasure to offer you the position of **Chief Legal and Government Affairs Officer** of Molson Coors Brewing Company (the “**Company**”), reporting to the Company’s President and Chief Executive Officer (the “**CEO**”), on the following terms:

1. **Employment:** Your new position begins effective November 1, 2019 (the “**Effective Date**”). You shall have such duties, responsibilities, power and authority as assigned by the CEO, and such other duties and responsibilities as may be assigned to you by the Company’s board of directors (the “**Board**”) commensurate with your position as Chief Legal and Government Affairs Officer.
2. **Base Salary:** Your starting gross annual salary will be USD \$630,000 per year, payable in accordance with the Company’s standard payroll practices and procedures.
3. **Annual Molson Coors Incentive Plan (“MCIP”):** You are eligible to participate in the annual MCIP subject to the plan rules. MCIP rewards employees for the achievement of corporate, team and/or individual performance results objectives on the fiscal basis year which is the calendar year. The bonus target for your position is currently 80% of your eligible earnings. Your actual payout for the current year will be prorated based on the MCIP targets for each job you held during the plan year. The incentive plan is reviewed on an annual basis and details of the plan are subject to change to align with and support ongoing business needs.
4. **Long Term Incentive:** You are eligible to participate in the Molson Coors Long-Term Incentive Plan (“**LTIP**”) according to your role in the Company. Your annual target LTIP value is reviewed by the CEO on an annual basis and set by the Compensation and Human Resources Committee of the Board (the “**Committee**”). Grant Awards to eligible participants are typically made annually during the Company’s compensation planning cycle which typically takes place in March of each year. The actual award is based on an assessment of individual performance within a determined range. You will be eligible for consideration of a normal course annual grant in 2020, with a target value of USD \$1,000,000.
5. **Adjustments:** Executive compensation is reviewed annually by the CEO and the Committee, and adjustments can be made to targets and ranges for base pay, MCIP or LTIP components of the total compensation package. Additionally, the types of vehicles used by the Company to fulfill the annual target compensation of the LTIP component are reviewed annually and may be modified.
6. **Relocation:** To the extent necessary and appropriate, the Company will provide you with relocation assistance in accordance with its current policy regarding relocation of executive roles.
7. **Executive Stock Ownership Policy; Clawback policy:** You will be subject to the company’s executive stock ownership guidelines, as the same may be amended from time to time by the Committee, and that as the Chief Legal and Government Affairs Officer, you will be required to hold 3X your base annual salary in Company equity, as such term is defined in the stock ownership guidelines. Unless otherwise provided at the time of grant or otherwise prohibited by

**Molson Coors Brewing Company**

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applicable law, all compensation payable to you, including any cash and/or equity awards paid to you as MCIP or LTIP is subject to the Company's recoupment policy for incentive compensation as approved by the Committee and any such other policy for "clawback" of incentive or other compensation as may be approved from time to time by the Board or the Committee, including without limitation, any amendments or other policies which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

8. **Additional Benefits and Perquisites:** You are eligible for:

- participation in the Company's Amended and Restated Change in Control Protection Program at the level specified for your role, which includes a 2.0x Change in Control severance multiplier, subject to the terms and conditions contained therein, as amended by the Committee from time to time;
- participation in the Company's US Severance Pay Plan;
- participation in the Molson Coors Deferred Compensation Plan;
- supplemental executive life insurance of up to six times your base pay;
- annual executive physical (optional);
- executive financial planning allowance; and
- other benefits common to similarly situated executives in the location of your primary office.

You will also retain eligibility for any vested and grandfathered health, retirement and insurance benefits accumulated during your service with the Company and its subsidiaries, so long as such benefits remain available for other similarly situated (and grandfathered) employees.

9. **Entire Understanding/Termination of Employment Agreement:** The Company and you acknowledge that except as otherwise specified herein this letter constitutes the entire understanding between the Company and you with respect to your continued employment upon and after the Effective Date and supersedes and replaces any other prior agreement or other understanding.

10. **Governing Law and Arbitration:** This letter shall be governed by and construed in accordance with the laws of the State of Illinois, without reference to principles of conflict of laws. Any dispute or controversy arising under or in connection with this letter, except any action seeking injunctive relief to enforce the Restrictive Covenant Agreements (as defined in the Acknowledgement), shall be settled exclusively by arbitration in Chicago, Illinois in accordance with the rules for the resolution of employment disputes of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court of competent jurisdiction. The arbitrator shall have the discretion to award costs (including the arbitrator's fee and fees and disbursements of counsel) to the prevailing party as part of his award.

Again, Lee, we are pleased to be extending you this offer, which is contingent upon your acceptance of the conditions on the following Acknowledgement page and the execution of the company's Restrictive Covenant Agreements.

*We hope for a mutually rewarding relationship. You should know, however, that your employment is "at will". That means you may terminate your employment at any time, with or without cause or notice,*

*and we reserve the same right in accordance with the Restated Certificate of Incorporation and Bylaws. This “at will” relationship may not be modified except in writing signed by the Chairman of the Board of Directors. Finally, the Company reserves the right to modify its policies and the accompanying terms of your employment as it deems appropriate.*

*Sincerely,*

/s/ GAVIN HATTERSLEY

**Gavin Hattersley  
President and Chief Executive Officer,  
Molson Coors Brewing Company**

/s/ DAVE OSSWALD

**Dave Osswald  
Chief People and Diversity Officer  
Molson Coors Brewing Company**

## ACKNOWLEDGEMENT

Your offer of employment is contingent upon your acceptance of the conditions described below:

Offer Contingencies. I understand that this offer is contingent on my acceptance of the Company's agreements: Confidentiality and Intellectual Property Agreement, Use of Employee's Likeness Agreement, Non-Solicitation Agreement, and Non-Compete Agreement (collectively, the "**Restrictive Covenant Agreements**").

Code of Business Conduct. I understand that as part of my employment, I am expected to conform my conduct to the highest level of ethical standards. As such, I understand that I must read and sign/accept the Molson Coors Code of Business Conduct, as a condition of employment with our Company. If I have any exceptions, as outlined in the Code, I understand that this offer is contingent on my agreement with any solution required by the Company's management to resolve the exception(s).

**At-Will Employment Relationship.** *I understand that upon accepting this offer of employment and throughout my employment, I am an employee at-will. I understand that as an at-will employee, I or the Company, may terminate the employment relationship at any time for any reason with or without notice.*

Policies. I understand that in my job I will have access to all the Company policies. Following this offer are copies of some of those important policies – Global IT Security & Acceptable Use Policy; US Discrimination and Harassment Free Work Environment Policy; Global Employee Alcohol Policy; and Global Records Management Policy. In addition to reading these policies, I understand that it is my responsibility to review any local policies/procedures as referenced in these policies. I further understand that none of the Company's policies, procedures, guidelines, practices or plans are contracts or intended to change the at-will nature of the employment relationship. I understand that it is a Company expectation and my responsibility to familiarize myself, understand and comply with all policies. By my signature, I confirm that I will conform my conduct to the policies detailed above, as well as all of the Company's policies.

Amendment, Change or Modification. I further understand that the Company, at its sole discretion and at any time may with or without notice amend, change or modify any of its policies, procedures, guidelines, practices or plans whether or not addressed in this offer letter.

I accept the conditions described above and the offer to work.

Signature: /s/ LEE REICHERT

Date: November 17, 2019

Lee Reichert

November 17, 2019

**VIA EMAIL**

Michelle St. Jacques

Dear Michelle:

It is a pleasure to offer you the position of **Chief Marketing Officer** of Molson Coors Brewing Company (the “**Company**”), reporting to the Company’s President and Chief Executive Officer (the “**CEO**”), on the following terms:

1. **Employment:** Your new position begins effective on November 1, 2019 (the “**Effective Date**”). You shall have such duties, responsibilities, power and authority as assigned by the CEO, and such other duties and responsibilities as may be assigned to you by the Company’s board of directors (the “**Board**”) commensurate with your position as Chief Marketing Officer.
2. **Base Salary:** Your starting gross annual salary will be USD \$640,000 per year, payable in accordance with the Company’s standard payroll practices and procedures.
3. **Annual Molson Coors Incentive Plan (“MCIP”):** You are eligible to participate in the annual MCIP subject to the plan rules. MCIP rewards employees for the achievement of corporate, team and/or individual performance results objectives on the fiscal basis year which is the calendar year. The bonus target for your position is currently 75% of your eligible earnings. Your actual payout for the current year will be prorated based on the MCIP targets for each job you held during the plan year. The incentive plan is reviewed on an annual basis and details of the plan are subject to change to align with and support ongoing business needs.
4. **Long Term Incentive:** You are eligible to participate in the Molson Coors Long-Term Incentive Plan (“**LTIP**”) according to your role in the Company. Your annual target LTIP value is reviewed by the CEO on an annual basis and set by the Compensation and Human Resources Committee of the Board (the “**Committee**”). Grant Awards to eligible participants are typically made annually during the Company’s compensation planning cycle which typically takes place in March of each year. The actual award is based on an assessment of individual performance within a determined range. You will be eligible for consideration of a normal course annual grant in 2020, with a target value of USD \$800,000.
5. **Adjustments:** Executive compensation is reviewed annually by the CEO and the Committee, and adjustments can be made to targets and ranges for base pay, MCIP or LTIP components of the total compensation package. Additionally, the types of vehicles used by the Company to fulfill the annual target compensation of the LTIP component are reviewed annually and may be modified.
6. **Relocation:** To the extent necessary and appropriate, the Company will provide you with relocation assistance in accordance with its current policy regarding relocation of executive roles.
7. **Executive Stock Ownership Policy; Clawback policy:** You will be subject to the company’s executive stock ownership guidelines, as the same may be amended from time to time by the Committee, and that as the Chief Marketing Officer, you will be required to hold 3X your base annual salary in Company equity, as such term is defined in the stock ownership guidelines. Unless otherwise provided at the time of grant or otherwise prohibited by applicable law, all compensation payable to you, including any cash and/or equity awards paid to you as MCIP or

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LTIP is subject to the Company's recoupment policy for incentive compensation as approved by the Committee and any such other policy for "clawback" of incentive or other compensation as may be approved from time to time by the Board or the Committee, including without limitation, any amendments or other policies which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

8. **Additional Benefits and Perquisites:** You are eligible for:

- participation in the Company's Amended and Restated Change in Control Protection Program at the level specified for your role, which includes a 2.0x Change in Control severance multiplier, subject to the terms and conditions contained therein, as amended by the Committee from time to time;
- participation in the Company's US Severance Pay Plan;
- participation in the Molson Coors Deferred Compensation Plan;
- supplemental executive life insurance of up to six times your base pay;
- annual executive physical (optional);
- executive financial planning allowance; and
- other benefits common to similarly situated executives in the location of your primary office.

You will also retain eligibility for any vested and grandfathered health, retirement and insurance benefits accumulated during your service with the Company and its subsidiaries, so long as such benefits remain available for other similarly situated (and grandfathered) employees.

9. **Entire Understanding/Termination of Employment Agreement:** The Company and you acknowledge that except as otherwise specified herein this letter constitutes the entire understanding between the Company and you with respect to your continued employment upon and after the Effective Date and supersedes and replaces any other prior agreement or other understanding.

The Company will honor its obligation to pay the "second cash award" in December 2019 in the amount of \$500,000, as referenced in your offer letter of January 2019, subject to the conditions previously agreed there.

10. **Governing Law and Arbitration:** This letter shall be governed by and construed in accordance with the laws of the State of Illinois, without reference to principles of conflict of laws. Any dispute or controversy arising under or in connection with this letter, except any action seeking injunctive relief to enforce the Restrictive Covenant Agreements (as defined in the Acknowledgement), shall be settled exclusively by arbitration in Chicago, Illinois in accordance with the rules for the resolution of employment disputes of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court of competent jurisdiction. The arbitrator shall have the discretion to award costs (including the arbitrator's fee and fees and disbursements of counsel) to the prevailing party as part of his award.

Again, Michelle, we are pleased to be extending you this offer, which is contingent upon your acceptance of the conditions on the following Acknowledgement page and the execution of the company's Restrictive Covenant Agreements.

*We hope for a mutually rewarding relationship. You should know, however, that your employment is “at will”. That means you may terminate your employment at any time, with or without cause or notice, and we reserve the same right in accordance with the Restated Certificate of Incorporation and Bylaws. This “at will” relationship may not be modified except in writing signed by the Chairman of the Board of Directors. Finally, the Company reserves the right to modify its policies and the accompanying terms of your employment as it deems appropriate.*

*Sincerely,*

/s/ GAVIN HATTERSLEY

**Gavin Hattersley  
President and Chief Executive Officer,  
Molson Coors Brewing Company**

/s/ LEE REICHERT

**Lee Reichert  
Chief Legal and Government Affairs Officer & Corporate Secretary  
Molson Coors Brewing Company**

## ACKNOWLEDGEMENT

Your offer of employment is contingent upon your acceptance of the conditions described below:

Offer Contingencies. I understand that this offer is contingent on my acceptance of the Company's agreements: Confidentiality and Intellectual Property Agreement, Use of Employee's Likeness Agreement, Non-Solicitation Agreement, and Non-Compete Agreement (collectively, the "**Restrictive Covenant Agreements**").

Code of Business Conduct. I understand that as part of my employment, I am expected to conform my conduct to the highest level of ethical standards. As such, I understand that I must read and sign/accept the Molson Coors Code of Business Conduct, as a condition of employment with our Company. If I have any exceptions, as outlined in the Code, I understand that this offer is contingent on my agreement with any solution required by the Company's management to resolve the exception(s).

**At-Will Employment Relationship.** *I understand that upon accepting this offer of employment and throughout my employment, I am an employee at-will. I understand that as an at-will employee, I or the Company, may terminate the employment relationship at any time for any reason with or without notice.*

Policies. I understand that in my job I will have access to all the Company policies. Following this offer are copies of some of those important policies – Global IT Security & Acceptable Use Policy; US Discrimination and Harassment Free Work Environment Policy; Global Employee Alcohol Policy; and Global Records Management Policy. In addition to reading these policies, I understand that it is my responsibility to review any local policies/procedures as referenced in these policies. I further understand that none of the Company's policies, procedures, guidelines, practices or plans are contracts or intended to change the at-will nature of the employment relationship. I understand that it is a Company expectation and my responsibility to familiarize myself, understand and comply with all policies. By my signature, I confirm that I will conform my conduct to the policies detailed above, as well as all of the Company's policies.

Amendment, Change or Modification. I further understand that the Company, at its sole discretion and at any time may with or without notice amend, change or modify any of its policies, procedures, guidelines, practices or plans whether or not addressed in this offer letter.

I accept the conditions described above and the offer to work.

Signature: /s/ MICHELLE ST. JACQUES

Date: November 17, 2019

Michelle St. Jacques

January 12, 2019

Michelle St Jacques  
1316 W. Barry Ave.  
Chicago, IL 60657

Hello Michelle,

Welcome to the Molson Coors Family! Beer is our passion, our heritage and our future. We are delighted you have chosen a Career in Beer!

Business Entity: MillerCoors (the Company)  
Hiring Manager: Gavin Hattersley  
Building Location: Chicago, IL  
Position Title: Chief Marketing Officer

**Employment:**

Your new position will begin on a mutual agreed upon start date.

**Salary/Compensation:**

Your starting gross annual salary will be \$600,000. Your salary, less deductions, will be paid on a bi-weekly basis.

**Sign-on Bonus:**

As discussed, MillerCoors is providing a sign-on bonus totaling \$1,500,000 payable in two installments.

1. In March 2019, you will receive a sign-on bonus of \$1,000,000 subject to applicable withholding taxes. If your employment terminates for gross misconduct (i.e. material violation of company policy or law) or if you voluntarily resign within 12 months of the first installment payment date, you agree to reimburse the Company the installment paid.
2. In December 2019, you will receive a second cash award of \$500,000, subject to applicable withholding taxes. If your employment terminates for gross misconduct (i.e. material violation of company policy or law) or if you voluntarily resign within 12 months of the second installment payment date, you agree to reimburse the Company the installment paid..

In addition, in February or March 2019 and subject to Compensation Committee approval, you will receive a grant of Restricted Stock Units with a starting value of \$1,250,000. This grant will vest in 20% annual increments each year in January over a five year period starting with 2020.

**Annual Molson Coors Incentive Plan (MCIP):**

You are eligible to participate in the annual Molson Coors Incentive Plan (MCIP) subject to the plan rules. MCIP rewards employees for the achievement of corporate, team and/or individual performance results objectives on the fiscal basis year which is the calendar year. The bonus target for your position is currently 55% of your eligible earnings. Your actual payout for the current year will be prorated based on the MCIP targets for each job you held or date of hire during the plan year. The incentive plan is reviewed on an annual basis and details of the plan are subject to change to align with and support ongoing business needs.

**Long Term Incentive:**

You are eligible to participate in the Molson Coors Long-Term Incentive Plan (LTIP) according to your grade level in the Company. The annual target LTIP value is reviewed on an annual basis and set by the Board of Directors.

Grant Awards to eligible participants are typically made annually during our compensation planning cycle which typically takes place in March of each year. The actual award is based on the manager's assessment of individual performance within a determined range. Your potential annual target LTIP grant is \$600,000, and you will be eligible for consideration of a grant in 2020.

Executive compensation is reviewed annually and adjustments can be made to targets and ranges for base pay, short-term incentive or long term incentive components of the total compensation package. Additionally, the types of vehicles used by Molson Coors to fulfill the annual target compensation of the LTIP component typically are reviewed annually and may be modified.

**Benefits:**

Our Company offers a comprehensive employee benefit program which will help to meet your health care, retirement, financial, and life style needs. Your benefits generally become effective on the first day of employment. We will provide specific information regarding local benefits offerings as a supplement to this offer letter.

**Vacation:**

You are eligible to accrue up to 120 hours of paid vacation in 2019 as outlined in the Company's vacation policy which runs annually from January 1 through December; however the number of days will be prorated based on your start date for this year.

As an exception to policy, and as good and valuable consideration for signing the attached agreements, you are eligible to accrue an additional 40 hours of vacation; however the number of days will be prorated based on your start date for this year.

In 2020 as an exception to the policy, you are eligible to accrue up to 160 hours of paid vacation. You will retain this eligibility until you qualify for more vacation hours as outlined in the Company's vacation policy.

In addition, you will be eligible for individual holidays based on your location/country. We will provide specific information regarding local benefit offerings including the vacation policy as a supplement to this offer letter.

Also, during the company's annual enrollment, full-time salaried and hourly non-union employees are eligible to purchase up to an additional 40 hours of vacation in the following year.

**Additional Benefits and Perquisites:**

As a member of the MillerCoors Senior Leadership Team, you are eligible for:

- participation in the Molson Coors Deferred Compensation Plan
- annual executive physical (optional)
- access to a parking space in the Chicago office (subject to availability). MillerCoors will cover 50% of the cost
- Reimbursement of up to \$5,000 per year to cover financial and tax planning. Reimbursement requests are to be submitted once a year between October 15 and November 15. Program details will be provided.

**Non-Compete:**

By signing below, you attest to the following: (a) you have not taken and will not take any confidential or proprietary documents, in any form or format, from Kraft Heinz, (b) you will not use, disclose or share any confidential or proprietary information about Kraft Heinz in the performance of your duties for MillerCoors or in your communications with any MillerCoors personnel, and (c) you will comply with any and all continuing post-employment obligations to Kraft Heinz, including any non-solicitation of employees agreement you signed with Kraft Heinz. In the event that Kraft Heinz seeks to enforce your non-compete agreement against you for accepting employment with MillerCoors, MillerCoors will hire and pay for your legal defense so long as you cooperate with the defense in good faith and have not breached your attestations and agreement to (a), (b), and (c) above.

**Severance:**

In addition to the severance triggers outlined in the Severance Pay Plan, you will be eligible for 52 weeks of severance if your employment is involuntarily terminated unless one of the following occurs (words starting with capital letters are defined in the Severance Pay Plan): you are terminated for Cause; you voluntarily terminate your employment with the Company before your scheduled date of Separation from Service; you accept any position or reject a Comparable Position with the Company or any member of the Molson Coors Controlled Group; you accept any position or reject a Comparable Position with the new owner or successor to the Company in connection with the merger, consolidation or other reorganization of the Company with another entity (if the Company is not the surviving entity); or you are eligible for long term disability benefits under the Company's long term disability plan.

**Your Agreement:**

This offer is for at-will employment and contingent upon your agreement to the enclosed acknowledgment form and signing the forthcoming agreements, in exchange for which you agree you are receiving good and valuable consideration, as well as successful completion of the pre-employment process. In addition, should you accept this offer; you will be required to review and sign and/or electronically accept (where applicable by law) your offer and our required company agreements pertaining to your position, location and/or country.

Again, Michelle, we are pleased to be extending you this offer and are excited by your being a part of our organization at this exciting time in the beer industry.

## ACKNOWLEDGEMENT

Your offer of employment is contingent upon your acceptance of the conditions described below:

By accepting our employment offer, you acknowledge and agree that Molson Coors Brewing Company, its affiliated and subsidiary companies, and third parties working on behalf of such entities may use your personal data in connection with your employment, and that such data may be transferred outside of the country, stored outside of the country, or made accessible to such parties outside of the country for such purpose. Your personal data includes, but is not limited to, your name, address, date and place of birth, family information, tax identification number, bank account and credit card information, photographic images, as well as any other information that can be directly or indirectly used to identify the individual to whom the information applies.

Offer Contingencies. I understand that this offer is contingent on my:

- fully completing and electronically signing the employment application;
- satisfactory completion of background screening process, including a pre-employment drug screen, criminal background check, and confirmation of references and other information relating to my employment application;
- providing proof I am authorized to work in the U.S. within three business days of my first day of employment, pursuant to U.S. regulations connected with the Form I-9 Employment Eligibility Verification process; and
- acceptance of the forthcoming company's agreements: Confidentiality and Intellectual Property Agreement, Use of Employee's Likeness Agreement, Non-Solicitation Agreement, and Non-Compete Agreement.

Reimbursement. I agree to reimburse the Company for any money owed to the Company that has not been repaid by the time my employment is terminated. I further authorize the Company, to the extent permitted by applicable state and federal laws, to deduct amounts owed to the Company from payments (including but not limited to payments for wages, bonuses, expenses, or vacation pay) otherwise owed to me upon termination of my employment. If these deductions are insufficient, I agree to reimburse the Company for the balance within 30 days of my termination date. If I do not timely reimburse the Company for any amount I owe, I agree that I will pay all costs, expenses, and reasonable attorneys' fees the Company incurs in its efforts to collect the amounts owed.

Code of Business Conduct. I understand that as part of my employment, I am expected to conform my conduct to the highest level of ethical standards. As such, I understand that I must read and sign/accept the Molson Coors Code of Business Conduct, as a condition of employment with our Company. If I have any exceptions, as outlined in the Code, I understand that this offer is contingent on my agreement with any solution required by the Company's management to resolve the exception(s).

At-Will Employment Relationship. I understand that upon accepting this offer of employment and throughout my employment, I am an employee at-will. I understand that as an at-will employee, I or the Company, may terminate the employment relationship at any time for any reason with or without notice. I understand that no person other than both the CEO and Global Chief People Officer may enter into a contract that varies the at-will nature of the employment relationship and even the CEO can only do so in a writing signed by both the CEO and Global Chief People Officer.

Policies. I understand that in my job I will have access to all Molson Coors/MillerCoors policies. Following this offer are copies of some of those important policies – Global IT Security & Acceptable Use Policy; US Discrimination and Harassment Free Work Environment Policy; Global Employee Alcohol Policy; and Global Records Management Policy (and for employees of MillerCoors only: the MC Employee Alcohol Procedure and US (MC) Signature Approval Policy). In addition to reading these policies, I understand that it is my responsibility to review any local policies/procedures as referenced in these policies. I further understand that none of the Company's policies, procedures, guidelines, practices or plans are contracts or intended to change the at-will nature of the employment relationship. I understand that it is a Company expectation and my responsibility to familiarize myself, understand and comply with all policies. By my signature, I confirm that I will conform my conduct to the policies detailed above, as well as all of the Company's policies.

Amendment, Change or Modification. I further understand that the Company, at its sole discretion and at any time may with or without notice amend, change or modify any of its policies, procedures, guidelines, practices or plans whether or not addressed in this offer letter.

I accept the conditions described above and the offer to work.

Signature: /s/ MICHELLE ST. JACQUES    Date: January 12, 2019  
Michelle St Jacques

## SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Gavin D.K. Hattersley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Molson Coors Beverage Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GAVIN D.K. HATTERSLEY

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Gavin D.K. Hattersley  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

April 30, 2020



## SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Tracey I. Joubert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Molson Coors Beverage Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ TRACEY I. JOUBERT

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Tracey I. Joubert  
*Chief Financial Officer*  
*(Principal Financial Officer)*  
April 30, 2020

**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)  
AND FOR THE PURPOSE OF COMPLYING WITH RULE 13a-14(b)  
OF THE SECURITIES EXCHANGE ACT OF 1934.**

The undersigned, the Chief Executive Officer and the Chief Financial Officer of Molson Coors Beverage Company (the "Company") respectively, each hereby certifies that to his or her knowledge on the date hereof:

- (a) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2020 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GAVIN D.K. HATTERSLEY

\_\_\_\_\_  
Gavin D.K. Hattersley  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

April 30, 2020

/s/ TRACEY I. JOUBERT

\_\_\_\_\_  
Tracey I. Joubert  
*Chief Financial Officer*  
*(Principal Financial Officer)*

April 30, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.