

BOSTON BEER CO INC  
Form 10-K  
February 22, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-K**

**(Mark One)**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2016**

**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: 1-14092**

**THE BOSTON BEER COMPANY, INC.**

**(Exact name of registrant as specified in its charter)**

<b>Massachusetts</b>	<b>04-3284048</b>
<b>(State or other jurisdiction of</b>	<b>(I.R.S. Employer</b>
<b>incorporation or organization)</b>	<b>Identification No.)</b>
<b>One Design Center Place, Suite 850, Boston, Massachusetts</b>	
<b>(Address of principal executive offices)</b>	

**02210**

**(Zip Code)**

**(617) 368-5000**

(Registrant's telephone number, including area code)

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

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
<b>Class A Common Stock</b>	<b>NYSE</b>

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act)

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the Class A Common Stock (\$.01 par value) held by non-affiliates of the registrant totaled \$1,396.1 million (based on the average price of the Company's Class A Common Stock on the New York Stock Exchange on June 25, 2016). All of the registrant's Class B Common Stock (\$.01 par value) is held by an affiliate.

As of February 17, 2017, there were 9,306,471 shares outstanding of the Company's Class A Common Stock (\$.01 par value) and 3,197,355 shares outstanding of the Company's Class B Common Stock (\$.01 par value).

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain parts of the registrant's definitive Proxy Statement for its 2017 Annual Meeting to be held on May 18, 2017 are incorporated by reference into Part III of this report.

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**THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES**

**FORM 10-K**

**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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**PART I.**

**Item 1. Business**  
**General**

The Boston Beer Company, Inc. ( Boston Beer or the Company ) is one of the largest craft brewers in the United States. In fiscal 2016, Boston Beer sold approximately 4.0 million barrels of its proprietary products.

During 2016, the Company sold over sixty beers under the Samuel Adams® and the Sam Adams® brand names, over twenty hard cider beverages under the Angry Orchard® brand name, thirteen flavored malt beverages under the Twisted Tea® brand name, four hard seltzer beverages under the Truly Spiked & Sparkling brand name, and over forty beers under four of the brand names of its subsidiary, A&S Brewing Collaborative LLC, under the tradename A&S Brewing.

Boston Beer produces alcohol beverages including malt beverages ( beers ), hard cider and hard seltzer at Company-owned breweries and under contract arrangements at other brewery locations. The Samuel Adams Company-owned breweries are located in Boston, Massachusetts (the Boston Brewery ), Cincinnati, Ohio (the Cincinnati Brewery ) and Breinigsville, Pennsylvania (the Pennsylvania Brewery ). The A&S Brewing Company-owned small breweries are located in Los Angeles, California (the Angel City Brewery ), Miami, Florida (the Concrete Beach Brewery ) and Brooklyn, New York (the Coney Island Brewery ). The Company owns an apple orchard and cidery located in Walden, New York (the Orchard ).

The Company s principal executive offices are located at One Design Center Place, Suite 850, Boston, Massachusetts 02210, and its telephone number is (617) 368-5000.

**Industry Background**

Before Prohibition, the United States beer industry consisted of hundreds of small breweries that brewed full-flavored beers. After the end of Prohibition, most domestic brewers shifted production to less flavorful, lighter beers, which use lower-cost ingredients, and can be mass-produced to take advantage of economies of scale in production. This shift towards mass-produced beers coincided with consolidation in the beer industry. Today, two major brewers, Anheuser-Busch InBev ( AB InBev ) and MillerCoors LLC ( MillerCoors ), comprise over 80% of all United States domestic beer production, excluding imports.

The Company s beers are primarily positioned in the Better Beer category of the beer industry, which includes craft (small, independent and traditional) brewers, domestic specialty beers and most imports. Better Beers are determined by higher price, quality, image and taste, as compared with regular domestic beers. Samuel Adams is one of the largest brands in the Better Beer category of the United States brewing industry. The Company s A&S Brewing brands, which include the Traveler Beer Co.®, the Angel City Brewing Company®, the Concrete Beach Brewery® and the Coney Island® Brewing Company also compete in the Better Beer category. The Company estimates that in 2016 the Better Beer category percentage volume growth was approximately 6% with the craft beer category volume growth approximately 7% and total beer category volume essentially flat. The Company believes that the Better Beer category is approximately 29% of United States beer consumption by volume.

The domestic beer industry, excluding Better Beers, has experienced a decline in shipment volume over the last ten years. The Company believes that this decline is due to declining alcohol consumption per person in the population,

drinkers trading up to drink high quality, more flavorful beers and increased competition from wine and spirits companies.

The Company's Twisted Tea products compete within the flavored malt beverage ( FMB ) category of the beer industry (and the Company's Twisted Tea products are included in generic references to the Company's beers in this report). The Company believes that the FMB category comprises approximately 4% of United States beer

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consumption and that the volume comprising the FMB category grew approximately 5% in 2016. This category is highly competitive due to, among other factors, the presence of large brewers and spirits companies in the category, the advertising of malt-based spirits brands in channels not available to the parent brands and a fast pace of product innovation.

The Company's Angry Orchard ciders compete within the hard cider category that has similar characteristics to the beer industry for reporting and regulatory purposes. The Company believes that the hard cider category comprises less than 1% of United States beer consumption. This category is small and highly competitive and includes large international and domestic competitors, as well as many small regional and local hard cider companies. The hard cider category experienced very fast growth until a slowing in 2015 and category volume decreased approximately 12% in 2016.

The Company's Coney Island Hard Sodas and Truly Spiked & Sparkling beverages compete within the hard soda and hard seltzer categories, respectively, and these categories have similar characteristics to the beer industry for reporting and regulatory purposes. These categories are small, in their early stages of development, highly competitive and include large international and domestic competitors. The Company's Coney Island Hard Sodas and Truly Spiked & Sparkling beverages are included in generic references to the Company's beers in this report. The Company launched Coney Island Hard Root Beer nationally during the second half of 2015 and Truly Spiked & Sparkling in the second half of 2016. The Company believes the hard soda category comprises less than 0.5% of United States beer consumption and that the volume comprising this category increased in 2016 because of full year availability, but, as best as can be determined, declined in the fourth quarter. The Company believes the hard seltzer category grew in 2016 due to new entrants and expanded distribution, but still comprises less than 0.1% of United States beer consumption and may have significant seasonality.

## **Description of Business**

The Company's business goal is to become the leading supplier in the Better Beer category and the other categories where it competes by creating and offering high quality full-flavored alcohol beverages. With the support of a large, well-trained sales organization and world-class brewers, the Company strives to achieve this goal by offering great beers, hard ciders and hard seltzers, and increasing brand availability and awareness through advertising, point-of-sale, promotional programs and drinker education.

### ***Beers, Hard Ciders and Hard Seltzers Marketed***

The Company's strategy is to create and offer a world-class variety of traditional and innovative alcohol beverages, with a focus on promoting the Samuel Adams brand, but supported by a portfolio of complementary brands. The Angry Orchard brand family was launched in the second half of 2011 in several markets and achieved national distribution in 2012. Since 2013, Angry Orchard has been the largest selling hard cider in the United States. The Twisted Tea brand family has grown each year since the product was first introduced in 2001 and has established a loyal drinker following. In 2016, the Company began national distribution of the Truly Spiked & Sparkling brand and it secured a leading position in the category during 2016. The Company's A&S Brewing subsidiary currently has four brands, including Angel City, The Traveler Beer Co., Coney Island and Concrete Beach.

The Company sells its beverages in various packages. Kegs are sold primarily for on-premise retailers, which include bars, restaurants and other venues, and bottles and cans are sold primarily for off-premise retailers, which include grocery stores, club stores, convenience stores and liquor stores.

Samuel Adams Boston Lager® is the Company's flagship beer that was first introduced in 1984. The Samuel Adams Seasonal beers are brewed specifically for limited periods of time and in 2016 included Samuel Adams Cold Snap, Samuel Adams Summer Ale, Samuel Adams OctoberFest, and Samuel Adams Winter Lager. In the early part of 2017, the Company added two new seasonals to the seasonal program to replace Samuel Adams

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Cold Snap. These two new beers include: Samuel Adams Hopscape, for January and February 2017, and Samuel Adams Fresh as Helles, for February, March and April 2017.

Certain Samuel Adams beers may be produced at select times during the year solely for inclusion in the Company's seasonal variety packs. During 2016, Samuel Adams Escape Route<sup>®</sup>, Samuel Adams Noble Pils, Samuel Adams Scotch Ale and Samuel Adams Session Ale were brewed and included in the Spring variety pack, Samuel Adams Belgian Session, Samuel Adams Got to Gose, Samuel Adams Heaven or Helles and Samuel Adams Whitewater IPA were brewed and included in the Summer variety pack, Samuel Adams Bonfire Blonde, Samuel Adams Hoppy Red, Samuel Adams Maple Ale and Samuel Adams Toasted Caramel Bock were brewed and included in the Fall variety pack, Samuel Adams Chocolate Bock, Samuel Adams Ginger Beer, Samuel Adams Hopflake White IPA and Samuel Adams Old Fezziwig<sup>®</sup> Ale were brewed and included in the Winter Classics variety pack. Additionally, beginning in 2011 the Company began limited releases of seasonal beers in various packages. In 2016, these limited seasonal release beers included Samuel Adams Crystal Pale Ale, Samuel Adams Porch Rocker<sup>®</sup>, Samuel Adams Twenty Pounds of Pumpkin and Samuel Adams White Christmas.

After being in test markets during 2013, the Company began a national rollout of Samuel Adams Rebel<sup>®</sup> IPA, a West Coast style IPA brewed with hops from the Pacific Northwest, in early 2014. Since the national rollout, the Company has added additional styles to support Samuel Adams Rebel IPA, including Samuel Adams Rebel Grapefruit IPA, Samuel Adams Rebel Juiced IPA, Sam Adams Rebel Rouser<sup>®</sup> IPA and Samuel Adams Rebel Raw<sup>®</sup> IPA. In early 2016, the Company introduced Samuel Adams Rebel IPA Pack of Rebels which includes Samuel Adams Rebel Cascade IPA which is exclusive to this variety pack. In early 2017, the Company introduced a reformulation and new packaging of its original Samuel Adams Rebel IPA. The Rebel Reborn reformulation includes experimental hops that create a more tropical and piney IPA and is being launched nationally during the first quarter of 2017.

The Samuel Adams Brewmaster's Collection is an important part of the Company's portfolio and heritage, but receives limited promotional support. The Samuel Adams Nitro Project was launched in 2016 and included three styles for most of 2016 that were available nationally. The Barrel Room Collection and Limited Edition Beers and certain specialty variety packs are produced in limited quantities and are sold at higher prices than the Company's other products. The Company also releases a variety of specialty draft beers brewed in limited quantities for festivals and Beer Week celebrations.

Since 2012, the Twisted Tea and Angry Orchard brand families have been available nationally. In 2015, the Company began national distribution of certain styles of The Traveler Beer Co. brand and the Coney Island brand, including Coney Island Hard Root Beer. In 2016, the Company began national distribution of certain styles of the Truly Spiked & Sparkling brand. All of these nationally available brands are available in various packages, including cans. The Company will continue to look for complementary opportunities to leverage its capabilities, provided that they do not distract from its primary focus on its Samuel Adams brand.

The Company continually evaluates the performance of its various beers and hard cider styles and the rationalization of its product line as a whole. Periodically, the Company discontinues certain styles and packages. Certain styles or brands discontinued in previous years may be produced for the Company's variety packs or reintroduced.

The Company's beers, hard ciders and hard seltzers are sold by the Company's sales force to the same types of customers in similar size quantities, at similar price points and through substantially the same channels of distribution. These beverages are manufactured using similar production processes, have comparable alcohol content and generally fall within the same regulatory environment.

## ***Product and Packaging Innovations***



The Company is committed to maintaining its position as a leading innovator. To that end, the Company continually test brews different beers, hard ciders and other alcohol beverages and occasionally sells them under

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various brand labels for evaluation of drinker interest. The Company also promotes the annual LongShot® American Homebrew Contest® in which homebrewers and employees of the Company submit their homebrews for inclusion in the LongShot® six-pack in the following year. In 2016, the Company sold over sixty Samuel Adams beers commercially and brewed many more test brews. The Company's Boston Brewery spends most of its time ideating, testing and developing alcohol beverages for the Company's potential future commercial development and evaluating ingredients and process improvements for existing beverages.

In 2013, the Company completed a two-year research effort to develop a can to improve the beer drinker's experience compared to the traditional can. The features of this can were designed to enhance the drinking experience and include a wider lid with an opening slightly further from the edge of the lid, an extended lip and an hourglass ridge. Currently, Samuel Adams Boston Lager, Samuel Adams Seasonal beers, Samuel Adams Rebel beers and some of the A&S Brewing beers are available in this uniquely-designed can.

In late 2011, the Company formed a subsidiary, A&S Brewing Collaborative LLC, d/b/a A&S Brewing, as a craft brew incubator headed by Alan Newman, founder of Magic Hat Brewing Company. A&S Brewing is headquartered in Burlington, Vermont. The mission of A&S Brewing is to find new opportunities in craft brewing, which may be geographical or stylistic and some may be with existing breweries or brewpubs. A&S Brewing has access to the brewing talents and broad resources of the Company, as it looks for opportunities around the country. A&S Brewing brands include The Traveler Beer Company, the Angel City Brewery, the Concrete Beach Brewery and the Coney Island Brewery. The A&S Brewing company-owned small breweries are located in Los Angeles, California (the Angel City Brewery), Miami, Florida (the Concrete Beach Brewery) and Brooklyn, New York (the Coney Island Brewery). In late 2016, Alan Newman left the Company, as planned under his five year employment agreement, and the Company will continue the A&S Brewing business and mission under the new leadership of Rob Kreszswick, who, prior to his promotion, had been leading A&S Brewing sales since 2014. In 2016, A&S Brewing annual net sales were approximately 4% of the Company's total net sales.

***Sales, Distribution and Marketing***

Most all of the Company's sales are made to a network of approximately 350 wholesalers in the United States and to a network of foreign wholesalers, importers or other agencies (collectively referred to as Distributors). These Distributors, in turn, sell the products to retailers, such as pubs, restaurants, grocery stores, convenience stores, package stores, stadiums and other retail outlets, where the products are sold to drinkers, and in some limited circumstances to parties who act as sub-distributors. The Company sells its products predominantly in the United States, but also has markets in Canada, Europe, Israel, Australia, New Zealand, the Caribbean, the Pacific Rim, Mexico, and Central and South America.

With few exceptions, the Company's products are not the primary brands in its Distributors' portfolios. Thus, the Company, in addition to competing with other beers, hard ciders and hard seltzers for a share of the drinker's business, competes with other brewers for a share of the Distributor's attention, time and selling efforts. During 2016, the Company's largest customer accounted for approximately 7% of the Company's net sales. The top three Distributors collectively accounted for approximately 12% of the Company's net sales. In some states and countries, the terms of the Company's contracts with its Distributors may be affected by laws that restrict the enforcement of some contract terms, especially those related to the Company's right to terminate the relationship.

Most products are shipped within days of completion and there has not been any significant product order backlog. The Company has historically received most of its orders from domestic Distributors in the first week of a month for products to be shipped the following month and the Distributor would then carry three to five weeks of packaged inventory (usually at ambient temperatures) and three to four weeks of draft inventory.

In an effort to reduce both, the time and temperature the Company's beers experience at Distributor warehouses before reaching the retail market, in late 2010 the Company introduced its Freshest Beer Program with domestic

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Distributors in several markets. The goal of the Freshest Beer Program is to provide better on-time service, forecasting, production planning and cooperation with the Distributors, while substantially reducing inventory levels at the Distributor. At the close of its 2016 fiscal year, the Company had 159 Distributors participating in the program, which constitutes approximately 77% of its volume. The Company has successfully reduced the inventories of participating Distributors in the aggregate by approximately two weeks, resulting in fresher beer being delivered to retail. The Freshest Beer Program has resulted in lower shipments of approximately 270,000, 87,000, and 103,000 case equivalents in 2016, 2015 and 2014, respectively, as measured at the end of the year by evaluating the year-on-year inventory reduction from the inventory levels that might otherwise have been expected. In 2015 and 2016, the Company has been piloting a small group of distributors on a pure replenishment service model within our Freshest Beer Program, which if successful would further reduce Distributor inventories. The ordering process has changed significantly for Distributors that participate in the Freshest Beer Program and has resulted in a shorter period between order placement and shipment. There are various risks associated with the Freshest Beer Program that are discussed in *Risk Factors* below.

Boston Beer has a sales force of approximately 415 people, which the Company believes is one of the largest in the domestic beer industry. The Company's sales organization is designed to develop and strengthen relations at the Distributor, retailer and drinker levels by providing educational and promotional programs. The Company's sales force has a high level of product knowledge and is trained in the details of the brewing and selling processes. Sales representatives typically carry samples of the Company's beers, hard ciders and hard seltzers, certain ingredients, such as hops and barley, and other promotional materials to educate wholesale and retail buyers about the quality and taste of the Company's products. The Company has developed strong relationships with its Distributors and retailers, many of which have benefited from the Company's premium pricing strategy and growth.

The Company also engages in media campaigns including television, radio, digital and social media, billboards and print. These media efforts are complemented by participation in sponsorships of cultural and community events, local beer festivals, industry-related trade shows and promotional events at local establishments, to the extent permitted under local laws and regulations. The Company uses a wide array of point-of-sale items (banners, neons, umbrellas, glassware, display pieces, signs and menu stands) designed to stimulate impulse sales and continued awareness.

In 2008, the Company launched its core philanthropic initiative, Samuel Adams Brewing the American Dream®. In partnership with ACCION, the nation's largest non-profit micro-lender, the program supports small business owners in the food, beverage, and brewing industries through access to business capital, coaching, and new market opportunities. The goal is to help strengthen small businesses, create local jobs and build vibrant communities. Since the inception of the Samuel Adams Brewing the American Dream program, Samuel Adams and ACCION have worked together to loan more than \$14.5 million to nearly 1,200 small business owners who have subsequently repaid these loans at a rate of more than 97%. Samuel Adams employees, together with local business partners and community organizations, have provided coaching and mentoring to more than 7,000 business owners across the country. These efforts have helped to create or maintain more than 4,700 local jobs.

***Ingredients and Packaging***

The Company has been successful to date in obtaining sufficient quantities of the ingredients used in the production of its beverages. These ingredients include:

**Malt.** The two-row varieties of barley used in the Company's malt are mainly grown in the United States and Canada. The 2015 North American barley crop, which supported most 2016 malt needs, was below historical long term averages with regards to both quality and quantity, driven by acreage declines and adverse weather events in key barley growing areas. The 2016 North American barley crop, which will support 2017 malt needs, was generally

consistent with historical long term averages with regards to both quality and quantity, though quality from key areas in Canada was highly variable and in some cases below long term averages. The average

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booked 2015 and 2016 barley crop prices were comparable to historical long term averages. There has been a long-term trend of declining acres and production in North America against relatively stable malt demand. The Company purchased most of the malt used in the production of its beer from two suppliers during 2016. The Company currently has a multi-year contract with one of its suppliers and a one year agreement with the other supplier. The Company also believes that there are other malt suppliers available that are capable of supplying its needs.

**Hops.** The Company uses Noble hop varieties for many of its Samuel Adams beers and also uses hops grown in the United States, England, and New Zealand. Noble hops are grown in several specific areas recognized for growing hops with superior taste and aroma properties. These include Hallertau-Hallertauer, Tettnang-Tettnanger, Hersbrucker and Spalt-Spalter from Germany and Saaz from the Czech Republic. The United States hops, grown primarily in the Pacific Northwest, namely Cascade, Simcoe®, Centennial, Chinook, Citra®, Amarillo®, and Mosaic® are used in certain Company ales and lagers, as are the Southern Hemisphere hop varieties, Galaxy and Nelson Sauvin. Traditional English hops, namely, East Kent Goldings and Fuggles, are also used in certain Company ales. Other hop sources and varieties including new experimental varieties such as HBC 566 and HBC 682 are also tested from time to time and used in certain beers.

The European hop crop harvested in 2016 was well above historical long term averages with regards to both quality and quantity due to favorable temperatures and precipitation. The United States hop crop harvested in 2016 was consistent with historical long term averages with regards to quality, with an increase in overall quantity driven by expansion of planted acres in recent years. However, the demand for certain hops grown in the United States has risen dramatically due to the success and proliferation of craft brewers and the popularity of beer styles that include hop varieties grown in the United States, with the result that prices continue to rise for both spot purchases and forward contract pricing and occasionally certain United States hops are in tight supply until the next crop or beyond.

The Company enters into purchase commitments with eight primary hop dealers, based on the Company's projected future volumes and brewing needs. The dealers either have the hops that are committed or will contract with farmers to meet the Company's needs. The contracts with the hop dealers are denominated in Euros for the German and Czech Republic hops, in Pounds Sterling for the English hops, US Dollars for United States hops and New Zealand Dollars for the New Zealand hops. The Company does not currently hedge its forward currency commitments.

The Company expects to realize full delivery on European, United States and New Zealand hop contracts on the hop crop harvested in 2016. The Company attempts to maintain a one to two-year supply of essential hop varieties on-hand in order to limit the risk of an unexpected reduction in supply.

The Company believes it has adequate inventory and commitments for all hop varieties. This belief is based on expected growth and beer style mix, all of which could ultimately be significantly different from what is currently planned. Variations to plan could result in hops shortages for specific beers or an excess of certain hops varieties.

The Company stores its hops in multiple cold storage warehouses to minimize the impact of a catastrophe at a single site.

**Yeast.** The Company uses multiple yeast strains for production of its beers, hard ciders and hard seltzers. While some strains are commercially available, other strains are proprietary. Since the proprietary strains cannot be replaced if destroyed, the Company protects these strains by storing multiple cultures of the same strain at different production locations and in several independent laboratories.

**Apples.** The Company uses special varieties and origins of apples in its hard ciders that it believes are important for their flavor profile. In 2016, these apples were sourced primarily from European, United States and New



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Zealand suppliers and include bittersweet apples from France and New Zealand and culinary apples from Italy and Washington State. Purchases and commitments are denominated in Euros for European apples, US Dollars for United States apples and New Zealand Dollars for the New Zealand apples. There is limited availability of some of these apple varieties, and many outside factors, including weather conditions, growers rotating from apples to other crops, competitor demand, government regulation and legislation affecting agriculture, could affect both price and supply. The 2016 apple crops in Europe, the United States and New Zealand were consistent with historical long term averages. The Company has entered into contracts to cover its expected needs for 2017 and expects to realize full delivery against these contracts.

The Company purchased and opened its cidery at the Orchard in 2015. The Company expects to use the apple varieties harvested at the Orchard to experiment and develop new hard ciders and for resale to customers. The Company may also use the apples harvested at the Orchard in small quantities in the Company's current hard ciders, but, given the current volume and varieties of apples grown at the Orchard, such use is likely to be insignificant.

***Other Ingredients.*** The Company maintains competitive sources for most of the other ingredients used in the production of its beverages.

***Packaging Materials.*** The Company maintains competitive sources for the supply of certain packaging materials, such as shipping cases and glass. The Company enters into limited-term supply agreements with certain vendors in order to receive preferential pricing. In 2016, cans, crowns, six pack carriers and labels were each supplied by a single source; however, the Company believes that alternative suppliers are available.

The Company initiates bottle deposits in some states and reuses glass bottles that are returned pursuant to certain state bottle recycling laws. The Company derives some economic benefit from its reuse of returned glass bottles. The cost associated with reusing the glass varies based on the costs of collection, sorting and handling, including arrangements with retailers, Distributors and dealers in recycled products. There is no guarantee that the current economics relating to the use of returned glass will continue or that the Company will continue to reuse returnable bottles.

## ***Quality Assurance***

As of December 31, 2016, the Company employed over fifteen brew masters to monitor the Company's brewing operations and control the production of its beers, hard ciders and hard seltzers. Extensive tests, tastings and evaluations are typically required to ensure that each batch of the Company's beers, hard ciders and hard seltzers conforms to the Company's standards. The Company has on-site quality control labs at each of its Samuel Adams Company-owned breweries, and supports the smaller local breweries with additional centralized lab services.

With the exception of certain specialty products, the Company includes a clearly legible freshness code on every bottle, can and keg of its beers, in order to ensure that its customers enjoy only the freshest products. Boston Beer was the first American brewer to use this practice.

## ***Beer, Hard Cider and Hard Seltzer Production Strategy***

During 2016, the Company brewed, fermented and packaged over 95% of its volume at breweries owned by the Company. The Company made capital investments in 2016 of approximately \$49.9 million. These investments were made mostly in the Company's breweries to drive efficiencies and cost reductions, support product innovation and future growth. The Company expects to invest between \$40 million and \$60 million in 2017, which is highly dependent on future volume and mix estimates and the capital investments to meet those volume estimates. The actual amount spent may well be different from these estimates.





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The Company also engages in various product development activities. Such activities include researching market needs and competitive products, and sample brewing and market taste testing.

The Pennsylvania Brewery and the Cincinnati Brewery produce most of the Company's shipment volume. The Pennsylvania Brewery is the Company's largest brewery and the Cincinnati Brewery is the primary brewery for the production of most of the Company's specialty and lower volume products. The Boston Brewery's production is mainly for developing new types of innovative and traditional beers and brewing and packaging beers for retail sales on site and in the local market area.

The Company's Angry Orchard Innovation Cider House located at the Orchard in Walden, New York, opened in November 2015 and its production is mainly for developing new types of innovative hard ciders and fermenting and packaging ciders for retail sales on site and in the local market area.

The A&S Brewing breweries include the Angel City Brewery, Concrete Beach Brewery and Coney Island Brewery. The production at the A&S Brewing breweries is mainly for developing innovative and traditional beers and supporting draft accounts in the respective local market areas and providing for on-premise consumption of its beers at its beer halls.

The Company currently has a brewing services agreement with subsidiaries of City Brewing Company, LLC, to produce its products at facilities in Latrobe, Pennsylvania and Memphis, Tennessee. The Company carefully selects breweries and packaging facilities owned by others with (i) the capability of utilizing traditional brewing, fermenting and finishing methods and (ii) first-rate quality control capabilities throughout the process. Under its brewing and packaging arrangements with third parties, the Company is charged a service fee based on units produced at each of the facilities and bears the costs of raw materials, risk, excise taxes and deposits for pallets and kegs and specialized equipment required to produce and package the Company's beverages.

The Company believes that it has alternatives available to it, in the event that production at any of its locations is interrupted, although severe interruptions at the Pennsylvania Brewery would be problematic, especially in seasonal peak periods. In addition, the Company may not be able to maintain its current economics if interruptions were to occur, and could face significant delays in starting up replacement production locations. Potential interruptions at breweries include labor issues, governmental actions, quality issues, contractual disputes, machinery failures, operational shut downs, or natural or unavoidable catastrophes. Also, as the brewing industry has consolidated and the Company has grown, the capacity and willingness of breweries owned by others where the Company could produce some of its beers, hard ciders and hard seltzers, if necessary, has become a more significant concern. The Company would work with its contract brewers to attempt to minimize any potential disruptions.

## ***Competition***

The Better Beer category within the United States beer market is highly competitive due to the increasing number of craft brewers, imported beers with similar pricing and target drinkers, and efforts by large domestic brewers to enter this category. The Company anticipates competition and innovation among domestic craft brewers to remain strong, as craft brewers experienced their twelfth successive year of growth in 2016 and there were many new startups. The Company estimates there are over 6,500 craft breweries in operation or in the planning stages, up from approximately 1,409 operating craft breweries in 2006. Also, established craft breweries are building more capacity, expanding geographically, and adding more SKUs and styles, as Distributors and retailers are promoting and making more shelf space available for more craft beer brands.

Imported beers, such as Corona<sup>®</sup>, Heineken<sup>®</sup> and Modelo Especial<sup>®</sup>, continue to compete aggressively in the United States and have gained market share over the last ten years. Heineken and Constellation Brands (owner of the United States Distribution rights to Corona and Modelo Especial) may have substantially greater financial resources, marketing strength and distribution networks than the Company has. The two largest brewers in the

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United States, MillerCoors and AB InBev, participate actively in the Better Beer category both through importing and distributing foreign brands that compete in the Better Beer category, and also with their own domestic specialty beers, either by developing new brands or by acquiring, in whole or part, existing craft breweries. In addition, Miller Coors Tenth and Blake and AB InBev's High End Division were formed as business units headquartered in the United States that are focused exclusively on competing in the Better Beer market.

During the last few years, there were numerous acquisitions in the beer industry with the largest being AB InBev's \$107 billion purchase of SAB Miller and the related sale by SAB Miller to MolsonCoors of its 58% share of the MillerCoors joint venture with MolsonCoors. There were also numerous announcements of acquisitions of or investments in craft brewers by larger breweries, private equity and other investors. The most significant include Heineken's acquisition of a 50% interest in Lagunitas Brewing Company for approximately \$500 million, Constellation Brands' acquisition of Ballast Point Brewing & Spirits for approximately \$1 billion, AB InBev's purchase of multiple craft breweries, including Elysian Brewing Company, Golden Road Brewing, Four Peaks Brewing Company, Breckenridge Brewing, Devils Backbone and Karbach and MillerCoors' purchase of multiple craft breweries, including Hop Valley Brewing, Saint Archer Brewery and Revolver Brewing. Pabst Brewing Company acquired an ownership interest in and entered into an exclusive agreement to distribute nationally Small Town Brewery's brands, including Not Your Fathers Hard Root Beer®, and entered into an agreement to distribute various United States cider brands of C&C Group PLC, including Woodchuck®, Magners and Hornsby's. AB InBev also acquired Spiked Seltzer, a previously independent hard seltzer company.

The Company's products also compete with other alcoholic beverages for drinker attention and consumption and the pace of innovation in the categories in which the Company competes is increasing. In recent years, wine and spirits have been competing more directly with beers. The Company monitors such activity and attempts to develop strategies which benefit from the drinker's interest in trading up, in order to position its beers and hard ciders competitively with wine and spirits.

The Company competes with other beer and alcoholic beverage companies within a three-tier distribution system. The Company competes for a share of the Distributor's attention, time and selling efforts. In retail establishments, the Company competes for shelf, cold box and tap space. From a drinker perspective, competition exists for brand acceptance and loyalty. The principal factors of competition in the Better Beer segment of the beer industry include product quality and taste, brand advertising and imagery, trade and drinker promotions, pricing, packaging and the development of new products.

The Company distributes its products through independent Distributors who also distribute competitors' products. Certain brewers have contracts with their Distributors that impose requirements on the Distributors that are intended to maximize the Distributors' attention, time and selling efforts on that brewer's products. These contracts generally result in increased competition among brewers as the contracts may affect the manner in which a Distributor allocates selling effort and investment to the brands included in its portfolio. The Company closely monitors these and other trends in its Distributor network and works to develop programs and tactics intended to best position its products in the market.

The Company has certain competitive advantages over the regional craft brewers, including a long history of awards for product quality, greater available resources and the ability to distribute and promote its products on a more cost-effective basis. Additionally, the Company believes it has competitive advantages over imported beers, including lower transportation costs, higher product quality, a lack of import charges and superior product freshness.

The Company's Twisted Tea product line competes primarily within the FMB category of the beer industry. FMBs, such as Twisted Tea, Smirnoff Ice®, Mike's Hard Lemonade®, Bud Light Lime® Ritas, and Redds Apple Ale® are

flavored malt beverages that are typically priced competitively with Better Beers. This category is highly competitive due to, among other factors, the presence of large brewers and spirits companies in the

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category, the advertising of malt-based spirits brands in channels not available to the parent brands and a fast pace of product innovation.

The Company's Angry Orchard product line competes within the hard cider category. This category is small and highly competitive and includes large international and domestic competitors, as well as many small regional and local hard cider companies. Hard ciders are typically priced competitively with Better Beers and may compete for drinkers with beer, wine, spirits, or FMBs. Some of these competitors include C&C Group PLC under the brand names Woodchuck, Magners and Hornsby's; Heineken under the brand names Strongbow; AB InBev under Mickey Ultra Cider and Stella Cidre and MillerCoors under the brand names Smith and Forge and Crispin Cider.

The Company's Coney Island Hard Sodas and Truly Spiked & Sparkling beverages compete within the hard soda and hard seltzer categories, respectively. These categories are small, in their early stages of development, highly competitive and include large international and domestic competitors. Hard sodas and hard seltzers are typically priced competitively with Better Beers and may compete for drinkers with beer, wine, spirits, or FMBs. Some of these competitors include Pabst under Not Your Fathers; AB InBev under Best Damn and Spiked Seltzer; Miller Coors under Henry Weinhard; Mikes Hard Lemonade under White Claw and Diageo under Smirnoff.

**Regulation and Taxation**

The alcoholic beverage industry is regulated by federal, state and local governments. These regulations govern the production, sale and distribution of alcoholic beverages, including permitting, licensing, marketing and advertising. To operate its production facilities, the Company must obtain and maintain numerous permits, licenses and approvals from various governmental agencies, including but not limited to, the Alcohol and Tobacco Tax and Trade Bureau, the Food and Drug Administration, state alcohol regulatory agencies and state and federal environmental agencies.

Governmental entities may levy various taxes, license fees and other similar charges and may require bonds to ensure compliance with applicable laws and regulations. The federal excise tax on malt beverages is \$18 per barrel, on hard cider (with alcohol by volume of 7% or less) is \$0.226 per gallon, on hard cider (with non-qualifying fermentable fruits) is \$1.07 per gallon, and on artificially carbonated wine (hard cider with high CO<sub>2</sub> levels) is \$3.30 per gallon. States levy excise taxes at varying rates based on the type of beverage and alcohol content. Failure by the Company to comply with applicable federal, state or local laws and regulations could result in higher taxes, penalties, fees and suspension or revocation of permits, licenses or approvals. While there can be no assurance that any such regulatory action would not have a material adverse effect upon the Company or its operating results, the Company is not aware of any infraction affecting any of its licenses or permits that would materially impact its ability to continue its current operations.

**Trademarks**

The Company has obtained trademark registrations with the United States Patent and Trademark Office for over 215 trademarks, including Samuel Adams®, Sam Adams®, Samuel Adams Boston Lager®, Samuel Adams Utopias®, Samuel Adams Rebel®, Samuel Adams Brewing the American Dream®, Angry Orchard®, Twisted Tea®, The Traveler Beer Co.®, Coney Island®, Angel City Brewery®, and Concrete Beach®. It also has a number of common law marks, including Infinium and Truly Spiked & Sparkling. The Samuel Adams trademark, the Samuel Adams Boston Lager trademark, the Angry Orchard trademark, the Twisted Tea trademark and other Company trademarks are also registered or have registrations pending in various foreign countries. The Company regards its Samuel Adams family of trademarks and other trademarks as having substantial value and as being an important factor in the marketing of its products. The Company is not aware of any trademark infringements that could materially affect its current business or any prior claim to the trademarks that would prevent the Company from using such trademarks in its business. The

Company's policy is to pursue registration of its marks whenever appropriate and to oppose infringements of its marks through available enforcement actions.

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### **Environmental, Health and Safety Regulations and Operating Considerations**

The Company's operations are subject to a variety of extensive and changing federal, state and local environmental and occupational health and safety laws, regulations and ordinances that govern activities or operations that may have adverse effects on human health or the environment. Environmental laws, regulations or ordinances may impose liability for the cost of remediation of, and for certain damages resulting from, sites of past releases of hazardous materials. The Company believes that it currently conducts, and in the past has conducted, its activities and operations in substantial compliance with applicable environmental laws, and believes that any costs arising from existing environmental laws will not have a material adverse effect on the Company's financial condition or results of operations.

As part of its efforts to be environmentally friendly, the Company has reused its glass bottles returned from certain states that have bottle deposit bills. The Company believes that it benefits economically from washing and reusing these bottles, which result in a lower cost than purchasing new glass, and that it benefits the environment by the reduction in landfill usage, the reduction of usage of raw materials and the lower utility costs for reusing bottles versus producing new bottles. The economics of using recycled glass varies based on the cost of collection, sorting and handling, and may be affected by local regulation, and retailer, Distributor and glass dealer behavior. There is no guarantee that the current economics of using returned glass will continue, or that the Company will continue its current used glass practices.

The Company has adopted various policies and procedures intended to ensure that its facilities meet occupational health and safety requirements. The Company believes that it currently is in compliance with applicable requirements and will continue to endeavor to remain in compliance. There can be no assurances, however, that new and more restrictive requirements might not be adopted, compliance with which might have a material, adverse financial effect on the Company and its operating results, or that such policies and procedures will be consistently followed and be sufficient to prevent serious accidents.

### **Employees**

As of December 31, 2016, the Company employed 1,505 people, of which 99 were covered by collective bargaining agreements at the Cincinnati Brewery. The collective bargaining agreements involve three labor unions, with two contracts expiring in 2017 and one expiring in 2020. 91 employees were covered under collective bargaining agreements set to expire within one year of December 31, 2016. The Company believes it maintains a good working relationship with all three labor unions and has no reason to believe that the good working relationship will not continue. The Company has experienced no work stoppages, or threatened work stoppages, and believes that its employee relations are good.

### **Other**

The Company submitted the Section 12(a) CEO Certification to the New York Stock Exchange in accordance with the requirements of Section 303A of the NYSE Listed Company Manual. This Annual Report on Form 10-K contains at Exhibits 31.1 and 31.2 the certifications of the Chief Executive Officer and Chief Financial Officer, respectively, in accordance with the requirements of Section 302 of the Sarbanes-Oxley Act of 2002. The Company makes available free of charge copies of its Annual Report on Form 10-K, as well as other reports required to be filed by Section 13(a) or 15(d) of the Securities Exchange Act of 1934, on the Company's website at [www.bostonbeer.com](http://www.bostonbeer.com), or upon written request to Investor Relations, The Boston Beer Company, Inc., One Design Center Place, Suite 850, Boston, Massachusetts 02210.



**Item 1A. Risk Factors**

In addition to the other information in this Annual Report on Form 10-K, the risks described below should be carefully considered before deciding to invest in shares of the Company's Class A Common Stock. These are

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risks and uncertainties that management believes are most likely to be material and therefore are most important for an investor to consider. The Company's business operations and results may also be adversely affected by additional risks and uncertainties not presently known to it, or which it currently deems immaterial, or which are similar to those faced by other companies in its industry or business in general. If any of the following risks or uncertainties actually occurs, the Company's business, financial condition, results of operations or cash flows would likely suffer. In that event, the market price of the Company's Class A Common Stock could decline.

***The Company Faces Substantial Competition.***

The Better Beer category within the United States beer market is highly competitive, due to the increasing number of craft brewers with similar pricing and target drinkers and gains in market share achieved by domestic specialty beers and imported beers, and more recently the acquisition of craft brewers by the four largest market competitors, AB InBev, MillerCoors, Constellation and Heineken. The Company faces strong competition from these brewers as they acquire craft brewers, or introduce new domestic specialty brands to many markets and expand their efforts behind existing brands. Imported beers, such as Corona®, Heineken® and Modelo Especial®, also continue to compete aggressively in the United States beer market. The Company anticipates competition among domestic craft brewers will remain strong, as craft brewers experienced their twelfth successive year of growth in 2016 and there were many new startups. The Company estimates there are now over 6,500 craft breweries in operation or in the planning stages up from 1,409 operating craft breweries in 2006. Also, existing craft breweries are building more capacity, local tap rooms, expanding geographically, adding more SKUs and styles as Distributors and retailers are promoting and making more shelf space available for more craft beer brands. The continued growth in the sales of craft-brewed domestic beers and in imported beers is expected to increase the competition in the Better Beer category within the United States beer market and, as a result, prices and market share of the Company's products may fluctuate and possibly decline.

The Company's products compete generally with other alcoholic beverages. The Company competes with other beer and beverage companies not only for drinker acceptance and loyalty, but also for shelf, cold box and tap space in retail establishments and for marketing focus by the Company's Distributors and their customers, all of which also distribute and sell other beers and alcoholic beverage products. Many of the Company's competitors, including AB InBev, MillerCoors, Heineken and Constellation Brands, have substantially greater financial resources, marketing strength and distribution networks than the Company. Moreover, the introduction of new products by competitors that compete directly with the Company's products or that diminish the importance of the Company's products to retailers or Distributors may have a material adverse effect on the Company's business and financial results.

Further, the beer industry has seen continued consolidation among brewers in order to take advantage of cost savings opportunities for supplies, distribution and operations. Illustrative of this consolidation is AB InBev's \$107 billion purchase of SAB Miller and the related sale by SAB Miller to MolsonCoors of its 58% share of the MillerCoors joint venture with MolsonCoors, as well as Heineken's acquisition of a 50% interest in Lagunitas Brewing Company for approximately \$500 million and Constellation Brand's acquisition of Ballast Point Brewing & Spirits for approximately \$1 billion. Also, in the last few years, both AB InBev and MillerCoors have purchased multiple regional craft breweries with the intention to expand the capacity and distribution of these breweries. Due to the increased leverage that these combined operations will have in distribution and sales and marketing expenses, the costs to the Company of competing could increase. The potential also exists for these large competitors to increase their influence with their Distributors, making it difficult for smaller brewers to maintain their market presence or enter new markets. The continuing consolidation could also reduce the contract brewing capacity that is available to the Company. These potential increases in the number and availability of competing brands, the costs to compete, reductions in contract brewing capacity and decreases in distribution support and opportunities may have a material adverse effect on the Company's business and financial results.



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### ***There Is No Assurance that the Company Can Reverse its recent Sales declines and Return to Periods of Growth or, Conversely, Adapt to the Challenges of a Lower-Growth Environment.***

In recent periods, the Company has experienced a decline in the demand for its products. The Company's ability to reverse these trends and return to periods of growth may be limited, by its ability to increase its market share in domestic and international markets, including those markets that may be dominated by one or more regional or local craft brewers, and by the increasing number of competitors, the emergence of local tap rooms as a significant on premise channel, and drinker interest in new or local products, rather than established brands. The development of new products by the Company may lead to reduced sales of the Company's other products, including its flagship Samuel Adams Boston Lager. Reduced sales, among other factors, could lead to lower brewery utilization, lower funds available to invest in brand support and reduced profitability, and these challenges may require a different mix and level of marketing investments to stabilize and grow volumes. While the Company believes that a combination of innovation, brand messaging and investment and sales execution can lead to increased demand, there is no guarantee that the Company's actions will be successful in maintaining the Company's historical levels of profitability.

### ***Turnover in Company Leadership or Other Key Positions May Lead to Loss of Key Knowledge or Capability and Adversely Impact Company Performance.***

In 2016 the Company made changes in several senior management positions, including hiring a new Chief Financial Officer, Chief Marketing Officer and senior supply chain officer to succeed retiring executives. In early 2017, the President and Chief Executive Officer, Martin Roper, announced his plans to retire in 2018 after leading the Company for more than 17 years. The Board of Directors has created a search committee and retained Korn Ferry to assist in identifying and evaluating the best candidates to succeed Roper as CEO. The Company may well experience further changes in key leadership or key positions in the future. The departure of key leadership personnel, especially a long-serving chief executive officer, can take from the Company significant knowledge and experience. This loss of knowledge and experience can be mitigated through successful hiring and transition, but there can be no assurance that the Company will be successful in such efforts. Attracting, retaining, integrating and developing high performance individuals in key roles is a core component of the Company's strategy for addressing its business opportunities. Attracting and retaining qualified senior leadership may be more challenging under adverse business conditions, such as the declining growth environment now facing the Company. Failure to attract and retain the right talent, or to smoothly manage the transition of responsibilities resulting from such turnover, would affect the Company's ability to meet its challenges and may cause the Company to miss performance objectives or financial targets.

### ***The Company May Not Be Able to Manage Demand for Its Products.***

The Company's future growth may also be limited by its ability to meet production goals and/or targets at the Company's owned breweries, disruption or operating performance issues at the Company's owned breweries, limits on the availability of suitable production capacity at third party-owned breweries, and the Company's ability to enter into brewing contracts with third party-owned breweries on commercially acceptable terms, and its ability to obtain sufficient quantities of certain ingredients and packaging materials, such as hops, malt, cider ingredients, bottles and cans, from suppliers.

### ***The Company has Significantly Increased its Product Offerings and Distribution Footprint, which Increases Complexity and Could Adversely Affect the Company's Results.***

The Company has significantly increased the number of its commercially available beers, FMBs, hard ciders and hard seltzers that it produces. Since 2010, the Company has introduced many new beers, ciders and hard seltzers under the

Samuel Adams, Angry Orchard, Twisted Tea and Truly Spiked & Sparkling brand names. A&S Brewing currently has four brands, including three small breweries and retail beer halls where beer is sold and consumed on-premise. In 2015, the Company began national distribution of certain styles of the Traveler Beer

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brand and the Coney Island beer brand, including Coney Island Hard Root Beer. Also in November 2015, the Company opened the Angry Orchard Innovation Cider House at its apple orchard located in Walden, New York, where hard cider is fermented, sold and consumed on-premise. In 2016, the Company began national distribution of certain styles of the Truly Spiked & Sparkling brand. These additional brands and locations, along with the increases in demand for certain existing brands, have added to the complexity of the Company's product development process, as well as its brewing, fermenting, packaging, marketing and selling processes. The Company does not have significant experience with managing this number of brands and products and has limited experience with integrating acquired brands or operating small production facilities and retail operations. There can be no assurance that the Company will effectively manage such increased complexity, without experiencing operating inefficiencies or control deficiencies. Such inefficiencies or deficiencies could have a material adverse effect on the Company's business and financial results.

***Unexpected Events at Company-Owned Production Facilities, Reduced Availability of Breweries Owned by Others, Increased Complexity of the Company's Business, or the Expansion Costs of the Company-Owned Breweries Could Have A Material Adverse Effect on the Company's Operations or Financial Results.***

Prior to 2008, the Company pursued a production strategy that combined the capacity at its Cincinnati Brewery, which was acquired in 1997, with significant production arrangements at breweries owned by third parties. The brewing services arrangements with breweries owned by others allowed the Company to utilize their excess capacity, providing the Company with production flexibility, as well as cost advantages over its competitors, while maintaining full control over the brewing process for its beers. The Company purchased the Pennsylvania Brewery in June 2008. As a result of that acquisition and the subsequent expansion of the Pennsylvania Brewery's capacity, the volume of core brands brewed at Company-owned breweries increased, and currently over 95% of the Company's volume is brewed and packaged at breweries that it owns.

In 2016, the Company brewed its flagship beer, Samuel Adams Boston Lager, at each of its three Samuel Adams breweries, but at any particular time it may rely on only one brewery for its products other than Samuel Adams Boston Lager. The Company expects to continue to brew most all of its volume in 2017 at its Company-owned breweries. This reliance on its own breweries exposes the Company to capacity constraints and risk of disruption of supply, as these breweries are operating at or close to current capacity in peak months. Management believes that it has alternatives available to it, in the event that production at any of its brewing locations is temporarily interrupted, although as volumes at the Pennsylvania Brewery increase, severe interruptions there would be problematic, particularly during peak season. In addition, if interruptions were to occur, the Company may not be able to maintain its current economics and could face significant delays in starting replacement brewing locations. Potential interruptions at breweries include labor issues, governmental action, quality issues, contractual disputes, machinery failures, operational shut downs or natural or unavoidable catastrophe.

The growth in the Company's business and product complexity and the expansion of the capacities and manpower at the Company's breweries to facilitate greater reliance on its owned breweries heighten the management challenges that the Company faces. In recent years, the Company has had product shortages and service issues and the Company's supply chain struggled under the increased volume and experienced increased operational and freight costs as it reacted. In response to these issues, the Company has significantly increased its packaging capabilities and tank capacity and added personnel to address these challenges. There can be no assurance that the Company will effectively manage such increasing complexity without experiencing future planning failures, operating inefficiencies, insufficient employee training, control deficiencies or other issues that could have a material adverse effect on the Company's business and financial results. The prior growth of the Company, changes in operating procedures and increased complexity have required significant capital investment. The Company to date has not seen operating cost leverage from these increased volumes and there is no guarantee that it will.

The Company continues to avail itself of capacity at third-party breweries. During 2016, the Company brewed and/or packaged certain products under service contracts at facilities located in Latrobe, Pennsylvania and

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Memphis, Tennessee. In selecting third party breweries for brewing services arrangements, the Company carefully weighs a brewery's capability of utilizing traditional brewing, fermenting and finishing methods and its quality control capabilities throughout the production process. To the extent that the Company needs to avail itself of a third-party brewing services arrangement, it exposes itself to higher than planned costs of operating under such contract arrangements than would apply at the Company-owned breweries or an unexpected decline in the brewing capacity available to it, either of which could have a material adverse effect on the Company's business and financial results. The use of such third party facilities also creates higher logistical costs and uncertainty in the ability to deliver product to the Company's customers efficiently and on time.

As the brewing industry continues to consolidate and the Company has grown, the capacity and willingness of breweries owned by others where the Company could brew some of its beers, if necessary, has become a more significant concern and, thus, there is no guarantee that the Company's brewing needs will be uniformly met. The Company continues to work at its Company-owned breweries, and with its contract brewers to attempt to minimize any potential disruptions. Nevertheless, should an interruption occur, the Company could experience temporary shortfalls in production and/or increased production and/or distribution costs and be required to make significant capital investments to secure alternative capacity for certain brands and packages, the combination of which could have a material adverse effect on the Company's business and financial results. A simultaneous interruption at several of the Company's production locations or an unexpected interruption at one of the Company-owned breweries would likely cause significant disruption, increased costs and, potentially, lost sales.

***The Company Is Dependent on Its Distributors.***

In the United States, where approximately 96% of its beer is sold, the Company sells most all of its alcohol beverages to independent beer Distributors for distribution to retailers and, ultimately, to drinkers. Although the Company currently has arrangements with approximately 350 Distributors, sustained growth will require it to maintain such relationships and possibly enter into agreements with additional Distributors. Changes in control or ownership within the current distribution network could lead to less support of the Company's products. No assurance can be given that the Company will be able to maintain its current distribution network or secure additional Distributors on terms favorable to the Company.

Contributing to distribution risk is the fact that the Company's distribution agreements are generally terminable by the Distributor on relatively short notice. While these distribution agreements contain provisions giving the Company enforcement and termination rights, some state laws prohibit the Company from exercising these contractual rights. The Company's ability to maintain its existing distribution arrangements may be adversely affected by the fact that many of its Distributors are reliant on one of the major beer producers for a large percentage of their revenue and, therefore, they may be influenced by such producers. If the Company's existing distribution agreements are terminated, it may not be able to enter into new distribution agreements on substantially similar terms, which may result in an increase in the costs of distribution.

***The Company's Freshest Beer Program Could Adversely Impact the Company's Business and Operating Results.***

In late 2010, the Company started the implementation of its Freshest Beer Program with domestic Distributors to reduce both the time and temperature the Company's beers experience at Distributor warehouses before reaching the market. Historically, Distributors have carried three to five weeks of packaged inventory (usually at ambient temperatures) and three to four weeks of draft inventory. The Company's goal is to reduce this warehouse time through better on-time service, forecasting, production planning and cooperation with the Distributors. At December 31, 2016, the Company had 159 Distributors, representing approximately 77% of its volume, participating in the program at various stages of inventory reduction. The Company has successfully reduced the inventories of participating



Distributors by approximately two weeks, resulting in fresher beer being delivered to retail. The Freshest Beer Program has resulted in lower shipments of approximately 270,000, 87,000, and 103,000 case equivalents in 2016, 2015 and 2014 respectively as measured at the end of the year by evaluating

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the year on year inventory reduction from the inventory levels that might otherwise have been expected. In 2015 and 2016, the Company has been piloting a small group of distributors on a pure replenishment service model within our Freshest Beer Program, which if successful would further reduce Distributor inventories. The ordering process has changed significantly for Distributors that participate in the Freshest Beer Program and has resulted in a shorter period between order placement and shipment and posed much greater challenges for forecasting and production planning. Also, changes to the Distributor ordering process has increased the complexity of the Company's revenue recognition for shipments to Distributors that participate in the Freshest Beer Program.

It is possible that the Freshest Beer Program may not ultimately be successful; that its costs of implementation may exceed the value realized; or that the outcome of such inventory reductions may prove detrimental to the Company's business trends and ability to execute at retail. The Company may encounter unexpected problems with forecasting, accounting, production and Distributor cooperation. These issues may in the past have led and in the future could lead to shortages and out of stocks of the Company's products at the Distributor and retailer levels, result in increased costs, negatively impact Distributor relations, and/or delay the Company's implementation of this program.

The Company also fills orders from those of its Distributors who may independently choose to build their inventories or run their inventories down. Such a change in Distributor inventories is unpredictable and can lead to fluctuations in the Company's quarterly or annual results.

***The Company is Dependent on Key Suppliers, Including Foreign Sources; Its Dependence on Foreign Sources Creates Foreign Currency Exposure for the Company; The Company's Use of Natural Ingredients Creates Weather and Crop Reliability and Excess/Shortage Inventory Exposure for the Company.***

The Company purchases a substantial portion of the raw materials used in the brewing of its products, including its malt, hops, barley and other ingredients, from a limited number of foreign and domestic suppliers. The Company purchased most of the malt used in the production of its beer from two suppliers during 2016. Nevertheless, the Company believes that there are other malt vendors available that are capable of supplying part of its needs. The Company is exposed to the quality of the barley crop each year, and significant failure of a crop would adversely affect the Company's costs.

The Company predominantly uses Noble hops for its Samuel Adams lagers. Noble hops are varieties from several specific growing areas recognized for superior taste and aroma properties and include Hallertau-Hallertauer, Tettnang-Tettnanger, Hersbruck-Hersbrucker and Spalt-Spalter from Germany and Saaz-Saazer from the Czech Republic. Noble hops are rare and more expensive than most other varieties of hops. Traditional English hops, namely, East Kent Goldings and English Fuggles, and/or United States hops are used in most of the Company's ales. The demand for hops grown in the United States has grown due to the success and growth of craft brewers and the popularity of beer styles that include hops grown in the United States. Certain United States hops are in tight supply and prices have risen for both spot purchases and forward contract pricing, accordingly. The Company enters into purchase commitments with several hops dealers, based on the Company's projected future volumes and brewing needs. The dealers then contract with farmers to meet the Company's needs. However, the performance and availability of the hops, as with any agricultural product, may be materially adversely affected by factors such as adverse weather or pests and there is no guarantee the contracts will be fulfilled completely. Further, the use of fertilizers and pesticides that do not conform to United States regulations, the imposition of export/import restrictions (such as increased tariffs and duties) and changes in currency exchange rates could result in increased prices or shortages of acceptable hops.

The Company attempts to maintain up to a two-year supply of essential hop varieties on-hand in order to limit the risk of an unexpected reduction in supply. The Company stores its hops in multiple cold storage warehouses to minimize

the impact of a catastrophe at a single site. Hops and malt are agricultural products and therefore many outside factors, including weather conditions, farmers rotating out of hops or barley to other crops, government regulations and legislation affecting agriculture, could affect both price and supply.

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The Company uses special varieties of apples in its ciders that it believes are important for the ciders' flavor profile. These apples are sourced primarily from European, United States and New Zealand suppliers and include bittersweet apples from France and New Zealand and culinary apples from Italy and Washington state. There is limited availability of these apples and many outside factors, including weather conditions, farmers rotating from apples to other crops, government regulations and legislation affecting agriculture, could affect both price and supply. In 2012, the Company experienced shortages of apples, primarily due to growth in excess of that planned, that impacted the timing of shipments of its hard ciders to Distributors. Since 2012, the Company has not experienced any shortage of apples. The Company has entered into contracts to cover its expected needs for 2017 and expects to realize full delivery against these contracts.

Except for the shortage of apples in 2012, the Company has not experienced material difficulties in obtaining timely delivery from its suppliers, although the Company has had to pay significantly above historical prices to secure supplies when inventory and supply have been tight. The Company's new product development can also be constrained by any limited availability of certain ingredients. Growth rates higher than planned or the introduction of new products requiring special ingredients could create demand for ingredients greater than the Company can source. Although the Company believes that there are alternative sources available for some of the ingredients and packaging materials, there can be no assurance that the Company would be able to acquire such ingredients or packaging materials from substitute sources on a timely or cost effective basis, in the event that current suppliers could not adequately fulfill orders. The loss or significant reduction in the capability of a supplier to support the Company's requirements could, in the short-term, adversely affect the Company's business and financial results, until alternative supply arrangements were secured.

The Company's contracts for certain hops and apples that are payable in Euros, Pounds Sterling and New Zealand dollars, and therefore, the Company is subject to the risk that the Euro, Pound or New Zealand dollar may fluctuate adversely against the U.S. dollar. The Company has, as a practice, not hedged this exposure, although this practice is regularly reviewed. Significant adverse fluctuations in foreign currency exchange rates may have a material adverse effect on the Company's business and financial results. The cost of hops has increased in recent years due to the rising market price of hops and exchange rate changes. The continuation of these trends will impact the Company's product cost and potentially the Company's ability to meet the demand for its beers. The Company buys some other ingredients and capital equipment from foreign suppliers for which the Company also carries exposure to foreign exchange rate changes.

The Company's accounting policy for hops inventory and purchase commitments is to recognize a loss by establishing a reserve to the extent inventory levels and commitments exceed management's expected future usage. The computation of the excess inventory requires management to make certain assumptions regarding future sales growth, product mix, cancellation costs and supply, among others. Actual results may differ materially from management's estimates. The Company continues to manage inventory levels and purchase commitments in an effort to maximize utilization of hops on hand and hops under commitment. However, changes in management's assumptions regarding future sales growth, product mix and hops market conditions could result in future material losses.

***An Increase in Packaging Costs Could Harm the Company's Financial Results.***

The Company maintains competitive sources for the supply of certain packaging materials, such as shipping cases and glass. The Company enters into limited-term supply agreements with certain vendors in order to receive preferential pricing. In 2016, cans, crowns, six pack carriers and labels were each supplied by single sources. Although the Company believes that alternative suppliers are available, the loss of any of the Company's packaging materials suppliers could, in the short-term, adversely affect the Company's results of operations, cash flows and financial position until alternative supply arrangements were secured. Additionally, there has been acquisition and

consolidation activity in several of the packaging supplier networks which could potentially lead to disruption in supply and changes in economics. If packaging costs continue to increase, there is no guarantee that such costs can be fully passed along to drinkers through increased prices. The Company has

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entered into long-term supply agreements for certain packaging materials that have shielded it from some cost increases. These contracts have varying lengths and terms and there is no guarantee that the economics of these contracts can be replicated when renewed. The Company's inability to preserve the current economics on renewal could expose the Company to significant cost increases in future years. Some of these contracts require the Company to make commitments on minimum volume of purchases based on Company forecasts. If the Company's needs differ significantly from its forecasts, the Company would likely incur storage costs for excess production or contractual penalties that might be significant to Company financial results.

The Company initiates bottle deposits in some states and reuses glass bottles that are returned pursuant to certain state bottle recycling laws. The cost associated with reusing the glass varies. The Company believes that it benefits economically from cleaning and reusing these bottles, which result in a lower cost than purchasing new glass, and that it benefits the environment by the reduction in landfill usage, the reduction of usage of raw materials and the lower utility costs for reusing bottles versus producing new bottles. The economics of using recycled glass varies based on the cost of collection, sorting and handling, retailer, distributor and glass dealer behavior, the availability of equipment and service providers that will clean bottles for reuse, and may be adversely affected by changes in state regulation. There is no guarantee that the current economics of using returned glass will continue, or that the Company will continue its current used glass practices.

***An Increase in Energy Costs Could Harm the Company's Financial Results.***

In the last five years, the Company has experienced significant variation in direct and indirect energy costs, and energy costs could change unpredictably. Increased energy costs would result in higher transportation, freight and other operating costs, including increases in the cost of ingredients and supplies. The Company's future operating expenses and margins could be dependent on its ability to manage the impact of such cost increases. If energy costs increase, there is no guarantee that such costs can be fully passed along to drinkers through increased prices.

***The Company's Advertising and Promotional Investments May Affect the Company's Financial Results but Not be Effective.***

The Company has made, and expects to continue to make, significant advertising and promotional expenditures to enhance its brands, even though these expenditures may adversely affect the Company's results of operations in a particular quarter or even for the full year, and may not result in increased sales. Variations in the levels of advertising and promotional expenditures have in the past caused, and are expected in the future to continue to cause, variability in the Company's quarterly results of operations. While the Company attempts to invest only in effective advertising and promotional expenditures, it is difficult to correlate such investments with sales results, and there is no guarantee that the Company's expenditures will be effective in building brand equity or growing long term sales.

***The Company's Operations are Subject to Certain Operating Hazards Which Could Result in Unexpected Costs or Product Recalls That Could Harm the Company's Business.***

The Company's operations are subject to certain hazards and liability risks faced by all brewers, such as potential contamination of ingredients or products by bacteria or other external agents that may be wrongfully or accidentally introduced into products or packaging, or defective packaging and handling. Such occurrences may create bad tasting beer, hard cider or hard seltzer, or pose risk to the integrity and safety of the packaging. These could result in unexpected costs to the Company and, in the case of a costly product recall, potentially serious damage to the Company's reputation for product quality, as well as product liability claims.

***Changes in Tax, Environmental and Other Regulations or Failure to Comply with Existing Licensing, Trade or Other Regulations Could Have a Material Adverse Effect on the Company's Financial Condition.***

The Company's business is highly regulated by federal, state and local laws and regulations regarding such matters as licensing requirements, trade and pricing practices, labeling, advertising, promotion and marketing

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practices, relationships with Distributors, environmental impact of operations and other matters. These laws and regulations are subject to frequent reevaluation, varying interpretations and political debate, and inquiries from governmental regulators charged with their enforcement. Failure to comply with existing laws and regulations relating to the Company's operations or any revisions to such laws and regulations or the failure to pay taxes or other fees imposed on the Company's operations and results could result in the loss, revocation or suspension of the Company's licenses, permits or approvals, and could have a material adverse effect on the Company's business, financial condition and results of operations. Changes in Federal and other tax rates could have significant effect on the Company's financial results.

### ***Changes in Public Attitudes and Drinker Tastes Could Harm the Company's Business. Regulatory Changes in Response to Public Attitudes Could Adversely Affect the Company's Business.***

The alcoholic beverage industry has become the subject of considerable societal and political attention in recent years, due to increasing public concern over alcohol-related social problems, including driving under the influence, underage drinking and health consequences from the misuse of alcohol, including alcoholism. As an outgrowth of these concerns, the possibility exists that advertising by beer producers could be restricted, that additional cautionary labeling or packaging requirements might be imposed, that further restrictions on the sale of alcohol might be imposed or that there may be renewed efforts to impose increased excise or other taxes on beer sold in the United States.

The domestic beer industry, other than Better Beers, has experienced a slight decline in shipments over the last ten years. The Company believes that this slower growth is due to both declining alcohol consumption per person in the population and increased competition from wine and spirits companies. If beer consumption in general were to come into disfavor among domestic drinkers, or if the domestic beer industry were subjected to significant additional governmental regulations, the Company's business could be materially adversely affected.

Certain states are considering or have passed laws and regulations that allow the sale and distribution of marijuana. It is possible that legal marijuana usage could adversely impact the demand for the Company's products.

### ***Impact of Changes in Drinker Attitudes on Brand Equity and Inherent Risk of Reliance on the Company's Founder in the Samuel Adams® Brand Communications.***

There is no guarantee that the brand equities that the Company has built in its brands will continue to appeal to drinkers. Changes in drinker attitudes or demands could adversely affect the strength of the Company's brands and the revenue that is generated from that strength. It is possible that the Company could react to such changes and reposition its brands, but there is no certainty that the Company would be able to maintain volumes, pricing power and profitability. It is also possible that marketing messages or other actions taken by the Company could damage its brand equities, as opposed to building them. If such damage were to occur, it would likely have a negative effect on the financial condition of the Company.

In addition to these inherent brand risks, the founder and Chairman of the Company, C. James Koch, is an integral part of the Company's Samuel Adams brand history, equity and current and potential future brand messaging and the Company relies on the positive public perception of its founder. The role of Mr. Koch as founder, brewer and leader of the Company is emphasized as part of the Company's brand communication and has appeal to some drinkers. If Mr. Koch were not available to the Company to continue his active role, his absence could negatively affect the strength of the Company's messaging and, accordingly, the Company's growth prospects. The Company and its brands may also be impacted if drinkers' views of Mr. Koch were to negatively change. If either of these were to occur, the Company might need to adapt its strategy for communicating its key messages regarding its traditional brewing processes, brewing heritage and quality. Any such change in the Company's messaging strategy might have a



detrimental impact on the future growth of the Company.

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***There Is No Guarantee that the Company Will not Face Litigation that Could Harm the Company's Business.***

While the Company has from time to time in the past been involved in material litigation, it is not currently a party to any pending or threatened litigation, the outcome of which would be expected to have a material adverse effect on its financial condition or the results of its operations. In general, while the Company believes it conducts its business appropriately in accordance with laws, regulations and industry guidelines, claims, whether or not meritorious, could be asserted against the Company that might adversely impact the Company's results. See *Item 3 Legal Proceedings* below.

***The Class B Shareholder Has Significant Influence over the Company.***

The Company's Class A Common Stock is not entitled to any voting rights except for the right as a class to (1) approve certain mergers, charter amendments and by-law amendments and (2) elect a minority of the directors of the Company. Although not as a matter of right, the Class A stockholders have also been afforded the opportunity to vote on an advisory basis on executive compensation. Consequently, the election of a majority of the Company's directors and all other matters requiring stockholder approval are currently decided by C. James Koch, who is the founder and Chairman of the Company, as the holder of 100% of the voting rights to the outstanding shares of the Company's Class B Common Stock. As a result, Mr. Koch is able to exercise substantial influence over all matters requiring stockholder approval, including the composition of the board of directors, approval of equity-based and other executive compensation and other significant corporate and governance matters, such as approval of the Company's independent registered public accounting firm. This could have the effect of delaying or preventing a change in control of the Company and makes most material transactions difficult or impossible to accomplish without the support of Mr. Koch. In addition, Mr. Koch could transfer some shares of the Class B Common Stock to others, which could impact the nature of the control currently held by him as the sole holder of the Class B Common Stock.

***The Company's Operating Results and Cash Flow May Be Adversely Affected by Unfavorable Economic and Financial Market Conditions.***

Volatility and uncertainty in the financial markets and economic conditions may directly or indirectly affect the Company's performance and operating results in a variety of ways, including: (a) prices for energy and agricultural products may rise faster than current estimates, including increases resulting from currency fluctuations; (b) the Company's key suppliers may not be able to fund their capital requirements, resulting in disruption in the supplies of the Company's raw and packaging materials; (c) the credit risks of the Company's Distributors may increase; (d) the impact of currency fluctuations on amounts owed to the Company by distributors that pay in foreign currencies; (e) the Company's credit facility, or portion thereof, may become unavailable at a time when needed by the Company to meet critical needs; (f) overall beer consumption may decline; or (g) drinkers of the Company's beers may change their purchase preferences and frequency, which might result in sales declines.

***The Company Relies Upon Complex Information Systems.***

The Company depends on information technology to be able to operate efficiently and interface with customers and suppliers, as well as maintain financial and accounting reporting accuracy to ensure compliance with all applicable laws. If the Company does not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure, the Company could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, or the loss of or damage to intellectual property through security breach. The Company recognizes that many groups on a world-wide basis have experienced increases in cyber attacks and other hacking activity. The Company has dedicated internal and external resources to review and address such threats. However, as with all large information technology systems, the Company's systems could be penetrated by outside

parties intent on extracting confidential or proprietary information, corrupting information, disrupting business processes, or engaging in the unauthorized use of strategic

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information. Such unauthorized access could disrupt business operations and could result in the loss of assets or revenues, remediation costs or damage to the Company's reputation, as well as litigation against the Company by third parties adversely affected by the unauthorized access. Such events could have a material adverse effect on the Company's business and financial results. The Company also relies on third parties for supply of software, software and data hosting and telecommunications and networking, and is reliant on those third parties for the quality and integrity of these complex services. Failure by a third party supplier could have material adverse effect on the Company's ability to operate.

### **Item 1B. Unresolved Staff Comments**

The Company has not received any written comments from the staff of the Securities and Exchange Commission (the SEC) regarding the Company's periodic or current reports that (1) the Company believes are material, (2) were issued not less than 180 days before the end of the Company's 2016 fiscal year, and (3) remain unresolved.

### **Item 2. Properties**

The Company maintains its principal corporate offices in approximately 54,200 square feet of leased space located in Boston, Massachusetts, the term of which is set to expire in 2026. The Company also leases small offices in California and Vermont.

The Company maintains a brewery and tour center in Boston, Massachusetts in approximately 43,000 square feet of leased space. The current term of the lease for this facility will expire in 2019, although it has an option to extend the term for an additional five years.

The Company owns approximately 76 acres of land in Breinigsville, Pennsylvania, consisting of the two parcels on which the Company's Pennsylvania Brewery is located. The buildings on this property consist of approximately 1 million square feet of brewery and warehouse space.

The Company owns approximately 10 acres of land in Cincinnati, Ohio, on which the Company's Cincinnati Brewery is located, and leases, with an option to purchase, approximately 1 acre of land from the City of Cincinnati which abuts its property. The buildings on this property consist of approximately 128,500 square feet of brewery and warehouse space.

The Company owns approximately 62 acres of land in Walden, New York, consisting of an apple orchard and certain buildings, including a small cidery and tour center. The small cidery and tour center on this property consist of approximately 15,000 square feet of space.

The Company leases approximately 48,650 square feet of space in Los Angeles, California, which houses a small brewery, beer hall and tour center. The current term of the lease for this facility will expire in 2021.

The Company leases approximately 11,365 square feet of space in Miami, Florida, which houses a small brewery, beer hall and tour center. The current term of the lease for this facility will expire in 2023.

The Company leases approximately 2,100 square feet of space within the retail section of MCU Park in Brooklyn, New York, which houses a small brewery and tasting room. The current term of the lease for this facility will expire in 2019.

The Company believes that its facilities are adequate for its current needs and that suitable additional space will be available on commercially acceptable terms as required.

**Table of Contents****Item 3. Legal Proceedings**

The Company is currently not a party to any pending or threatened litigation, the outcome of which would be expected to have a material adverse effect on its financial condition or the results of its operations.

**Item 4. Mine Safety Disclosures**

Not Applicable

**PART II.****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The graph set forth below shows the value of an investment of \$100 on January 1, 2012 in each of the Company's stock (The Boston Beer Company, Inc.), the Standard & Poor's 500 Index (S&P 500 Index), the Standard & Poor's 500 Beverage Index, which consists of producers of alcoholic and non-alcoholic beverages (S&P 500 Beverages Index) and a custom peer group which consists of Molson Coors Brewing Company and Craft Brewers Alliance, Inc. (formerly Redhook Ale Brewery, Inc.), the two remaining U.S. publicly-traded brewing companies (Peer Group), for the five years ending December 31, 2016.

**Total Return To Shareholders**

(Includes reinvestment of dividends)

**ANNUAL RETURN PERCENTAGE**

Company Name / Index	Years Ending				
	12/29/12	12/28/13	12/27/14	12/26/15	12/31/16
The Boston Beer Company, Inc.	22.49	82.06	22.16	-30.55	-17.31
S&P 500 Index	14.07	34.12	15.76	0.77	11.07
S&P 500 Beverages Index	7.16	22.48	19.04	10.52	1.77
Peer Group	1.17	36.24	37.43	25.24	6.10

**INDEXED RETURNS**

Company Name / Index	Base Period	Years Ending				
		12/29/12	12/28/13	12/27/14	12/26/15	12/31/16
The Boston Beer Company, Inc.	100	122.49	223.01	272.42	189.20	156.46
S&P 500 Index	100	114.07	153.00	177.10	178.46	198.21
S&P 500 Beverages Index	100	107.16	131.25	156.24	172.68	175.74
Peer Group	100	101.17	137.83	189.42	237.22	251.68

**Peer Group Companies**

Craft Brew Alliance Inc

Molson Coors Brewing Co

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The Company's Class A Common Stock is listed for trading on the New York Stock Exchange. The Company's NYSE symbol is SAM. For the fiscal periods indicated, the high and low per share sales prices for the Class A Common Stock of The Boston Beer Company, Inc. as reported on the New York Stock Exchange-Composite Transaction Reporting System were as follows:

<b>Fiscal 2016</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 204.25	\$ 163.55
Second Quarter	\$ 191.71	\$ 146.42
Third Quarter	\$ 192.05	\$ 151.06
Fourth Quarter	\$ 178.00	\$ 149.76
<b>Fiscal 2015</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 323.99	\$ 257.24
Second Quarter	\$ 272.83	\$ 237.62
Third Quarter	\$ 236.55	\$ 197.05
Fourth Quarter	\$ 258.43	\$ 201.90

There were 10,526 holders of record of the Company's Class A Common Stock as of February 17, 2017. Excluded from the number of stockholders of record are stockholders who hold shares in nominee or street name. The closing price per share of the Company's Class A Common Stock as of February 17, 2017, as reported under the New York Stock Exchange-Composite Transaction Reporting System, was \$169.75.

**Class A Common Stock**

At December 31, 2016, the Company had 22,700,000 authorized shares of Class A Common Stock with a par value of \$.01, of which 9,235,924 were issued and outstanding, which includes 64,968 shares that have trading restrictions. The Class A Common Stock has no voting rights, except (1) as required by law, (2) for the election of Class A Directors, and (3) that the approval of the holders of the Class A Common Stock is required for (a) future authorizations or issuances of additional securities which have rights senior to Class A Common Stock, (b) alterations of rights or terms of the Class A or Class B Common Stock as set forth in the Articles of



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Organization of the Company, (c) certain other amendments of the Articles of Organization of the Company, (d) certain mergers or consolidations with, or acquisitions of, other entities, and (e) sales or dispositions of any significant portion of the Company's assets.

**Class B Common Stock**

At December 31, 2016, the Company had 4,200,000 authorized shares of Class B Common Stock with a par value of \$.01, of which 3,197,355 shares were issued and outstanding. The Class B Common Stock has full voting rights, including the right to (1) elect a majority of the members of the Company's Board of Directors and (2) approve all (a) amendments to the Company's Articles of Organization, (b) mergers or consolidations with, or acquisitions of, other entities, (c) sales or dispositions of any significant portion of the Company's assets and (d) equity-based and other executive compensation and other significant corporate matters, such as approval of the Company's independent registered public accounting firm. The Company's Class B Common Stock is not listed for trading. Each share of Class B Common Stock is freely convertible into one share of Class A Common Stock, upon request of any Class B holder.

As of February 17, 2017, C. James Koch, the Company's Chairman, was the direct or indirect holder of record of all of the Company's issued and outstanding Class B Common Stock.

The holders of the Class A and Class B Common Stock are entitled to dividends, on a share-for-share basis, only if and when declared by the Board of Directors of the Company out of funds legally available for payment thereof. Since its inception, the Company has not paid dividends and does not currently anticipate paying dividends on its Class A or Class B Common Stock in the foreseeable future.

**Repurchases of the Registrants Class A Common Stock**

As of December 31, 2016, the Company has repurchased a cumulative total of approximately 12.5 million shares of its Class A Common Stock for an aggregate purchase price of approximately \$607.8 million.

During the twelve months ended December 31, 2016, the Company repurchased 948,117 shares of its Class A Common Stock as illustrated in the table below:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as	
			Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
December 27, 2015 to January 30, 2016	129,322	\$ 178.33	128,798	\$ 55,912,890
January 31, 2016 to February 27, 2016	103,605	183.12	103,328	86,961,273
February 28, 2016 to March 26, 2016	100,719	187.34	100,407	68,215,806
March 27, 2016 to April 30, 2016	143,676	173.98	143,352	54,167,002

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May 1, 2016 to May 28, 2016	130,318	153.69	129,964	34,182,017
May 29, 2016 to June 25, 2016	119,987	158.41	119,519	15,231,260
June 26, 2016 to July 30, 2016	28,020	168.85	27,723	25,533,994
July 31, 2016 to August 27, 2016	12,876	184.54	12,732	23,175,199
August 28, 2016 to September 24, 2016	20,025	166.41	19,961	19,851,706
September 25, 2016 to October 29, 2016	35,165	156.84	35,109	194,341,191
October 30, 2016 to November 26, 2016	25,252	165.03	25,241	190,173,900
November 27, 2016 to December 31, 2016	99,152	171.16	98,742	173,248,179
<b>Total</b>	<b>948,117</b>	<b>\$ 170.89</b>	<b>944,876</b>	<b>\$ 173,248,179</b>

Of the shares that were purchased during the period, 3,241 shares represent repurchases of unvested investment shares issued under the Investment Share Program of the Company's Employee Equity Incentive Plan.

**Table of Contents****Item 6. Selected Consolidated Financial Data**

	Year Ended				
	Dec. 31 2016 (53 weeks) (in thousands, except per share and net revenue per barrel data)	Dec. 26 2015	Dec. 27 2014	Dec. 28 2013	Dec. 29 2012
<b>Income Statement Data:</b>					
Revenue	\$ 968,994	\$ 1,024,040	\$ 966,478	\$ 793,705	\$ 628,580
Less excise taxes	62,548	64,106	63,471	54,652	48,358
Net revenue	906,446	959,934	903,007	739,053	580,222
Cost of goods sold	446,776	458,317	437,996	354,131	265,012
Gross profit	459,670	501,617	465,011	384,922	315,210
Operating expenses:					
Advertising, promotional and selling expenses	244,213	273,629	250,696	207,930	169,306
General and administrative expenses	78,033	71,556	65,971	62,332	50,171
Impairment (gain on sale) of assets, net	(235)	258	1,777	1,567	149
Total operating expenses	322,011	345,443	318,444	271,829	219,626
Operating income	137,659	156,174	146,567	113,093	95,584
Other expense, net	(538)	(1,164)	(973)	(552)	(67)
Income before provision for income taxes	137,121	155,010	145,594	112,541	95,517
Provision for income taxes	49,772	56,596	54,851	42,149	36,050
Net income	\$ 87,349	\$ 98,414	\$ 90,743	\$ 70,392	\$ 59,467
Net income per share basic	\$ 6.93	\$ 7.46	\$ 6.96	\$ 5.47	\$ 4.60
Net income per share diluted	\$ 6.79	\$ 7.25	\$ 6.69	\$ 5.18	\$ 4.39
Weighted average shares outstanding basic	12,533	13,123	12,968	12,766	12,796
Weighted average shares outstanding diluted	12,796	13,520	13,484	13,504	13,435
<b>Balance Sheet Data:</b>					
Working capital	\$ 99,719	\$ 112,443	\$ 97,292	\$ 59,901	\$ 73,448
Total assets	\$ 623,297	\$ 645,400	\$ 605,161	\$ 444,075	\$ 359,484
Total long-term obligations	\$ 75,196	\$ 73,019	\$ 58,851	\$ 37,613	\$ 25,499
Total stockholders equity	\$ 446,582	\$ 461,221	\$ 436,140	\$ 302,085	\$ 245,091
<b>Statistical Data:</b>					
Barrels sold	4,019	4,256	4,103	3,416	2,746
Net revenue per barrel	\$ 225.55	\$ 225.55	\$ 220.08	\$ 216.35	\$ 211.30

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

## **Forward-Looking Statements**

In this Form 10-K and in other documents incorporated herein, as well as in oral statements made by the Company, statements that are prefaced with the words may, will, expect, anticipate, continue, estimate, project, and similar expressions, are intended to identify forward-looking statements regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, results of operations, and financial position. These statements are based on the Company's current expectations and estimates as to prospective events and circumstances about which the Company can give no firm assurance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement to reflect future events or circumstances. Forward-looking statements should not be relied upon as a prediction of actual future financial condition or results. These forward-looking statements, like any forward-

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looking statements, involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include the factors set forth above and the other information set forth in this Form 10-K.

## **Introduction**

The Boston Beer Company is engaged in the business of producing and selling alcohol beverages primarily in the domestic market and, to a lesser extent, in selected international markets. The Company's revenues are primarily derived by selling its beers, hard ciders and hard seltzers to Distributors, who in turn sell the products to retailers and drinkers.

The Company's alcohol beverages compete primarily in the Better Beer category, which includes imported beers and craft beers. This category has seen high single-digit compounded annual growth over the past ten years. Defining factors for Better Beer include superior quality, image and taste, supported by appropriate pricing. The Company believes that the Better Beer category is positioned to increase market share, as drinkers continue to trade up in taste and quality. The Company estimates that in 2016 the craft beer category percentage volume growth was approximately 7% and the Better Beer category percentage volume growth was approximately 6%, while the total beer category volume was essentially flat. The Company believes that the Better Beer category is approximately 29% of United States beer consumption by volume. The Company estimates the Hard Cider category to be less than 1% of the total beer category and believes it has many characteristics similar to the Better Beer category. The Company believes that significant opportunity continues to exist for the Better Beer and Hard Cider categories to gain market share in the total beer category. Depletions or Distributor sales to retailers of the Company's beers, hard ciders and hard seltzers for the 53 week fiscal period ended December 31, 2016, decreased approximately 5% from the comparable 52 week fiscal period in the prior year.

## **Outlook**

Year-to-date depletions reported to the Company for the 6 weeks ended February 11, 2017 are estimated by the Company to have decreased approximately 15% from the comparable weeks in 2016.

The Company is targeting earnings per diluted share for 2017 of between \$4.20 and \$6.20, but actual results could vary significantly from this target. The 2017 fiscal year includes only 52 weeks compared to the 2016 fiscal year which included 53 weeks. The Company is currently planning that 2017 depletions and shipments percentage change will be between minus 7% and plus 1%. The Company is targeting national price increases of between 1% and 2%. Full-year 2017 gross margins are currently expected to be between 51% and 52%. The Company intends to increase advertising, promotional and selling expenses by between \$20 million and \$30 million for the full year 2017, which does not include any increases in freight costs for the shipment of products to its Distributors. The Company intends to increase its investment in its brands in 2017 commensurate with the opportunities for growth that it sees, but there is no guarantee that such increased investments will result in increased volumes. The Company estimates a full-year 2017 effective tax rate of approximately 37%, which excludes the impact of the new Accounting Standard Employee Share-Based Payment Accounting (ASU 2016-09) which is effective for the company on January 1, 2017. The Company is not currently planning to provide forward guidance on the impact that ASU 2016-09 will have on the Company's 2017 financial statements and full-year effective tax rate as this will mainly depend upon unpredictable future events, including the timing and value realized upon exercise of stock options versus the fair value when those options were granted.

The Company is continuing to evaluate 2017 capital expenditures. Its current estimates are between \$40 million and \$60 million, consisting mostly of continued investments in the Company's breweries. The actual total amount spent on

2017 capital expenditures may well be different from these estimates. Based on information currently available, the Company believes that its capacity requirements for 2017 can be covered by its Company-owned breweries and existing contracted capacity at third-party brewers.

**Table of Contents****Results of Operations***Year Ended December 31, 2016 (53 weeks) Compared to Year Ended December 26, 2015 (52 weeks)*

	Year Ended (in thousands, except per barrel)						Amount change	% change	Per barrel change
	Dec. 31 2016 (53 weeks)			Dec. 26 2015 (52 weeks)					
Barrels sold	4,019			4,256			(237)	-5.6%	
		<b>Per barrel</b>	<b>% of net revenue</b>		<b>Per barrel</b>	<b>% of net revenue</b>			
Net revenue	\$ 906,446	\$ 225.55	100.0%	\$ 959,934	\$ 225.55	100.0%	\$ (53,488)	-5.6%	\$
Cost of goods	446,776	111.17	49.3%	458,317	107.69	47.7%	(11,541)	-2.5%	3.48
Gross profit	459,670	114.38	50.7%	501,617	117.86	52.3%	(41,947)	-8.4%	(3.48)
Advertising, promotional and selling expenses	244,213	60.77	26.9%	273,629	64.29	28.5%	(29,416)	-10.8%	(3.52)
General and administrative expenses	78,033	19.42	8.6%	71,556	16.81	7.5%	6,477	9.1%	2.61
Impairment (gain on sale) of assets, net	(235)	(0.06)	0.0%	258	0.06	0.0%	(493)	-191.1%	(0.12)
Total operating expenses	322,011	80.13	35.5%	345,443	81.17	36.0%	(23,432)	-6.8%	(1.04)
Operating income	137,659	34.25	15.2%	156,174	36.70	16.3%	(18,515)	-11.9%	(2.45)
Other expense, net	(538)	(0.13)	-0.1%	(1,164)	(0.27)	-0.1%	626	-53.8%	0.14
Income before provision for income taxes	137,121	34.12	15.1%	155,010	36.42	16.1%	(17,889)	-11.5%	(2.30)
Provision for income taxes	49,772	12.38	5.5%	56,596	13.30	5.9%	(6,824)	-12.1%	(0.92)
Net income	\$ 87,349	\$ 21.74	9.6%	\$ 98,414	\$ 23.12	10.3%	\$ (11,065)	-11.2%	\$ (1.38)

**Net revenue.** Net revenue decreased by \$53.5 million, or 5.6%, to \$906.4 million for the year ended December 31, 2016, as compared to \$959.9 million for the year ended December 26, 2015, due primarily to decreased shipments.

*Volume.* Total shipment volume of 4,019,000 barrels for the year ended December 31, 2016 decreased by 5.6% over comparable 2015 levels of 4,256,000 barrels, due primarily to decreases in shipments of Samuel Adams, Angry Orchard, Coney Island and Traveler brand products that were only partially offset by shipment increases in Twisted Tea and Truly Spiked & Sparkling brand products.

Depletions, or sales by Distributors to retailers, of the Company's products for the year ended December 31, 2016 decreased by approximately 5% compared to the prior year, primarily due to decreases in depletions of Samuel Adams, Angry Orchard, Traveler and Coney Island brand products that were only partially offset by increases in depletions of Twisted Tea and Truly Spiked & Sparkling brand products.

*Net Revenue per barrel.* The net revenue per barrel remained flat at \$225.55 per barrel for the year ended December 31, 2016, when compared to the year ended December 26, 2015. This was due primarily to price increases and package mix effects that were offset by product mix effects and increased returns.

Significant changes in the package mix could have a material effect on net revenue. The Company primarily packages its products in kegs, bottles and cans. Assuming the same level of production, a shift in the mix from kegs to bottles and cans would effectively increase revenue per barrel, as the price per equivalent barrel is lower



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for kegs than for bottles and cans. The percentage of bottles and cans to total shipments increased by 1.5% to 80.2% of total shipments for the year ended December 31, 2016 as compared to the year ended December 26, 2015.

**Gross profit.** Gross profit was \$114.38 per barrel for the year ended December 31, 2016, as compared to \$117.86 per barrel for the year ended December 26, 2015. Gross margin was 50.7% for the year ended December 31, 2016, as compared to 52.3% for the year ended December 26, 2015. The decrease in gross profit per barrel of \$3.48 is primarily due to an increase in cost of goods sold per barrel.

Cost of goods sold for was \$111.17 per barrel for the year ended December 31, 2016, as compared to \$107.69 per barrel for the year ended December 26, 2015. The 2016 increase in cost of goods sold of \$3.48 per barrel is the result of unfavorable fixed cost absorption and product mix effects partially offset by cost saving initiatives in the Company's breweries.

The Company includes freight charges related to the movement of finished goods from manufacturing locations to Distributor locations in its advertising, promotional and selling expense line item. As such, the Company's gross margins may not be comparable to other entities that classify costs related to distribution differently.

**Advertising, promotional and selling.** Advertising, promotional and selling expenses, decreased \$29.4 million, or 10.8%, to \$244.2 million for the year ended December 31, 2016, as compared to \$273.6 million for the year ended December 26, 2015. The decrease was primarily the result of decreases in freight to distributors due to lower volume and lower freight rates and lower media advertising and point-of-sale spending.

Advertising, promotional and selling expenses were 26.9% of net revenue, or \$60.77 per barrel, for the year ended December 31, 2016, as compared to 28.5% of net revenue, or \$64.29 per barrel, for the year ended December 26, 2015. The Company will invest in advertising and promotional campaigns that it believes are effective, but there is no guarantee that such investment will generate sales growth.

The Company conducts certain advertising and promotional activities in its Distributors' markets, and the Distributors make contributions to the Company for such efforts. These amounts are included in the Company's statement of operations as reductions to advertising, promotional and selling expenses. Historically, contributions from Distributors for advertising and promotional activities have amounted to between 2% and 4% of net sales. The Company may adjust its promotional efforts in the Distributors' markets, if changes occur in these promotional contribution arrangements, depending on the industry and market conditions.

**General and administrative.** General and administrative expenses increased by \$6.5 million, or 9.1%, to \$78.0 million for the year ended December 31, 2016, as compared to \$71.6 million for the comparable period in 2015. The increase was primarily due to increases in salary and benefits and facilities costs.

**Gain on sale of assets.** For the year ended December 31, 2016, the Company recognized a \$1.0 million gain on the sale of land owned in Freetown, Massachusetts.

**Impairment of assets.** For the year ended December 31, 2016, the Company incurred impairment charges of \$0.7 million, based upon its review of the carrying values of its property, plant and equipment.

**Stock-based compensation expense.** For the year ended December 31, 2016, an aggregate of \$6.2 million in stock-based compensation expense is included in advertising, promotional and selling expenses and general and administrative expenses. Stock compensation decreased by \$0.5 million in 2016 compared to 2015, primarily due to cancellation of unvested equity awards upon departure of key employees partially offset by new equity awards granted

in 2016.

**Provision for income taxes.** The Company's effective tax rate for the year ended December 31, 2016 of 36.3% decreased from the year ended December 26, 2015 rate of approximately 36.5%. This decrease was due to a slight decrease in tax valuation reserves during 2016.

**Table of Contents****Year Ended December 26, 2015 (52 weeks) Compared to Year Ended December 27, 2014 (52 weeks)**

	Year Ended (in thousands, except per barrel)								
	Dec. 26 2015 (52 weeks)			Dec. 27 2014 (52 weeks)			Amount change	% change	Per barrel change
Barrels sold	4,256			4,103			153	3.7%	
		<b>Per barrel</b>	<b>% of net revenue</b>		<b>Per barrel</b>	<b>% of net revenue</b>			
Net revenue	\$ 959,934	\$ 225.55	100.0%	\$ 903,007	\$ 220.08	100.0%	\$ 56,927	6.3%	\$ 5.47
Cost of goods	458,317	107.69	47.7%	437,996	106.75	48.5%	20,321	4.6%	0.94
Gross profit	501,617	117.86	52.3%	465,011	113.33	51.5%	36,606	7.9%	4.53
Advertising, promotional and selling expenses	273,629	64.29	28.5%	250,696	61.10	27.8%	22,933	9.1%	3.19
General and administrative expenses	71,556	16.81	7.5%	65,971	16.08	7.3%	5,585	8.5%	0.73
Impairment (gain on sale) of assets, net	258	0.06	0.0%	1,777	0.43	0.2%	(1,519)	-85.5%	(0.37)
Total operating expenses	345,443	81.17	36.0%	318,444	77.61	35.3%	26,999	8.5%	3.56
Operating income	156,174	36.70	16.3%	146,567	35.72	16.2%	9,607	6.6%	0.98
Other expense, net	(1,164)	(0.27)	-0.1%	(973)	(0.24)	-0.1%	(191)	19.6%	(0.03)
Income before provision for income taxes	155,010	36.42	16.1%	145,594	35.48	16.1%	9,416	6.5%	0.94
Provision for income taxes	56,596	13.30	5.9%	54,851	13.37	6.1%	1,745	3.2%	(0.07)
Net income	\$ 98,414	\$ 23.12	10.3%	\$ 90,743	\$ 22.12	10.0%	\$ 7,671	8.5%	\$ 1.00

**Net revenue.** Net revenue increased by \$56.9 million, or 6.3%, to \$959.9 million for the year ended December 26, 2015, as compared to \$903.0 million for the year ended December 27, 2014, due primarily to increased shipments and increased revenue per barrel.

**Volume.** Total shipment volume of 4,256,000 barrels for the year ended December 26 2015 increased by 3.7% over comparable 2014 levels of 4,103,000 barrels, due primarily to increases in shipments of Coney Island, Twisted Tea,

Angry Orchard and Traveler brand products that were only partially offset by shipment declines in Samuel Adams brand products.

Depletions, or sales by Distributors to retailers, of the Company's products for the year ended December 26, 2015 increased by approximately 4% compared to the prior year, primarily due to increases in depletions of Twisted Tea, Coney Island, Angry Orchard and Traveler brand products that were only partially offset by declines in depletions of Samuel Adams brand products.

*Net Revenue per barrel.* The net revenue per barrel increased by 2.5% to \$225.55 per barrel for the year ended December 26, 2015, as compared to \$220.08 per barrel for the year ended December 27, 2014, due primarily to price increases and changes in product and package mix.

Significant changes in the package mix could have a material effect on net revenue. The Company primarily packages its brands in kegs, bottles and cans. Assuming the same level of production, a shift in the mix from kegs to bottles and cans would effectively increase revenue per barrel, as the price per equivalent barrel is lower for kegs than for bottles and cans. The percentage of bottles and cans to total shipments increased by 1.7% to 78.7% of total shipments for the year ended December 26, 2015 as compared to the year ended December 27, 2014.

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**Gross profit.** Gross profit was \$117.86 per barrel for the year ended December 26, 2015, as compared to \$113.33 per barrel for the year ended December 27, 2014. Gross margin was 52.3% for the year ended December 26, 2015, as compared to 51.5% for the year ended December 27, 2014. The increase in gross profit per barrel of \$4.53 is primarily due to an increase in net revenue per barrel, partially offset by an increase in cost of goods sold per barrel.

Cost of goods sold was \$107.69 per barrel for the year ended December 26, 2015, as compared to \$106.75 per barrel for the year ended December 27, 2014. The 2015 increase in cost of goods sold of \$0.94 per barrel is primarily due to product and package mix and higher brewery operating costs, partially offset by lower ingredient costs.

The Company includes freight charges related to the movement of finished goods from manufacturing locations to Distributor locations in its advertising, promotional and selling expense line item. As such, the Company's gross margins may not be comparable to other entities that classify costs related to distribution differently.

**Advertising, promotional and selling.** Advertising, promotional and selling expenses, increased \$22.9 million, or 9.1%, to \$273.6 million for the year ended December 26, 2015, as compared to \$250.7 million for the year ended December 27, 2014. The increase was primarily a result of increased media advertising of \$14.6 million, increased costs for additional sales personnel and commissions of \$5.5 million and increased point of sale and local marketing of \$4.1 million.

Advertising, promotional and selling expenses were 28.5% of net revenue, or \$64.29 per barrel, for the year ended December 26, 2015, as compared to 27.8% of net revenue, or \$61.10 per barrel, for the year ended December 27, 2014. The Company will invest in advertising and promotional campaigns that it believes are effective, but there is no guarantee that such investment will generate sales growth.

The Company conducts certain advertising and promotional activities in its Distributors' markets, and the Distributors make contributions to the Company for such efforts. These amounts are included in the Company's statement of operations as reductions to advertising, promotional and selling expenses. Historically, contributions from Distributors for advertising and promotional activities have amounted to between 2% and 4% of net sales. The Company may adjust its promotional efforts in the Distributors' markets, if changes occur in these promotional contribution arrangements, depending on the industry and market conditions.

**General and administrative.** General and administrative expenses increased by \$5.6 million, or 8.5%, to \$71.6 million for the year ended December 26, 2015, as compared to \$66.0 million for the comparable period in 2014. The increase was primarily due to increases in salary and benefit expenses, consulting and facilities costs.

**Impairment of assets.** For the year ended December 26, 2015, the Company incurred impairment charges of \$0.3 million, based upon its review of the carrying values of its property, plant and equipment.

**Stock-based compensation expense.** For the year ended December 26, 2015, an aggregate of \$6.7 million in stock-based compensation expense is included in advertising, promotional and selling expenses and general and administrative expenses. Stock compensation decreased by \$0.2 million in 2015 compared to 2014, primarily due to performance not being achieved on certain awards granted during 2015.

**Provision for income taxes.** The Company's effective tax rate for the year ended December 26, 2015 of 36.5% decreased from the year ended December 27, 2014 rate of approximately 37.7%. This decrease was primarily the result of an increased federal manufacturing deduction and lower state tax rates.

## **Liquidity and Capital Resources**

Cash decreased to \$91.0 million as of December 31, 2016 from \$94.2 million as of December 26, 2015, reflecting cash used in financing activities and for purchases of property, plant and equipment that was only partially offset by cash provided by operating activities.

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Cash provided by or used in operating activities consists of net income, adjusted for certain non-cash items, such as depreciation and amortization, stock-based compensation expense and related excess tax benefit, other non-cash items included in operating results, and changes in operating assets and liabilities, such as accounts receivable, inventory, accounts payable and accrued expenses.

Cash provided by operating activities in 2016 was \$154.2 million and primarily consisted of net income of \$87.3 million, non-cash items of \$51.6 million and a net decrease in operating assets and liabilities of \$15.3 million which includes a \$12.0 million tax refund in the first quarter of 2016. Cash provided by operating activities in 2015 totaled \$168.7 million and primarily consisted of net income of \$98.4 million, non-cash items of \$42.1 million and a net decrease in operating assets and liabilities of \$28.2 million which includes a \$17.2 million tax refund in the first quarter of 2015.

The Company used \$46.0 million in investing activities during 2016, as compared to \$74.2 million during 2015. 2016 investing activities primarily consisted of capital investments of \$49.9 million made mostly in the Company's breweries to drive efficiencies and cost reductions, support product innovation and future growth, partially offset by \$3.9 million in proceeds from the sale of land in Freetown, Massachusetts in 2016.

Cash used in financing activities was \$111.3 million during 2016, as compared to \$76.7 million used in financing activities during 2015. The \$34.7 million difference in financing cash flow in 2016 from 2015 is primarily due to an increase in stock repurchases under the Company's Stock Repurchase Program and a decrease in proceeds from the exercise of stock options and the related tax benefits.

In 1998, the Board of Directors authorized management to implement a stock repurchase program. During the year ended December 31, 2016, the Company repurchased approximately 945,000 shares of its Class A Common Stock for an aggregate purchase price of \$161.7 million. As of December 31, 2016, the Company had repurchased a cumulative total of approximately 12.5 million shares of its Class A Common Stock for an aggregate purchase price of \$607.8 million.

From January 1, 2017 through February 17, 2017, the Company repurchased approximately 116,000 additional shares of its Class A Common Stock for an aggregate purchase price of \$18.5 million. As of February 17, 2017, the Company has repurchased a cumulative total of approximately 12.6 million shares of its Class A Common Stock for an aggregate purchase price of \$626.3 million. The Company has approximately \$154.7 million remaining on the \$781.0 million stock repurchase expenditure limit set by the Board of Directors.

The Company expects that its cash balance as of December 31, 2016 of \$91.0 million, along with future operating cash flow and the Company's unused line of credit of \$150.0 million, will be sufficient to fund future cash requirements. The Company's \$150.0 million credit facility has a term not scheduled to expire until March 31, 2019. As of the date of this filing, the Company was not in violation of any of its covenants to the lender under the credit facility and there were no amounts outstanding under the credit facility.

## **Critical Accounting Policies**

The discussion and analysis of the Company's financial condition and results of operations is based upon its consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires the Company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These items are monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. The more judgmental estimates are

summarized below. Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that the Company believes to be reasonable under the circumstances. Actual results may differ from the Company's estimates if past experience or other assumptions do not turn out to be substantially accurate.



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**Table of Contents***Provision for Excess or Expired Inventory*

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market value. The Company enters into multi-year purchase commitments in order to secure adequate supply of ingredients and packaging, to brew and package its products. Inventory on hand and under purchase commitments totaled approximately \$173.7 million at December 31, 2016. The Company's provisions for excess or expired inventory are based on management's estimates of forecasted usage of inventories on hand and under contract. Forecasting usage involves significant judgments regarding future demand for the Company's various existing products and products under development as well as the potency and shelf-life of various ingredients. A significant change in the timing or level of demand for certain products as compared to forecasted amounts may result in recording additional provisions for excess or expired inventory in the future. Provisions for excess or expired inventory are recorded as a cost of goods sold and have historically been adequate to provide for losses on its raw materials. Provision for excess or expired inventory included in cost of goods sold was \$4.5 million, \$4.0 million, and \$6.1 million in fiscal years 2016, 2015, and 2014, respectively.

*Valuation of Long-Lived Assets*

The Company's long-lived assets include property, plant and equipment which are depreciated over their estimated useful lives. The carrying value of property, plant and equipment, net of accumulated depreciation, at December 31, 2016 was \$408.4 million. For purposes of determining whether there are any impairment losses, management has historically examined the carrying value of the Company's identifiable long-lived assets, including their useful lives, when indicators of impairment are present. Evaluations of whether indicators of impairment exist involve judgments regarding the current and future business environment and the length of time the Company intends to use the asset. For all long-lived assets, if an impairment loss is identified based on the fair value of the asset, as compared to the carrying value of the asset, such loss would be charged to expense in the period the impairment is identified. Estimating the amount of impairment, if any, requires significant judgments including identification of potential impairments, market comparison to similar assets, estimated cash flows to be generated by the asset, discount rates, and the remaining useful life of the asset. Impairment of assets included in operating expenses was \$0.7 million, \$0.3 million, and \$1.8 million in fiscal years 2016, 2015, and 2014, respectively.

*Revenue Recognition*

Net revenue includes product sales, less customer programs and incentives, reserves for stale beer returns and excise taxes. The Company recognizes revenue on product sales at the time when the product is shipped and the following conditions are met: persuasive evidence of an arrangement exists, title has passed to the customer according to the shipping terms, the price is fixed and determinable, and collection of the sales proceeds is reasonably assured. If the conditions for revenue recognition are not met, the Company defers the revenue until all conditions are met.

The Company is committed to maintaining the freshness of the product in the market. In certain circumstances and with the Company's approval, the Company accepts and destroys stale beer that is returned by Distributors. Where legal, the Company credits approximately fifty percent of the Distributor's cost of the beer that has passed its expiration date for freshness when it is returned to the Company or destroyed. The Company reduces revenue and establishes a reserve based upon both historical returns and knowledge of specific return transactions. Estimating this reserve involves significant judgments and estimates, including comparability of historical return trends to future trends, lag time from date of sale to date of return, and product mix of returns. Historically, the cost of actual stale beer returns has been in line with established reserves, however, the cost could differ materially from the estimated reserve which would impact revenue. As of December 31, 2016 and December 26, 2015, the stale beer reserve was \$5.2 million and \$3.3 million, respectively.



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**Table of Contents***Customer Programs and Incentives*

Customer programs and incentives, which include customer promotional discount programs, customer incentives and other payments, are a common practice in the alcohol beverage industry. The Company makes these payments to customers and incurs these costs to promote sales of products and to maintain competitive pricing. Amounts paid in connection with customer programs and incentives are recorded as reductions to net revenue or as advertising, promotional and selling expenses in accordance with ASC Topic 605-50, *Revenue Recognition- Customer Payments and Incentives*, based on the nature of the expenditure. Amounts paid to customers totaled \$54.4 million, \$55.3 million, and \$52.4 million in fiscal year 2016, 2015, and 2014, respectively.

Customer promotional discount programs are entered into with Distributors for certain periods of time. Amounts paid to Distributors in connection with these programs in fiscal years 2016, 2015, and 2014 were \$33.2 million, \$33.2 million, and \$28.5 million, respectively. The reimbursements for discounts to Distributors are recorded as reductions to net revenue. The agreed-upon discount rates are applied to certain Distributors' sales to retailers, based on volume metrics, in order to determine the total discounted amount. The computation of the discount allowance requires that management make certain estimates and assumptions that affect the timing and amounts of revenue and liabilities recorded. Actual promotional discounts owed and paid have historically been in line with allowances recorded by the Company, however, the amounts could differ from the estimated allowance.

Customer incentives and other payments are made primarily to Distributors based upon performance of certain marketing and advertising activities. Depending on applicable state laws and regulations, these activities promoting the Company's products may include, but are not limited to point-of-sale and merchandise placement, samples, product displays, promotional programs at retail locations and meals, travel and entertainment. Amounts paid to customers in connection with these programs in fiscal years 2016, 2015, and 2014 were \$21.2 million, \$22.1 million, and \$23.9 million, respectively. In fiscal 2016, 2015, and 2014, the Company recorded certain of these costs in the total amount of \$16.1 million, \$16.6 million, and \$18.7 million respectively as reductions to net revenue. Costs recognized in net revenues include, but are not limited to, promotional discounts, sales incentives and certain other promotional activities. Costs recognized in advertising, promotional and selling expenses include point of sale materials, samples and media advertising expenditures in local markets. These costs are recorded as incurred, generally when invoices are received; however certain estimates are required at period end. Estimates are based on historical and projected experience for each type of program or customer and have historically been in line with actual costs incurred.

In connection with its preparation of financial statements and other financial reporting, management is required to make certain estimates and assumptions regarding the amount and timing of expenditures resulting from these activities. Actual expenditures incurred could differ from management's estimates and assumptions.

*Kegs and Pallets Inventory and Refundable Deposits*

The Company distributes its draft beer in kegs and packaged beer primarily in glass bottles and cans and such kegs, bottles and cans are shipped on pallets to Distributors. Most kegs and pallets are owned by the Company. Upon shipment of beer to Distributors, the Company collects a refundable deposit on the kegs and pallets. As of December 31, 2016 and December 26, 2015, deposits held by the Company totaled \$15.8 million and \$18.9 million, respectively. The Company has experienced some loss of kegs and pallets and anticipates that some loss will occur in future periods. The Company believes that the loss of kegs and pallets, after considering the forfeiture of related deposits, has not been material to the financial statements. The Company uses internal records, records maintained by Distributors, records maintained by other third party vendors and historical information to estimate the physical count of kegs and pallets held by Distributors. These estimates affect the amount recorded as property, plant and equipment and current liabilities as of the date of the financial statements. The actual liability for refundable deposits could differ

from these estimates.

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**Table of Contents***Stock-Based Compensation*

The Company accounts for stock-based compensation in accordance with the fair value recognition provisions of Accounting Standards Codification Topic 718, *Compensation – Stock Compensation*. Stock-based compensation was \$6.2 million, \$6.7 million, and \$6.9 million in fiscal years 2016, 2015, and 2014, respectively. Various option-pricing models are used to calculate the fair value of options. All option-pricing models require the input of subjective assumptions. These assumptions include the estimated volatility of the Company's common stock price over the expected term, the expected dividend rate, the estimated post-vesting forfeiture rate, the risk-free interest rate and expected exercise behavior.

In addition, an estimated pre-vesting forfeiture rate is applied in the recognition of the compensation charge. Periodically, the Company grants performance-based stock options, related to which it only recognizes compensation expense if it is probable that performance targets will be met. Consequently, at the end of each reporting period, the Company estimates whether it is probable that performance targets will be met. Changes in the subjective assumptions and estimates can materially affect the amount of stock-based compensation expense recognized in the consolidated statements of comprehensive income.

*Income Taxes*

Income tax expense was \$49.8 million, \$56.6 million, and \$54.9 million in fiscal years 2016, 2015, and 2014, respectively. The Company provides for deferred taxes using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. This results in differences between the book and tax basis of the Company's assets, liabilities and carry-forwards such as tax credits. In estimating future tax consequences, all expected future events, other than enactment of changes in the tax laws or rates, are generally considered. Valuation allowances are provided to the extent deemed necessary when realization of deferred tax assets appears unlikely.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in several different state tax jurisdictions. The Company is periodically reviewed by tax authorities regarding the amount of taxes due. These reviews include inquiries regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. The Company records estimated reserves for exposures associated with positions that it takes on its income tax returns. Historically, the valuation allowances and reserves for uncertain tax positions have been adequate to cover the related tax exposures.

**Business Environment**

The alcoholic beverage industry is highly regulated at the federal, state and local levels. The Alcohol and Tobacco Tax and Trade Bureau (TTB) and the Justice Department's Bureau of Alcohol, Tobacco, Firearms and Explosives enforce laws under the Federal Alcohol Administration Act. The TTB is responsible for administering and enforcing excise tax laws that directly affect the Company's results of operations. State and regulatory authorities have the ability to suspend or revoke the Company's licenses and permits or impose substantial fines for violations. The Company has established strict policies, procedures and guidelines in efforts to ensure compliance with all applicable state and federal laws. However, the loss or revocation of any existing license or permit could have a material adverse effect on the Company's business, results of operations, cash flows and financial position.

The Better Beer category is highly competitive due to the large number of regional craft and specialty brewers and the brewers of imported beers who distribute similar products that have similar pricing and target drinkers. The Company

believes that its pricing is appropriate given the quality and reputation of its core brands, while realizing that economic pricing pressures may affect future pricing levels. Certain major domestic brewers have also developed brands to compete within the Better Beer, FMB and hard cider categories and have acquired

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interests in craft beers and hard cider makers, or importation rights to foreign brands. Import brewers and major domestic brewers are able to compete more aggressively than the Company, as they have substantially greater resources, marketing strength and distribution networks than the Company. The Company anticipates craft beer competition increasing as craft brewers have benefited from eleven years of healthy growth and are looking to maintain these trends. The Company also increasingly competes with wine and spirits companies, some of which have significantly greater resources than the Company. This competitive environment may affect the Company's overall performance within the Better Beer category. As the market matures and the Better Beer category continues to consolidate, the Company believes that companies that are well-positioned in terms of brand equity, marketing and distribution will have greater success than those who do not. With approximately 350 Distributors nationwide and the Company's sales force of approximately 415 people, a commitment to maintaining brand equity and the quality of its beer, the Company believes it is well positioned to compete in the Better Beer market.

The demand for the Company's products is also subject to changes in drinkers' tastes.

## **The Potential Impact of Known Facts, Commitments, Events and Uncertainties**

### ***Hops Purchase Commitments***

The Company utilizes several varieties of hops in the production of its products. To ensure adequate supplies of these varieties, the Company enters into advance multi-year purchase commitments based on forecasted future hop requirements, among other factors.

During 2016, the Company entered into several hops future contracts in the normal course of business. The total value of the contracts entered into as of December 31, 2016, which are denominated in U.S. Dollars, Euros and New Zealand Dollars, was \$56.3 million. The Company has no forward exchange contracts in place as of December 31, 2016 and currently intends to purchase future hops using the exchange rate at the time of purchase. These contracts were deemed necessary in order to bring hop inventory levels and purchase commitments into balance with the Company's current brewing volume and hop usage forecasts. In addition, these contracts enable the Company to secure its position for future supply with hop vendors in the face of some competitive buying activity.

The Company's accounting policy for hop inventory and purchase commitments is to recognize a loss by establishing a reserve for aged hops and to the extent inventory levels and commitments exceed forecasted needs. The computation of the excess inventory requires management to make certain assumptions regarding future sales growth, product mix, cancellation costs and supply, among others. Actual results may differ materially from management's estimates. The Company continues to manage inventory levels and purchase commitments in an effort to maximize utilization of hops on hand and hops under commitment. However, changes in management's assumptions regarding future sales growth, product mix and hops market conditions could result in future material losses.

**Table of Contents****Contractual Obligations**

The following table presents contractual obligations as of December 31, 2016:

	Total	Payments Due by Period			Thereafter
		2017	2018-2019	2020-2021	
		(in thousands)			
Hops, barley and wheat	\$ 71,128	\$ 27,784	\$ 29,244	\$ 9,361	\$ 4,739
Advertising	27,430	26,825	605		
Apples and other ingredients	27,225	27,225			
Glass bottles	16,551	16,551			
Operating leases	15,900	3,343	5,648	5,194	1,715
Equipment and machinery	10,700	10,700			
Other	4,505	2,624	1,881		
Total contractual obligations	\$ 173,439	\$ 115,052	\$ 37,378	\$ 14,555	\$ 6,454

The Company had outstanding total non-cancelable contractual obligations of \$173.4 million at December 31, 2016. These obligations are made up of hops, barley and wheat of \$71.1 million, advertising contracts of \$27.4 million, apples and other ingredients of \$27.2 million, glass bottles of \$16.6 million, operating leases of \$15.9 million, equipment and machinery of \$10.7 million and other commitments of \$4.5 million.

The Company has entered into contracts for the supply of a portion of its hops requirements. These purchase contracts extend through crop year 2022 and specify both the quantities and prices, denominated in U.S. Dollars, Euros and New Zealand Dollars to which the Company is committed. Hops purchase commitments outstanding at December 31, 2016 totaled \$56.3 million, based on the exchange rates on that date.

Currently, the Company has entered into contracts for barley and wheat with two major suppliers. The contracts include crop years 2016 and 2017 and cover the Company's barley, wheat, and malt requirements for 2017 and part of 2018. These purchase commitments outstanding at December 31, 2016 totaled \$14.8 million.

The Company sources glass bottles pursuant to a Glass Bottle Supply Agreement with Anchor Glass Container Corporation (Anchor), under which Anchor is the supplier of certain glass bottles for the Company's Cincinnati Brewery and its Pennsylvania Brewery. This agreement also establishes the terms on which Anchor may supply glass bottles to other breweries where the Company brews its beers. Under the agreement with Anchor, the Company has minimum and maximum purchase commitments that are based on Company-provided production estimates which, under normal business conditions, are expected to be fulfilled. Minimum purchase commitments under this agreement, assuming the supplier is unable to replace lost production capacity cancelled by the Company, as of December 31, 2016 totaled \$16.6 million.

The Company has various operating lease agreements in place for facilities and equipment as of December 31, 2016. Terms of these leases include, in some instances, scheduled rent increases, renewals, purchase options and maintenance costs, and vary by lease. These lease obligations expire at various dates through 2022.

For the fiscal year ended December 31, 2016, the Company brewed most all of its volume at Company-owned breweries. In the normal course of its business, the Company has historically entered into various production



arrangements with other brewing companies. Pursuant to these arrangements, the Company purchases the liquid produced by those brewing companies, including the raw materials that are used in the liquid, at the time such liquid goes into fermentation. The Company is required to repurchase all unused raw materials purchased by the brewing company specifically for the Company's beers at the brewing company's cost upon termination of the production arrangement. The Company is also obligated to meet annual volume requirements in conjunction with certain production arrangements, which are not material to the Company's operations.

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The Company's arrangements with other brewing companies require it to periodically purchase equipment in support of brewery operations. As of December 31, 2016, there were no significant equipment purchase requirements outstanding under existing contracts. Changes to the Company's brewing strategy or existing production arrangements, new production relationships or the introduction of new products in the future may require the Company to purchase equipment to support the contract breweries' operations.

### ***Recent Accounting Pronouncements***

See Note B of the Notes to Consolidated Financial Statements.

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

The Company has not entered into any material off-balance sheet arrangements as of December 31, 2016.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

In the ordinary course of business, the Company is exposed to the impact of fluctuations in foreign exchange rates. The Company does not enter into derivatives or other market risk sensitive instruments for the purpose of speculation or for trading purposes. Market risk sensitive instruments include derivative financial instruments, other financial instruments and derivative commodity instruments, such as futures, forwards, swaps and options, that are exposed to rate or price changes.

The Company enters into hops purchase contracts, as described above under *Hops Purchase Commitments*, and makes purchases of other ingredients, equipment and machinery denominated in foreign currencies. The cost of these commitments change as foreign exchange rates fluctuate. Currently, it is not the Company's policy to hedge against foreign currency fluctuations.

The interest rate for borrowings under the Company's credit facility is based on either (i) the Alternative Prime Rate (3.75% at December 31, 2016) or (ii) the applicable LIBOR rate (0.72% at December 31, 2016) plus 0.45%, and therefore, subjects the Company to fluctuations in such rates. As of December 31, 2016, the Company had no amounts outstanding under its current line of credit.

### **Sensitivity Analysis**

The Company applies a sensitivity analysis to reflect the impact of a 10% hypothetical adverse change in the foreign currency rates. A potential adverse fluctuation in foreign currency exchange rates could negatively impact future cash flows by approximately \$4.0 million as of December 31, 2016.

There are many economic factors that can affect volatility in foreign exchange rates. As such factors cannot be predicted, the actual impact on earnings due to an adverse change in the respective rates could vary substantially from the amounts calculated above.

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**Item 8. Financial Statements and Supplementary Data**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

The Boston Beer Company, Inc.

Boston, Massachusetts

We have audited the accompanying consolidated balance sheets of The Boston Beer Company, Inc. and subsidiaries (the Company ) as of December 31, 2016 and December 26, 2015, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the two fiscal years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Boston Beer Company, Inc. and subsidiaries as of December 31, 2016 and December 26, 2015, and the results of their operations and their cash flows for each of the two fiscal years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Boston, Massachusetts

February 22, 2017

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of The Boston Beer Company, Inc.

We have audited the accompanying consolidated statements of comprehensive income, stockholders' equity and cash flows of The Boston Beer Company, Inc. for the year ended December 27, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of The Boston Beer Company, Inc. for the year ended December 27, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Boston, Massachusetts  
February 24, 2015

**Table of Contents****THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	<b>December 31, 2016</b>	<b>December 26, 2015</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 91,035	\$ 94,193
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$244 as of December 31, 2016 and December 26, 2015, respectively	36,694	38,984
Inventories	52,499	56,462
Prepaid expenses and other current assets	8,731	12,053
Income tax receivable	4,928	14,928
Deferred income taxes	7,351	6,983
<b>Total current assets</b>	<b>201,238</b>	<b>223,603</b>
Property, plant and equipment, net	408,411	409,926
Other assets	9,965	8,188
Goodwill	3,683	3,683
<b>Total assets</b>	<b>\$ 623,297</b>	<b>\$ 645,400</b>
<b>Liabilities and Stockholders Equity</b>		
Current Liabilities:		
Accounts payable	\$ 40,585	\$ 42,718
Current portion of debt and capital lease obligations	60	58
Accrued expenses and other current liabilities	60,874	68,384
<b>Total current liabilities</b>	<b>101,519</b>	<b>111,160</b>
Deferred income taxes	64,612	56,001
Debt and capital lease obligations, less current portion	411	471
Other liabilities	10,173	16,547
<b>Total liabilities</b>	<b>176,715</b>	<b>184,179</b>
Commitments and Contingencies (See Note J)		
Stockholders Equity:		
Class A Common Stock, \$.01 par value; 22,700,000 shares authorized; 9,170,956 and 9,389,005 shares issued and outstanding as of December 31, 2016 and December 26, 2015, respectively	92	94
Class B Common Stock, \$.01 par value; 4,200,000 shares authorized; 3,197,355 and 3,367,355 shares issued and outstanding as of December 31, 2016 and December 26, 2015, respectively	32	34

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Additional paid-in capital	349,913	290,096
Accumulated other comprehensive loss, net of tax	(1,103)	(951)
Retained earnings	97,648	171,948
<b>Total stockholders' equity</b>	<b>446,582</b>	<b>461,221</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 623,297</b>	<b>\$ 645,400</b>

The accompanying notes are an integral part of these consolidated financial statements.

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**THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands, except per share data)

	<b>Year Ended</b>		
	<b>December 31, 2016 (53 weeks)</b>	<b>December 26, 2015</b>	<b>December 27, 2014</b>
Revenue	\$ 968,994	\$ 1,024,040	\$ 966,478
Less excise taxes	62,548	64,106	63,471
Net revenue	906,446	959,934	903,007
Cost of goods sold	446,776	458,317	437,996
Gross profit	459,670	501,617	465,011
Operating expenses:			
Advertising, promotional and selling expenses	244,213	273,629	250,696
General and administrative expenses	78,033	71,556	65,971
Impairment (gain on sale) of assets, net	(235)	258	1,777
Total operating expenses	322,011	345,443	318,444
Operating income	137,659	156,174	146,567
Other income (expense), net:			
Interest income	168	56	21
Other expense, net	(706)	(1,220)	(994)
Total other income (expense), net	(538)	(1,164)	(973)
Income before provision for income tax	137,121	155,010	145,594
Provision for income taxes	49,772	56,596	54,851
Net income	\$ 87,349	\$ 98,414	\$ 90,743
Net income per common share basic	\$ 6.93	\$ 7.46	\$ 6.96
Net income per common share diluted	\$ 6.79	\$ 7.25	\$ 6.69
Weighted-average number of common shares Class A basic	9,189	9,619	9,202
Weighted-average number of common shares Class B basic	3,344	3,504	3,766
Weighted-average number of common shares diluted	12,796	13,520	13,484
Net income	\$ 87,349	\$ 98,414	\$ 90,743

Other comprehensive income (loss), net of tax:			
Currency translation adjustment	(99)	(22)	
Defined benefit plans liability adjustment	(53)	204	(716)
Total other comprehensive income (loss), net of tax:	(152)	182	(716)
Comprehensive income	\$ 87,197	\$ 98,596	\$ 90,027

The accompanying notes are an integral part of these consolidated financial statements.



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## THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

For the Years Ended December 31, 2016, December 26, 2015 and December 27, 2014

(in thousands)

	Class A		Class B		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income, net of tax	Retained Earnings	Total Stockholders Equity
	Class A Common Shares	Class A Common Stock, Par	Class B Common Shares	Class B Common Stock, Par				
Balance at December 28, 2013	8,785	\$ 88	3,962	\$ 40	\$ 173,025	\$ (417)	\$ 129,349	\$ 302,085
Net income							90,743	90,743
Stock options exercised and restricted shares activities, including tax benefit of \$17,353	351	3			45,027			45,030
Stock-based compensation expense					6,857			6,857
Repurchase of Class A Common Stock	(29)						(7,859)	(7,859)
Conversion from Class B to Class A	345	4	(345)	(4)				
Defined benefit plans liability adjustment, net of tax of \$455						(716)		(716)
Balance at December 27, 2014	9,452	95	3,617	36	224,909	(1,133)	212,233	436,140
Net income							98,414	98,414
Stock options exercised and restricted shares activities, including tax benefit of \$15,350	303	3			58,522			58,525
Stock-based compensation					6,665			6,665

expense									
Repurchase of Class A Common Stock	(616)	(6)					(138,699)	(138,705)	
Conversion from Class B to Class A	250	2	(250)	(2)					
Defined benefit plans liability adjustment, net of tax of (\$142)							204	204	
Currency translation adjustment							(22)	(22)	
Balance at December 26, 2015	9,389	94	3,367	34	290,096	(951)	171,948	461,221	
Net income							87,349	87,349	
Stock options exercised and restricted shares activities, including tax benefit of \$12,524	557	5			53,669			53,674	
Stock-based compensation expense					6,148			6,148	
Repurchase of Class A Common Stock	(945)	(9)					(161,649)	(161,658)	
Conversion from Class B to Class A	170	2	(170)	(2)					
Defined benefit plans liability adjustment, net of tax of \$32							(53)	(53)	
Currency translation adjustment							(99)	(99)	
Balance at December 31, 2016	9,171	\$ 92	3,197	\$ 32	\$ 349,913	\$ (1,103)	\$ 97,648	\$ 446,582	

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	December 31, 2016 (53 weeks)	Year Ended December 26, 2015	December 27, 2014
<b>Cash flows provided by operating activities:</b>			
Net income	\$ 87,349	\$ 98,414	\$ 90,743
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	49,557	42,885	35,138
Impairment of assets	716	258	1,777
Loss on disposal of property, plant and equipment	616	515	434
Gain on sale of property, plant and equipment	(951)		
Bad debt (recovery) expense	(244)	165	(16)
Stock-based compensation expense	6,148	6,665	6,857
Excess tax benefit from stock-based compensation arrangements	(12,524)	(15,350)	(17,353)
Deferred income taxes	8,243	6,986	15,350
Changes in operating assets and liabilities:			
Accounts receivable	2,534	(2,289)	5,157
Inventories	445	(5,155)	5,090
Prepaid expenses, income tax receivable and other assets	14,936	11,858	(9,447)
Accounts payable	(1,811)	5,985	884
Accrued expenses and taxes and other current liabilities	5,479	9,014	4,578
Other liabilities	(6,304)	8,732	2,019
<b>Net cash provided by operating activities</b>	<b>154,189</b>	<b>168,683</b>	<b>141,211</b>
<b>Cash flows used in investing activities:</b>			
Purchases of property, plant and equipment	(49,913)	(74,187)	(151,784)
Proceeds from sale of property, plant and equipment	3,855		
Cash paid for intangible assets		(100)	(100)
Change in restricted cash	40	57	53
<b>Net cash used in investing activities</b>	<b>(46,018)</b>	<b>(74,230)</b>	<b>(151,831)</b>
<b>Cash flows (used in) provided by financing activities:</b>			
Repurchase of Class A Common Stock	(164,658)	(135,705)	(7,859)
Proceeds from exercise of stock options	40,127	42,339	27,272
Cash paid on note payable and capital lease	(58)	(54)	(53)
Excess tax benefit from stock-based compensation arrangements	12,524	15,350	17,353

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Net proceeds from sale of investment shares	736	1,408	785
Net cash (used in) provided by financing activities	(111,329)	(76,662)	37,498
Change in cash and cash equivalents	(3,158)	17,791	26,878
Cash and cash equivalents at beginning of year	94,193	76,402	49,524
Cash and cash equivalents at end of period	\$ 91,035	\$ 94,193	\$ 76,402
<b>Supplemental disclosure of cash flow information:</b>			
Income taxes paid	\$ 30,978	\$ 45,078	\$ 42,324
Income taxes refunded	\$ 12,064	\$ 17,252	\$
(Decrease) Increase in accounts payable for repurchase of Class A Common Stock	\$ (3,000)	\$ 3,000	\$
Increase (Decrease) in accounts payable for purchase of property, plant and equipment	\$ 2,678	\$ (1,843)	\$ 268

The accompanying notes are an integral part of these consolidated financial statements.

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**THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2016**

**A. Organization and Basis of Presentation**

The Boston Beer Company, Inc. and certain subsidiaries (the Company) are engaged in the business of selling alcohol beverages throughout the United States and in selected international markets, under the trade names The Boston Beer Company, Twisted Tea Brewing Company, Angry Orchard Cider Company and Hard Seltzer Beverage Company. The Company's Samuel Adams® beers are produced and sold under the trade name The Boston Beer Company. A&S Brewing Collaborative LLC, d/b/a A&S Brewing (A&S), a wholly-owned subsidiary of the Company, sells beer under various trade names that is produced under its own license and the Company's licenses. In 2016, sales from A&S brands were less than 5% of net revenues, in 2015, sales from A&S brands were less than 7% of net revenues and in 2014, sales from A&S brands were less than 2% of net revenues.

**B. Summary of Significant Accounting Policies**

*Fiscal Year*

The Company's fiscal year is a fifty-two or fifty-three week period ending on the last Saturday in December. The fiscal period 2016 consists of fifty-three weeks and the fiscal periods 2015 and 2014 consist of fifty-two weeks.

*Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All intercompany transactions and balances have been eliminated in consolidation.

*Segment Reporting*

The Company consists of two operating segments that each produce and sell alcohol beverages. The first is the Boston Beer Company operating segment comprised of the Company's Samuel Adams®, Twisted Tea®, Angry Orchard® and Truly Spiked & Sparkling® brands. The second is the A&S Brewing Collaborative operating segment which is comprised of The Traveler Beer Company, Coney Island Brewing Company, Angel City Brewing Company and Concrete Beach Brewing Company. Both segments have similar economic characteristics. They sell predominantly low alcohol beverages, which are sold to the same types of customers in similar size quantities, at similar price points and through substantially the same channels of distribution. These beverages are manufactured using similar production processes, have comparable alcohol content and generally fall under the same regulatory environment. Since the operating segments are similar in the areas outlined above, they are aggregated for financial statements purposes.

*Use of Estimates*

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Cash, Cash Equivalents and Restricted Cash***

Cash and cash equivalents at December 31, 2016 and December 26, 2015 included cash on-hand and money market instruments that are highly liquid investments. Cash and cash equivalents are carried at cost, which approximates fair value.

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The Company has restricted cash associated with a term note agreement with Bank of America that was required by the Commonwealth of Pennsylvania to fund economic development at the Company's Pennsylvania Brewery. The restricted cash subject to this agreement amounted to \$400,000 and \$456,000 at December 31, 2016 and December 26, 2015, respectively, and is included in other assets on the Company's Consolidated Balance Sheets.

***Accounts Receivable and Allowance for Doubtful Accounts***

The Company's accounts receivable primarily consist of trade receivables. The Company records an allowance for doubtful accounts that is based on historical trends, customer knowledge, any known disputes, and the aging of the accounts receivable balances combined with management's estimate of future potential recoverability. Receivables are written off against the allowance after all attempts to collect a receivable have failed. The Company believes its allowance for doubtful accounts as of December 31, 2016 and December 26, 2015 are adequate, but actual write-offs could exceed the recorded allowance.

***Concentrations of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and trade receivables. The Company places its cash equivalents with high credit quality financial institutions. As of December 31, 2016, the Company's cash and cash equivalents were invested in investment-grade, highly-liquid U.S. government agency corporate money market accounts.

The Company sells primarily to a network of independent wholesalers in the United States and to a network of foreign wholesalers, importers or other agencies (collectively referred to as Distributors). In 2016, 2015 and 2014, sales to foreign Distributors were approximately 4% of total sales. Receivables arising from these sales are not collateralized; however, credit risk is minimized as a result of the large and diverse nature of the Company's customer base. There were no individual customer accounts receivable balances outstanding at December 31, 2016 and December 26, 2015 that were in excess of 10% of the gross accounts receivable balance on those dates. No individual customers represented more than 10% of the Company's revenues during fiscal years 2016, 2015, and 2014.

***Financial Instruments and Fair Value of Financial Instruments***

The Company's primary financial instruments consisted of cash equivalents, accounts receivable, accounts payable and accrued expenses at December 31, 2016 and December 26, 2015. The Company determines the fair value of its financial assets and liabilities in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). The Company believes that the carrying amount of its cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short-term nature of these assets and liabilities. The Company is not exposed to significant interest, currency or credit risks arising from these financial assets and liabilities.

***Inventories and Provision for Excess or Expired Inventory***

Inventories consist of raw materials, work in process and finished goods. Raw materials, which principally consist of hops, malt, apple juice, other brewing materials and packaging, are stated at the lower of cost (first-in, first-out basis) or market value. The cost elements of work in process and finished goods inventory consist of raw materials, direct labor and manufacturing overhead. Packaging design costs are expensed as incurred.

The provisions for excess or expired inventory are based on management's estimates of forecasted usage of inventories on hand and under contract. A significant change in the timing or level of demand for certain products as compared to

forecasted amounts may result in recording additional provisions for excess or expired inventory in the future. Provisions for excess inventory are included in cost of goods sold and have historically been adequate to provide for losses on its inventory.



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The computation of the excess inventory requires management to make certain assumptions regarding future sales growth, product mix, new products, cancellation costs, and supply, among others. The Company manages inventory levels and purchase commitments in an effort to maximize utilization of inventory on hand and under commitments. The Company's accounting policy for inventory and purchase commitments is to recognize a loss by establishing a reserve to the extent inventory levels and commitments exceed management's expected future usage. Provision for excess or expired inventory included in cost of goods sold was \$4.5 million, \$4.0 million, and \$6.1 million in fiscal years 2016, 2015, and 2014, respectively.

***Property, Plant and Equipment***

Property, plant, and equipment are stated at cost. Expenditures for repairs and maintenance are expensed as incurred. Major renewals and betterments that extend the life of the property are capitalized. Some of the Company's equipment is used by other brewing companies to produce the Company's products under brewing service arrangements (Note J). Depreciation is computed using the straight-line method based upon the estimated useful lives of the underlying assets as follows:

Kegs	5 years
Computer software and equipment	2 to 5 years
Office equipment and furniture	3 to 7 years
Machinery and plant equipment	3 to 20 years, or the term of the production agreement, whichever is shorter
Leasehold improvements	Lesser of the remaining term of the lease or estimated useful life of the asset
Building and building improvements	12 to 20 years, or the remaining useful life of the building, whichever is shorter

***Refundable Deposits on Kegs and Pallets***

The Company distributes its draft beer in kegs and packaged beer primarily in glass bottles and cans and such kegs, bottles and cans are shipped on pallets to Distributors. Most kegs and pallets are owned by the Company. Kegs are reflected in the Company's balance sheets at cost and are depreciated over the estimated useful life of the keg, while pallets are expensed upon purchase. Upon shipment of beer to Distributors, the Company collects a refundable deposit on the kegs and pallets, which is included in current liabilities in the Company's balance sheets. Upon return of the kegs and pallets to the Company, the deposit is refunded to the Distributor.

The Company has experienced some loss of kegs and pallets and anticipates that some loss will occur in future periods due to the significant volume of kegs and pallets handled by each Distributor and retailer, the homogeneous nature of kegs and pallets owned by most brewers and the relatively small deposit collected for each keg when compared with its market value. The Company believes that this is an industry-wide issue and that the Company's loss experience is not atypical. The Company believes that the loss of kegs and pallets, after considering the forfeiture of related deposits, has not been material to the financial statements. The Company uses internal records, records maintained by Distributors, records maintained by other third party vendors and historical information to estimate the physical count of kegs and pallets held by Distributors. These estimates affect the amount recorded as property, plant and equipment and current liabilities as of the date of the financial statements. The actual liability for refundable deposits could differ from these estimates. For the year ended December 31, 2016, the Company decreased its liability for refundable deposits, gross property, plant and equipment and related accumulated depreciation by \$1.1 million, \$1.4 million and \$1.4 million, respectively. For the year ended December 26, 2015, the Company decreased its liability for refundable

deposits, gross property, plant and equipment and related accumulated depreciation by \$0.9 million, \$1.2 million and \$1.2 million, respectively. As of December 31, 2016 and December 26, 2015, the Company's balance sheet includes \$14.3 million and \$17.1 million, respectively, in refundable deposits on kegs and pallets and \$12.0 million and \$18.9 million, respectively, in kegs, net of accumulated depreciation.

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**Table of Contents*****Goodwill***

The Company does not amortize goodwill, but evaluates the recoverability of goodwill by comparing the carrying value and the fair value of its reporting units annually at the end of the fiscal month of August, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. The Company has concluded that its goodwill was not impaired as of December 31, 2016 and December 26, 2015. As of December 31, 2016 and December 26, 2015, the goodwill of the Boston Beer Company reporting unit amounted to \$1.4 million. As of December 31, 2016 and December 26, 2015, the goodwill of the A&S Brewing Collaborative reporting unit amounted to \$2.3 million.

***Long-lived Assets***

Long-lived assets are recorded at cost and depreciated over their estimated useful lives. For purposes of determining whether there are any impairment losses, as further discussed below, management has historically examined the carrying value of the Company's identifiable long-lived assets, including their useful lives, when indicators of impairment are present. For all long-lived assets, if an impairment loss is identified based on the fair value of the asset, as compared to the carrying value of the asset, such a loss would be charged to expense in the period the impairment is identified. Furthermore, if the review of the carrying values of the long-lived assets indicates impairment of such assets, the Company may determine that shorter estimated useful lives are more appropriate. In that event, the Company will be required to record additional depreciation in future periods, which will reduce earnings.

Factors generally considered important which could trigger an impairment review on the carrying value of long-lived assets include the following: (1) significant underperformance relative to historical or projected future operating results; (2) significant changes in the manner of use of acquired assets or the strategy for the Company's overall business; (3) underutilization of assets; and (4) discontinuance of products by the Company or its customers. The Company believes that the carrying value of its long-lived assets was realizable as of December 31, 2016 and December 26, 2015.

***Income Taxes***

The Company provides for deferred taxes using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. This results in differences between the book and tax bases of the Company's assets and liabilities and carryforwards, such as tax credits. In estimating future tax consequences, all expected future events, other than enactment of changes in the tax laws or rates, are generally considered. Valuation allowances are provided when recovery of deferred tax assets does not meet the more likely than not standards as defined in ASC Topic 740, *Income Taxes*.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in several different state tax jurisdictions. The Company is periodically reviewed by tax authorities regarding the amount of taxes due. These reviews include inquiries regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. The Company records estimated reserves for exposures associated with positions that it takes on its income tax returns that do not meet the more likely than not standards as defined in ACS Topic 740, *Income Taxes*.

***Excise Taxes***

The Company is responsible for compliance with the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Treasury Department (the TTB ) regulations which includes making timely and accurate excise tax payments. The Company is subject to periodic compliance audits by the TTB. Individual states also impose excise taxes on alcohol beverages in varying amounts. The Company calculates its excise tax expense based upon units shipped and on its understanding of the applicable excise tax laws.

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**Table of Contents*****Revenue Recognition***

Net revenue includes product sales, less the distributor promotional discount allowance, certain Distributor incentives, as discussed below in Customer Programs and Incentives, the stale beer accrual and excise taxes. The Company recognizes revenue on product sales at the time when the product is shipped and the following conditions are met: persuasive evidence of an arrangement exists, title has passed to the customer according to the shipping terms, the price is fixed and determinable, and collection of the sales proceeds is reasonably assured. If the conditions for revenue recognition are not met, the Company defers the revenue until all conditions are met. As of December 31, 2016 and December 26, 2015, the Company has deferred \$5.4 million and \$3.9 million, in revenue related to product shipped prior to these dates. These amounts are included in accrued expenses and other current liabilities in the accompanying consolidated balance sheets.

In certain circumstances and with the Company's approval, the Company accepts and destroys stale beer that is returned by Distributors. The Company generally credits approximately fifty percent of the distributor's cost of the beer that has passed its expiration date for freshness when it is returned to the Company or destroyed. The Company reduces revenue and establishes an accrual based upon both historical returns, which is applied to an estimated lag time for receipt of product, and knowledge of specific return transactions. Stale beer expense is reflected in the accompanying financial statements as a reduction of revenue; however, the actual stale beer expense incurred by the Company could differ from the estimated accrual.

***Cost of Goods Sold***

The following expenses are included in cost of goods sold: raw material costs, packaging costs, costs and income related to deposit activity, purchasing and receiving costs, manufacturing labor and overhead, brewing and processing costs, inspection costs relating to quality control, inbound freight charges, depreciation expense related to manufacturing equipment and warehousing costs, which include rent, labor and overhead costs.

***Shipping Costs***

Costs incurred for the shipping of products to customers are included in advertising, promotional and selling expenses in the accompanying consolidated statements of comprehensive income. The Company incurred shipping costs of \$49.2 million, \$62.2 million, and \$62.6 million in fiscal years 2016, 2015, and 2014, respectively.

***Advertising and Sales Promotions***

The following expenses are included in advertising, promotional and selling expenses in the accompanying consolidated statements of comprehensive income: media advertising costs, sales and marketing expenses, salary and benefit expenses and meals, travel and entertainment expenses for the sales, brand and sales support workforce, promotional activity expenses, freight charges related to shipments of finished goods from manufacturing locations to distributor locations and point-of-sale items. Total advertising and sales promotional expenditures of \$105.3 million, \$120.1 million, and \$100.5 million were included in advertising, promotional and selling expenses in the accompanying consolidated statements of comprehensive income for fiscal years 2016, 2015, and 2014, respectively.

The Company conducts certain advertising and promotional activities in its Distributors' markets and the Distributors make contributions to the Company for such efforts. Reimbursements from Distributors for advertising and promotional activities are recorded as reductions to advertising, promotional and selling expenses.

***Customer Programs and Incentives***

Customer programs and incentives, which include customer promotional discount programs, customer incentives and other payments, are a common practice in the alcohol beverage industry. The Company makes these

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payments to customers and incurs these costs to promote sales of products and to maintain competitive pricing. Amounts paid in connection with customer programs and incentives are recorded as reductions to net revenue or as advertising, promotional and selling expenses in accordance with ASC Topic 605-50, *Revenue Recognition – Customer Payments and Incentives*, based on the nature of the expenditure. Amounts paid to customers totaled \$54.4 million, \$55.3 million, and \$52.4 million in fiscal year 2016, 2015, and 2014, respectively.

Customer promotional discount programs are entered into with Distributors for certain periods of time. Amounts paid to Distributors in connection with these programs in fiscal years 2016, 2015, and 2014 were \$33.2 million, \$33.2 million, and \$28.5 million, respectively. The reimbursements for discounts to Distributors are recorded as reductions to net revenue. Agreed-upon discount rates are applied to certain Distributors' sales to retailers, based on volume metrics, in order to determine the total discounted amount. The computation of the discount allowance requires that management make certain estimates and assumptions that affect the timing and amounts of revenue and liabilities recorded. Actual promotional discounts owed and paid have historically been in line with allowances recorded by the Company, however, the amounts could differ from the estimated allowance.

Customer incentives and other payments are made primarily to Distributors based upon performance of certain marketing and advertising activities. Depending on applicable state laws and regulations, these activities promoting the Company's products may include, but are not limited to point-of-sale and merchandise placement, samples, product displays, promotional programs at retail locations and meals, travel and entertainment. Amounts paid to customers in connection with these programs in fiscal years 2016, 2015, and 2014 were \$21.2 million, \$22.1 million, and \$23.9 million, respectively. In 2016, 2015, and 2014, the Company recorded certain of these costs in the total amount of \$16.1 million, \$16.6 million, and \$18.7 million, respectively as reductions to net revenue. Costs recognized as reduction to net revenues include, but are not limited to, promotional discounts, sales incentives and certain other promotional activities. Costs recognized in advertising, promotional and selling expenses include point of sale materials, samples and media advertising expenditures in local markets.

***General and Administrative Expenses***

The following expenses are included in general and administrative expenses in the accompanying consolidated statements of comprehensive income: general and administrative salary and benefit expenses, insurance costs, professional service fees, rent and utility expenses, meals, travel and entertainment expenses for general and administrative employees, and other general and administrative overhead costs.

***Stock-Based Compensation***

The Company accounts for share-based awards in accordance with ASC Topic 718, *Compensation – Stock Compensation* (ASC 718), which generally requires recognition of share-based compensation costs in financial statements based on fair value. Compensation cost is recognized over the period during which an employee is required to provide services in exchange for the award (the requisite service period). The amount of compensation cost recognized in the consolidated statements of comprehensive income is based on the awards ultimately expected to vest, and therefore, reduced for estimated forfeitures.

As permitted by ASC 718, the Company elected to use a lattice model, such as the binomial option-pricing model, to estimate the fair values of stock options, with the exception of the 2008 and 2016 stock option grants to the Company's Chief Executive Officer, which is considered to be a market-based award and was valued utilizing the Monte Carlo Simulation pricing model, which calculates multiple potential outcomes for an award and establishes fair value based on the most likely outcome. See Note L for further discussion of the application of the option-pricing models.

***Net Income Per Share***

Basic net income per share is calculated by dividing net income by the weighted-average common shares outstanding. Diluted net income per share is calculated by dividing net income by the weighted-average common shares and potentially dilutive securities outstanding during the period using the treasury stock method or the two-class method, whichever is more dilutive.



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**Table of Contents*****Recent Accounting Pronouncements***

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 will supersede virtually all existing revenue guidance. Under this update, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. As such, an entity will need to use more judgment and make more estimates than under the current guidance. ASU 2014-09 is to be applied retrospectively either to each prior reporting period presented in the financial statements, or only to the most current reporting period presented in the financial statements with a cumulative effect adjustment to retained earnings. The Company will elect to apply the impact (if any) of applying ASU 2014-09 to the most current reporting period presented in the financial statements with a cumulative effect adjustment to retained earnings. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. ASU 2015-14 defers the effective date of ASU 2014-09 for one year, making it effective for the year beginning December 31, 2017, with early adoption permitted as of January 1, 2017. The Company currently expects to adopt ASU 2014-09 in the first quarter of 2018. The Company does not expect adoption of ASU 2014-09 to have a material impact on its consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330), Simplifying the Measurement of Inventory*. ASU 2015-11 is part of the FASB's initiative to simplify accounting standards. The guidance requires an entity to recognize inventory within scope of the standard at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation. ASU 2015-11 will be effective prospectively for the year beginning January 1, 2017. The Company is currently evaluating the impact of ASU 2015-11 and has preliminarily concluded that it will not have a significant impact on the consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. ASU 2015-17 is part of the FASB's initiative to simplify accounting standards. The guidance requires an entity to present deferred tax assets and deferred tax liabilities as noncurrent in the consolidated balance sheet. ASU 2015-17 permits entities to apply the amendments either prospectively or retrospectively. ASU 2015-17 will be effective for the year beginning January 1, 2017. The Company is currently evaluating the impact ASU 2015-17. As of December 31, 2016 and December 26, 2015, the Company had \$7.4 million and \$7.0 million, respectively, of current deferred tax assets on the consolidated balance sheets that would be classified as noncurrent under the new guidance.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. ASU 2016-02 will be effective retrospectively for the year beginning December 30, 2018, with early adoption permitted. As of December 31, 2016 and December 26, 2015, the Company had \$15.9 million and \$17.5 million, respectively, of contractual obligation on lease agreements that would be included on the consolidated balance sheets under the new guidance.

In March, 2016, the FASB issued ASU No. 2016-09, *Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 is part of the FASB's initiative to simplify accounting standards. The guidance impacts several aspects of the accounting for employee share-based payment transactions, including accounting for income taxes and forfeitures, as well as classification in the statement of cash flows. Under ASU 2016-09, excess tax benefits and deficiencies as a result of stock option exercises and restricted stock vesting are to be recognized as discrete items within income tax expense or benefit in the statement of operations in the reporting period in which they occur. Additionally, under ASU 2016-09, excess tax benefits and deficiencies should be classified along with other income tax cash flows as an operating activity. ASU 2016-09 will be effective for the year

beginning January 1, 2017 and may be applied retrospectively or prospectively. The impact ASU 2016-09 will have on the Company's consolidated financial statements will mainly depend on unpredictable future events, including the timing and value realized upon exercise of stock

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options versus the fair value when those options were granted. For the 2016 and 2015 fiscal years, the excess tax benefit from stock-based compensation arrangements was \$12.5 million and \$15.4 million, respectively.

**C. Inventories**

Inventories consist of raw materials, work in process and finished goods. Raw materials, which principally consist of hops, apple juice, other brewing materials and packaging, are stated at the lower of cost, determined on the first-in, first-out basis, or market. The Company's goal is to maintain on-hand a supply of approximately two years for essential hop varieties, in order to limit the risk of an unexpected reduction in supply. Inventories are generally classified as current assets. The Company classifies hops inventory in excess of two years of forecasted usage in other long term assets. The cost elements of work in process and finished goods inventory consist of raw materials, direct labor and manufacturing overhead. Inventories consisted of the following:

	<b>December 31, 2016</b>	<b>December 26, 2015</b>
	<b>(in thousands)</b>	
Raw Materials	\$ 41,630	\$ 42,123
Work in process	8,131	8,876
Finished Goods	9,054	8,261
	58,815	59,260
Less portion in other long term assets	(6,316)	(2,798)
	\$ 52,499	\$ 56,462

**D. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consisted of the following:

	<b>December 31, 2016</b>	<b>December 26, 2015</b>
	<b>(in thousands)</b>	
Prepaid malt and barley	\$ 1,644	\$ 3,184
Excise and other tax receivables	1,637	2,093
Insurance cash surrender value	1,254	
Supplier rebates	1,158	1,929
Prepaid insurance	1,144	1,047
Lease incentive receivable	113	1,584
Other	1,781	2,216
	\$ 8,731	\$ 12,053

**E. Property, Plant and Equipment**

Property, plant and equipment consisted of the following:

	<b>December 31, 2016</b>	<b>December 26, 2015</b>
	<b>(in thousands)</b>	
Machinery and plant equipment	\$ 420,486	\$ 387,180
Kegs	70,024	71,391
Land	22,295	25,135
Building and building improvements	112,508	101,836
Office equipment and furniture	22,412	19,635
Leasehold improvements	14,147	12,037
	661,872	617,214
Less accumulated depreciation	(253,461)	(207,288)
	<b>\$ 408,411</b>	<b>\$ 409,926</b>

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The Company recorded depreciation and amortization expense related to these assets of \$49.3 million, \$43.4 million, and \$34.8 million in fiscal years 2016, 2015, and 2014, respectively.

**Impairment of Assets**

The Company evaluates its assets for impairment when events indicate that an asset or asset group may have suffered impairment. During 2016, 2015, and 2014, the Company recorded impairment charges of \$0.7 million, \$0.3 million, and \$1.8 million, respectively.

**Gain on Sale of Assets**

During 2016, the Company recognized a \$1.0 million gain on the sale of land owned in Freetown, Massachusetts.

**F. Goodwill**

Goodwill represents the excess of the purchase price of the Company-owned breweries over the fair value of the net assets acquired upon the completion of the acquisitions.

The following table summarizes the Company's changes to the carrying amount of goodwill for the fifty-three weeks ended December 31, 2016 (in thousands):

	<b>Balance at December 26, 2015</b>	<b>Additions</b>	<b>Balance at December 31, 2016</b>
Goodwill	\$ 3,683	\$	\$ 3,683

**G. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following:

	<b>December 31, 2016</b>	<b>December 26, 2015</b>
	(in thousands)	
Accrued deposits	\$ 15,814	\$ 18,865
Employee wages, benefits and reimbursements	14,116	12,367
Advertising, promotional and selling expenses	8,562	11,249
Deferred revenue	5,381	3,949
Accrued stale beer	5,226	3,254
Accrued sales and use tax	2,437	2,656
Accrued excise taxes	2,255	3,976
Accrued freight	1,402	5,681
Other accrued liabilities	5,681	6,387
	\$ 60,874	\$ 68,384

## **H. Revolving Line of Credit**

The Company has a credit facility in place that provides for a \$150.0 million revolving line of credit which has a term not scheduled to expire until March 31, 2019. The Company may elect an interest rate for borrowings under the credit facility based on either (i) the Alternative Prime Rate (3.75% at December 31, 2016) or (ii) the applicable LIBOR rate (0.72% at December 31, 2016) plus 0.45%. The Company incurs an annual commitment fee of 0.15% on the unused portion of the facility and is obligated to meet certain financial covenants, which are measured using earnings before interest, tax, depreciation and amortization ( EBITDA ) based ratios. The

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Company's EBITDA to interest expense ratio was 11,352 as of December 31, 2016, compared to a minimum allowable ratio of 2.00 and the Company's total funded debt to EBITDA ratio was 0.00 as of December 31, 2016, compared to a maximum allowable ratio of 2.50. The Company was in compliance with all financial covenants as of December 31, 2016 and December 26, 2015. There were no borrowings outstanding under the credit facility as of December 31, 2016 and December 26, 2015.

There are also certain restrictive covenants set forth in the credit agreement. Pursuant to the negative covenants, the Company has agreed that it will not: enter into any indebtedness or guarantees other than those specified by the lender, enter into any sale and leaseback transactions, merge, consolidate, or dispose of significant assets without the lender's prior written consent, make or maintain any investments other than those permitted in the credit agreement, or enter into any transactions with affiliates outside of the ordinary course of business. In addition, the credit agreement requires the Company to obtain prior written consent from the lender on distributions on account of, or in repurchase, retirement or purchase of its capital stock or other equity interests with the exception of the following: (a) distributions of capital stock from subsidiaries to The Boston Beer Company, Inc. and Boston Beer Corporation (a subsidiary of The Boston Beer Company, Inc.), (b) repurchase from former employees of non-vested investment shares of Class A Common Stock, issued under the Employee Equity Incentive Plan, and (c) redemption of shares of Class A Common Stock as approved by the Board of Directors and payment of cash dividends to its holders of common stock. Borrowings under the credit facility may be used for working capital, capital expenditures and general corporate purposes of the Company and its subsidiaries. In the event of a default that has not been cured, the credit facility would terminate and any unpaid principal and accrued interest would become due and payable.

**I. Income Taxes**

Significant components of the provision for income taxes are as follows:

	2016	2015	2014
	(in thousands)		
<b>Current:</b>			
Federal	\$ 35,390	\$ 42,391	\$ 30,595
State	6,108	7,403	8,262
Total current	41,498	49,794	38,857
<b>Deferred:</b>			
Federal	7,666	6,279	15,407
State	608	523	587
Total deferred	8,274	6,802	15,994
Total provision for income taxes	\$ 49,772	\$ 56,596	\$ 54,851

The Company's reconciliations to statutory rates are as follows:

	2016	2015	2014
Statutory rate	35.0%	35.0%	35.0%

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State income taxes, net of federal benefit	3.6	3.4	4.0
Deduction relating to U.S. production activities	(2.6)	(2.7)	(2.1)
Change in valuation allowance	(0.3)		
Other	0.6	0.8	0.8
	36.3%	36.5%	37.7%



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Significant components of the Company's deferred tax assets and liabilities are as follows at:

	<b>December 31, 2016</b>	<b>December 26, 2015</b>
	(in thousands)	
<b>Deferred tax assets:</b>		
Accrued expenses	\$ 6,488	\$ 7,435
Stock-based compensation expense	5,929	9,493
Inventory	1,117	2,398
Other	4,097	4,154
Total deferred tax assets	17,631	23,480
Valuation allowance	(669)	(1,036)
Total deferred tax assets net of valuation allowance	16,962	22,444
<b>Deferred tax liabilities:</b>		
Property, plant and equipment	(72,140)	(69,226)
Prepaid expenses	(1,204)	(1,475)
Goodwill	(879)	(761)
Total deferred tax liabilities	(74,223)	(71,462)
Net deferred tax liabilities	\$ (57,261)	\$ (49,018)

The Company's practice is to classify interest and penalties related to income tax matters in income tax expense. Interest and penalties included in the provision for income taxes amounted to \$0.0 million, \$0.1 million, and \$0.0 million for fiscal years 2016, 2015, and 2014, respectively. Accrued interest and penalties amounted to \$0.3 million and \$0.4 million at December 31, 2016 and December 26, 2015, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	<b>2016</b>	<b>2015</b>
	(in thousands)	
Balance at beginning of year	\$ 486	\$ 368
Increases related to current year tax positions	80	44
Increases related to prior year tax positions	76	117
Decreases related to settlements	(50)	
Decreases related to lapse of statute of limitations	(3)	(43)
Balance at end of year	\$ 589	\$ 486

Included in the balance of unrecognized tax benefits at December 31, 2016 and December 26, 2015 are potential net benefits of \$0.5 million and \$0.4 million, respectively, that would favorably impact the effective tax rate if

recognized. Unrecognized tax benefits are included in accrued expenses in the accompanying consolidated balance sheets and adjusted in the period in which new information about a tax position becomes available or the final outcome differs from the amount recorded.

As of December 31, 2016, the Company's 2013, 2014 and 2015 federal income tax returns remain subject to examination by the Internal Revenue Service ( IRS ). The Company's state income tax returns remain subject to examination for three or four years depending on the state's statute of limitations. The Company is being audited by two states as of December 31, 2016. In addition, the Company is generally obligated to report changes in taxable income arising from federal income tax audits.

It is reasonably possible that the Company's unrecognized tax benefits may increase or decrease in 2017 if there is a completion of certain income tax audits; however, the Company cannot estimate the range of such possible

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changes. The Company does not expect that any potential changes would have a material impact on the Company's financial position, results of operations or cash flows.

As of December 31, 2016, the Company's deferred tax assets include a capital loss carryforward. The capital loss carryforward, totaling \$1.7 million as of December 31, 2016, which if unused, will expire in year 2019. For the year ended December 31, 2016, the Company recorded a net valuation allowance release of \$0.3 million due to a decrease in the deferred tax asset for capital loss carryforwards.

The Company's short term income tax receivable as of December 26, 2015 of \$14.1 million in the accompanying consolidated balance sheets is primarily due to the *Protecting Americans from Tax Hikes Act of 2015*, being enacted after 2015 corporate estimated tax payments were due on December 15, 2015. These tax extenders allow the Company to claim accelerated tax depreciation on qualified property, plant, and equipment additions, and the research & development tax credit on the 2015 federal corporate income tax return. The Company applied with the IRS for a \$12.0 million quick refund of overpayment of estimate tax, and received this refund in the first quarter of 2016.

**J. Commitments and Contingencies*****Contractual Obligations***

The Company had outstanding total non-cancelable contractual obligations of \$173.4 million at December 31, 2016. These obligations are made up of hops, barley and wheat totaling \$71.1 million, advertising contracts of \$27.4 million, apples and other ingredients of \$27.2 million, glass bottles of \$16.6 million, operating leases of \$15.9 million, equipment and machinery of \$10.7 million, and other commitments of \$4.5 million. As of December 31, 2016, projected cash outflows under contractual obligations for the remaining years under the contracts are as follows:

	Total	2017	Payments Due by Period				Thereafter
			2018	2019	2020	2021	
			(in thousands)				
Hops, barley and wheat	\$ 71,128	\$ 27,784	\$ 14,552	\$ 14,692	\$ 4,483	\$ 4,878	\$ 4,739
Advertising	27,430	26,825	499	106			
Apples and other ingredients	27,225	27,225					
Glass bottles	16,551	16,551					
Operating leases	15,900	3,343	2,965	2,683	2,569	2,625	1,715
Equipment and machinery	10,700	10,700					
Other	4,505	2,624	1,335	546			
Total contractual obligations	\$ 173,439	\$ 115,052	\$ 19,351	\$ 18,027	\$ 7,052	\$ 7,503	\$ 6,454

The Company has entered into contracts for the supply of a portion of its hops requirements. These purchase contracts extend through crop year 2022 and specify both the quantities and prices, denominated in U.S. Dollar, Euros and New Zealand Dollars, to which the Company is committed. Hops purchase commitments outstanding at December 31, 2016 totaled \$56.3 million, based on the exchange rates on that date. The Company does not use forward currency exchange contracts and intends to purchase future hops using the exchange rate at the time of purchase.

Currently, the Company has entered into contracts for barley and wheat with two major suppliers. The contracts include crop years 2016 and 2017 and cover the Company's barley, wheat, and malt requirements for 2017 and part of

2018. These purchase commitments outstanding at December 31, 2016 totaled \$14.8 million.

The Company sources some of its glass bottles needs pursuant to a Glass Bottle Supply Agreement with Anchor Glass Container Corporation ( Anchor ), under which Anchor is the supplier of certain glass bottles for the

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Company's Cincinnati Brewery and its Pennsylvania Brewery. This agreement also establishes the terms on which Anchor may supply glass bottles to other breweries where the Company brews its beers. Under the agreement with Anchor, the Company has minimum and maximum purchase commitments that are based on Company-provided production estimates which, under normal business conditions, are expected to be fulfilled. Minimum purchase commitments under this agreement, assuming the supplier is unable to replace lost production capacity cancelled by the Company, as of December 31, 2016 totaled \$16.6 million.

The Company has various operating lease agreements in place for facilities and equipment as of December 31, 2016. Terms of these leases include, in some instances, scheduled rent increases, renewals, purchase options and maintenance costs, and vary by lease. These lease obligations expire at various dates through 2022. Aggregate rent expense was \$3.8 million, \$3.4 million, and \$3.2 million in fiscal years 2016, 2015, and 2014, respectively.

For the fiscal year ended December 31, 2016, the Company brewed over 95% of its core brands volume at Company-owned breweries. In the normal course of its business, the Company has historically entered into various production arrangements with other brewing companies. Pursuant to these arrangements, the Company purchases the liquid produced by those brewing companies, including the raw materials that are used in the liquid, at the time such liquid goes into fermentation. The Company is required to repurchase all unused raw materials purchased by the brewing company specifically for the Company's beers at the brewing company's cost upon termination of the production arrangement. The Company is also obligated to meet annual volume requirements in conjunction with certain production arrangements, which are not material to the Company's operations.

The Company's arrangements with other brewing companies require it to periodically purchase equipment in support of brewery operations. As of December 31, 2016, there were no significant equipment purchase requirements outstanding under existing contracts. Changes to the Company's brewing strategy or existing production arrangements, new production relationships or the introduction of new products in the future may require the Company to purchase equipment to support the contract breweries' operations.

## ***Litigation***

The Company is currently not a party to any pending or threatened litigation, the outcome of which would be expected to have a material adverse effect on its financial condition or the results of its operations.

## **K. Fair Value Measures**

The Company defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 – Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**Level 2** Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

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All financial assets or liabilities that are measured at fair value on a recurring basis (at least annually) have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. The assets or liabilities measured at fair value on a recurring basis are summarized in the table below (in thousands):

	<b>As of December 31, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Cash equivalents	\$ 89,966	\$	\$	\$ 89,966

  

	<b>As of December 26, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Cash equivalents	\$ 88,108	\$	\$	\$ 88,108

The Company's cash equivalents listed above represent money market mutual fund securities and are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The money market funds were invested substantially in United States Treasury and government securities. The Company does not adjust the quoted market price for such financial instruments.

Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents held in money market funds. At December 31, 2016 and December 26, 2015, the Company had money market funds with a Triple A rated money market fund. The Company considers the Triple A rated money market fund to be a large, highly-rated investment-grade institution. As of December 31, 2016 and December 26, 2015, the Company's cash and cash equivalents balance was \$91.0 million and \$94.2 million, respectively, including money market funds amounting to \$90.0 million and \$88.1 million, respectively.

Cash, certificates of deposit, receivables and payables are carried at their cost, which approximates fair value, because of their short-term nature. Financial instruments not recorded at fair value in the consolidated financial statements are summarized in the table below (in thousands):

	<b>As of December 31, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Note payable	\$	\$ 400	\$	\$ 400

  

	<b>As of December 26, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Note payable	\$	\$ 458	\$	\$ 458

The Company's note payable listed above represents a term note agreement with Bank of America N.A and is classified within Level 2 of the fair value hierarchy because it is valued using observable inputs. The note has a maturity date of December 31, 2021 and the interest rate is fixed at an annual rate of 4.25%.

**L. Common Stock and Share-Based Compensation***Class A Common Stock*

The Class A Common Stock has no voting rights, except (1) as required by law, (2) for the election of Class A Directors, and (3) that the approval of the holders of the Class A Common Stock is required for (a) certain future authorizations or issuances of additional securities which have rights senior to Class A Common Stock, (b) certain alterations of rights or terms of the Class A or Class B Common Stock as set forth in the Articles of Organization of the Company, (c) other amendments of the Articles of Organization of the Company, (d) certain mergers or consolidations with, or acquisitions of, other entities, and (e) sales or dispositions of any significant portion of the Company's assets.



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**Table of Contents*****Class B Common Stock***

The Class B Common Stock has full voting rights, including the right to (1) elect a majority of the members of the Company's Board of Directors and (2) approve all (a) amendments to the Company's Articles of Organization, (b) mergers or consolidations with, or acquisitions of, other entities, (c) sales or dispositions of any significant portion of the Company's assets, and (d) equity-based and other executive compensation and other significant corporate matters. The Company's Class B Common Stock is not listed for trading. Each share of Class B Common Stock is freely convertible into one share of Class A Common Stock, upon request of any Class B holder, and participates equally in earnings.

All distributions with respect to the Company's capital stock are restricted by the Company's credit agreement, with the exception of distributions of capital stock from subsidiaries to The Boston Beer Company, Inc. and Boston Beer Corporation, repurchase from former employees of non-vested investment shares of Class A Common Stock issued under the Company's equity incentive plan, redemption of certain shares of Class A Common Stock as approved by the Board of Directors and payment of cash dividends to its holders of common stock.

***Employee Stock Compensation Plan***

The Company's Employee Equity Incentive Plan (the "Equity Plan") currently provides for the grant of discretionary options and restricted stock awards to employees, and provides for shares to be sold to employees of the Company at a discounted purchase price under its investment share program. The Equity Plan is administered by the Board of Directors of the Company, based on recommendations received from the Compensation Committee of the Board of Directors. The Compensation Committee consists of three independent directors. In determining the quantities and types of awards for grant, the Compensation Committee periodically reviews the objectives of the Company's compensation system and takes into account the position and responsibilities of the employee being considered, the nature and value to the Company of his or her service and accomplishments, his or her present and potential contributions to the success of the Company, the value of the type of awards to the employee and such other factors as the Compensation Committee deems relevant.

Stock options and related vesting requirements and terms are granted at the Board of Directors' discretion, but generally vest ratably over five-year periods and, with respect to certain options granted to members of senior management, based on the Company's performance. Generally, the maximum contractual term of stock options is ten years, although the Board of Directors may grant options that exceed the ten-year term. During fiscal 2016, 2015, and 2014, the Company granted options to purchase 786,450, 18,723, and 7,090 shares, respectively, of its Class A Common Stock to employees at market price on the grant dates. Of the 2016 option grants, 574,507 shares relate to a special long-term service-based retention stock option issued to the Chief Executive Officer, 173,135 shares relate to other special long-term service-based retention stock options and 38,808 shares relate to performance-based stock options. Of the 2015 option grants, 14,742 shares relate to performance-based option grants and 3,981 relate to special long-term service-based retention stock options. Of the 2014 option grants, all shares relate to performance-based option grants.

On January 1, 2017, the Company granted options to purchase an aggregate of 5,185 shares of the Company's Class A Common Stock with a weighted average fair value of \$81.95 per share, of which all shares relate to performance-based stock options.

Restricted stock awards are also granted at the Board of Directors' discretion. During fiscal 2016, 2015, and 2014, the Company granted 21,653, 6,092, and 16,432 shares, respectively, of restricted stock awards to certain senior managers and key employees, all of which are service-based and vest ratably over service periods of three to five years.

The Equity Plan also has an investment share program which permits employees who have been with the Company for at least one year to purchase shares of Class A Common Stock at a discount from current market

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value of 0% to 40%, based on the employee's tenure with the Company. Investment shares vest ratably over service periods of five years. Participants may pay for these shares either up front or through payroll deductions over an eleven-month period during the year of purchase. During fiscal 2016, 2015, and 2014, employees elected to purchase an aggregate of 9,199, 8,301, and 8,516 investment shares, respectively.

On January 1, 2017, the Company granted 12,358 shares of restricted stock awards to certain senior managers and key employees of which all shares vest ratably over service periods of five years. On January 1, 2017, employees elected to purchase 9,977 shares under the investment share program.

The Company has reserved 6.7 million shares of Class A Common Stock for issuance pursuant to the Equity Plan, of which 0.7 million shares were available for grant as of December 31, 2016. Shares reserved for issuance under cancelled employee stock options and forfeited restricted stock are returned to the reserve under the Equity Plan for future grants or purchases. The Company also purchases unvested investment shares from employees who have left the Company at the lesser of (i) the price paid for the shares when the employee acquired the shares or (ii) the fair market value of the shares as of the date next preceding the date on which the shares are called for redemption by the Company. These shares are also returned to the reserve under the Equity Plan for future grants or purchases.

***Non-Employee Director Options***

The Company has a stock option plan for non-employee directors of the Company (the Non-Employee Director Plan), pursuant to which each non-employee director of the Company is granted an option to purchase shares of the Company's Class A Common Stock upon election or re-election to the Board of Directors. Stock options issued to non-employee directors vest upon grant and have a maximum contractual term of ten years. During fiscal 2016, 2015, and 2014 the Company granted options to purchase an aggregate of 14,040, 5,640, and 6,696 shares of the Company's Class A Common Stock to non-employee directors, respectively.

The Company has reserved 0.6 million shares of Class A Common Stock for issuance pursuant to the Non-Employee Director Plan, of which 0.1 million shares were available for grant as of December 31, 2016. Cancelled non-employee directors' stock options are returned to the reserve under the Non-Employee Director Plan for future grants.

***Option Activity***

Information related to stock options under the Equity Plan and the Non-Employee Director Plan is summarized as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (in thousands)
Outstanding at December 26, 2015	1,127,162	\$ 63.99		
Granted	800,490	197.56		
Forfeited	(40,352)	196.86		
Expired	(1,980)	241.79		
Exercised	(537,087)	74.71		

Outstanding at December 31, 2016	1,348,233	\$ 141.98	6.44	\$ 61,632
Exercisable at December 31, 2016	196,522	\$ 86.52	4.14	\$ 17,210
Vested and expected to vest at December 31, 2016	744,866	\$ 97.34	4.39	\$ 59,410

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Of the total options outstanding at December 31, 2016, 72,573 shares were performance-based options granted to multiple key employees and 574,507 shares were service-based options granted to the Chief Executive Officer that are not expected to vest as a result of the planned retirement in 2018.

***Stock Option Grants to Chief Executive Officer***

On January 1, 2008, the Company granted the Chief Executive Officer an option to purchase 753,864 shares of its Class A Common Stock, which vests over a five-year period, commencing on January 1, 2014, at the rate of 20% per year. The exercise price is determined by multiplying \$42.00 by the aggregate change in the DJ Wilshire 5000 Index from and after January 1, 2008 through the close of business on the trading date next preceding each date on which the option is exercised. The exercise price will not be less than \$37.65 per share and the excess of the fair value of the Company's Class A Common Stock cannot exceed \$70 per share over the exercise price. At December 31, 2016 and December 26, 2015, 301,546 shares and 452,319 shares of the stock option remained outstanding, respectively. If the outstanding shares at December 31, 2016 were exercised on that date, the exercise price would have been \$99.85 per share. If the outstanding shares at December 26, 2015 were exercised on that date, the exercise price would have been \$135.40 per share. Reflected in the table above is the minimum exercise price of \$37.65. The Company is accounting for this award as a market-based award which was valued utilizing the Monte Carlo Simulation pricing model, which calculates multiple potential outcomes for an award and establishes fair value based on the most likely outcome. Under the Monte Carlo Simulation pricing model, the Company calculated the weighted average fair value per share to be \$8.41, and recorded stock-based compensation expense of \$0.3, \$0.5, and \$0.7, million related to this option in the fiscal 2016, 2015, and 2014, respectively.

On January 1, 2016, the Company granted the Chief Executive Officer an option to purchase 574,507 shares of its Class A Common Stock, which vests over a five-year period, commencing on January 1, 2019, at the rate of 20% per year. The exercise price is determined by multiplying \$201.91 by the aggregate percentage change in the DJ Wilshire 5000 Index from and after January 1, 2016 through the close of business on the trading date next preceding each date on which the option is exercised, plus an additional 1.5 percentage points per annum, prorated for partial years. The exercise price will not be less than \$201.91 per share and the excess of the fair value of the Company's Class A Common Stock cannot exceed \$150 per share over the exercise price. At December 31, 2016, the stock option remained unexercised as to 574,507 shares. If the stock option had been exercised on December 31, 2016, the exercise price would have been \$226.72 per share. The Company is accounting for this award as a market-based award which was valued utilizing the Monte Carlo Simulation pricing model, which calculates multiple potential outcomes for an award and establishes fair value based on the most likely outcome. Under the Monte Carlo Simulation pricing model, the Company calculated the weighted average fair value per share to be \$39.16. As a result of the Chief Executive Officer's planned retirement in 2018, the Company estimated a 100% forfeiture rate related to this grant and in the fourth quarter of fiscal 2016 the Company reversed a total of \$3.6 million in stock-based compensation expense that had been recorded during the first three quarters of fiscal 2016.

***Stock-Based Compensation***

The following table provides information regarding stock-based compensation expense included in operating expenses in the accompanying consolidated statements of comprehensive income:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
	(in thousands)		
	\$ 2,507	\$ 2,943	\$ 3,342

Amounts included in advertising, promotional and selling expenses			
Amounts included in general and administrative expenses	3,641	3,722	3,515
Total stock-based compensation expense	\$ 6,148	\$ 6,665	\$ 6,857
Amounts related to performance-based stock awards included in total stock-based compensation expense	\$ 203	\$ 831	\$ 1,378

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As permitted by ASC 718, the Company uses a lattice model, such as the binomial option-pricing model, to estimate the fair values of stock options. The Company believes that the Black-Scholes option-pricing model is less effective than the binomial option-pricing model in valuing long-term options, as it assumes that volatility and interest rates are constant over the life of the option. In addition, the Company believes that the binomial option-pricing model more accurately reflects the fair value of its stock awards, as it takes into account historical employee exercise patterns based on changes in the Company's stock price and other relevant variables. The weighted-average fair value of stock options granted during 2016, 2015, and 2014 was \$87.70, \$128.54, and \$106.81 per share, respectively, as calculated using a binomial option-pricing model. This excludes the January 1, 2016 stock options granted to the Chief Executive Officer with a weighted-average fair value of \$39.16, as calculated using the Monte Carlo Simulation pricing model.

Weighted average assumptions used to estimate fair values of stock options on the date of grants are as follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Expected volatility	34.0%	34.2%	34.3%
Risk-free interest rate	2.16%	2.16%	2.83%
Expected dividends	0%	0%	0%
Exercise factor	2.68 times	3.0 times	3.4 times
Discount for post-vesting restrictions	0.0%	0.0%	0.0%

Expected volatility is based on the Company's historical realized volatility. The risk-free interest rate represents the implied yields available from the U.S. Treasury zero-coupon yield curve over the contractual term of the option when using the binomial option-pricing model. Expected dividend yield is 0% because the Company has not paid dividends in the past and currently has no known intention to do so in the future. Exercise factor and discount for post-vesting restrictions are based on the Company's historical experience.

Fair value of restricted stock awards is based on the Company's traded stock price on the date of the grants. Fair value of investment shares is calculated using the binomial option-pricing model.

The Company uses the straight-line attribution method in recognizing stock-based compensation expense for awards that vest based on service conditions. For awards that vest subject to performance conditions, compensation expense is recognized ratably for each tranche of the award over the performance period if it is probable that performance conditions will be met.

Under ASC 718, compensation expense is recognized less estimated forfeitures. Because most of the Company's equity awards vest on January 1<sup>st</sup> each year, the Company recognized stock-based compensation expense related to those awards, net of actual forfeitures. For equity awards that do not vest on January 1<sup>st</sup>, the estimated forfeiture rate used was 5.0%, with the exception of the Chief Executive Officer's 2016 equity award which used a 100% forfeiture rate as a result of the planned retirement in 2018. The forfeiture rate was based upon historical experience and the Company periodically reviews this rate to ensure proper projection of future forfeitures.

The total fair value of options vested during 2016, 2015, and 2014 was \$9.9 million, \$4.1 million, and \$3.8 million, respectively. The aggregate intrinsic value of stock options exercised during 2016, 2015, and 2014 was \$52.7 million, \$37.7 million, and \$45.8 million, respectively.

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Based on equity awards outstanding as of December 31, 2016, there is \$23.0 million of unrecognized compensation costs, net of estimated forfeitures, related to unvested share-based compensation arrangements that are expected to vest. Such costs are expected to be recognized over a weighted-average period of 3.09 years. The following table summarizes the estimated future annual stock-based compensation expense related to share-based arrangements existing as of December 31, 2016 that are expected to vest (in thousands):

2017	\$ 5,707
2018	5,253
2019	3,952
2020	2,606
2021	2,060
Thereafter	3,422
<b>Total</b>	<b>\$ 23,000</b>

**Non-Vested Shares Activity**

The following table summarizes vesting activities of shares issued under the investment share program and restricted stock awards:

	<b>Number of Shares</b>	<b>Weighted Average Fair Value</b>
Non-vested at December 26, 2015	60,922	\$ 150.03
Granted	30,852	161.84
Vested	(19,740)	114.12
Forfeited	(7,066)	152.40
<b>Non-vested at December 31, 2016</b>	<b>64,968</b>	<b>\$ 166.29</b>

19,740 shares vested in 2016 with a weighted average fair value of \$114.12. 25,732 shares vested in 2015 with a weighted average fair value of \$79.44. 38,329 shares vested in 2014 with a weighted average fair value of \$53.82.

**Stock Repurchase Program**

In 1998, the Board of Directors authorized management to implement a stock repurchase program. As of December 31, 2016, the Company has repurchased a cumulative total of approximately 12.5 million shares of its Class A Common Stock for an aggregate purchase price of approximately \$607.8 million as follows:

<b>Number of Shares</b>	<b>Aggregate Purchase Price (in thousands)</b>
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Repurchased at December 28, 2013	10,892,459	\$	299,528
2014 repurchases	29,474		7,859
Repurchased at December 27, 2014	10,921,933		307,387
2015 repurchases	616,747		138,705
Repurchased at December 26, 2015	11,538,680		446,092
2016 repurchases	944,876		161,658
Repurchased at December 31, 2016	12,483,556	\$	607,750

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**Table of Contents****M. Employee Retirement Plans and Post-Retirement Medical Benefits**

The Company has one retirement plan covering substantially all non-union employees; two other retirement plans, one of which covers substantially all union employees, and the other of which covers employees of a specific union; and post-retirement medical benefits covering substantially all union employees.

***Non-Union Plans***

The Boston Beer Company 401(k) Plan (the Boston Beer 401(k) Plan ), which was established by the Company in 1993, is a Company-sponsored defined contribution plan that covers a majority of the Company's non-union employees who are employed by Boston Beer Corporation, American Craft Brewery LLC, A & S Brewing Collaborative LLC, or Angry Orchard Cider Company, LLC. All non-union employees of these entities are eligible to participate in the Plan immediately upon employment. Participants may make voluntary contributions up to 60% of their annual compensation, subject to IRS limitations. The Company matches each participant's contribution. A maximum of 6% of compensation is taken into account in determining the amount of the match. The Company matches 100% of the first \$1,000 of the eligible compensation participants contribute. Thereafter, the Company matches 50% of the eligible contribution. The Company's contributions to the Boston Beer 401(k) Plan amounted to \$3.5 million and \$3.0 million in fiscal years 2016 and 2015, respectively. The basic annual administrative fee for the Boston Beer 401(k) Plan is paid by the Plan's investment fund revenue. In addition, per the Service Provider Payment Agreement, a credit up to a maximum of two basis points multiplied by the total amount of assets under the Plan per year is available for paying eligible Plan expenses. Participant forfeitures are also available for paying eligible Plan expenses. The Company is responsible for the payment of any additional fees related to the management of the Boston Beer 401(k) Plan. Such fees are not material to the Company.

***Union Plans***

The Samuel Adams Cincinnati Brewery 401(k) Plan for Represented Employees (the SACB 401(k) Plan ) is a Company-sponsored defined contribution plan. It was established in 1997 and is available to all union employees upon commencement of employment or, if later, attaining age 21. Participants may make voluntary contributions up to 60% of their annual compensation to the SACB 401(k) Plan, subject to IRS limitations. Company contributions for fiscal 2016 and 2015 were insignificant. The basic annual administrative fee for the SACB 401(k) Plan is paid by the Plan's investment fund revenue. In addition, per the Service Provider Payment Agreement, a credit up to a maximum of two basis points multiplied by the total amount of assets under the Plan per year, excluding participant loans, is available for paying eligible Plan expenses. The Company is responsible for the payment of any additional fees related to the management of the SACB 401(k) Plan. Such fees are not material to the Company.

The Samuel Adams Brewery Company, Ltd. Local Union No. 1199 Pension Plan (the Local 1199 Pension Plan ) is a Company-sponsored defined benefit pension plan. It was established in 1991 and is open to all union employees who are covered by the Company's collective bargaining agreement with Teamsters Local Union No. 1199 ( Local Union #1199 ), or persons on leave from the Company who are employed by Local Union #1199, and in either case who have completed 12 consecutive months of employment with at least 750 hours worked. The defined benefit is determined based on years of service since July 1991. The Company made contributions of \$219,000 and \$188,000 in 2016 and 2015 respectively. At December 31, 2016 and December 26, 2015, the unfunded projected pension benefits were \$1.9 million and \$1.6 million, respectively.

The Company provides a supplement to eligible retirees from Local #1, Local #20, and Local Union #1199 to assist them with the cost of Medicare gap coverage after their retirement on account of age or permanent disability. To qualify for this benefit (collectively, the Retiree Medical Plan ), an employee must have worked for at least 20 years

for the Company or its predecessor at the Company's Cincinnati Brewery, must have been enrolled in the Company's group medical insurance plan for at least 5 years before retirement and, in the case of retirees from Local #20, for at least 7 of the last 10 years of their employment, and must be eligible for Medicare benefits under the Social Security Act. The accumulated post-retirement benefit obligation was determined using a discount rate of 4.25% at December 31, 2016 and 4.5% at December 26, 2015 and a 2.5% health care cost

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increase based on the Cincinnati Consumer Price Index for the years 2016, 2015, and 2014. The effect of a 1% point increase and the effect of a 1% point decrease in the assumed health care cost trend rates on the aggregate of the service and interest cost components of net periodic post-retirement health care benefit costs and on the accumulated post-retirement benefit obligation for health care benefits would not be significant.

In addition, the comprehensive medical plan offered to currently employed members of Local #20 remains available to them should they retire after reaching age 57, and before reaching age 65, with at least 20 years of service with the Company or its predecessor at the Company's Cincinnati Brewery. These eligible retirees may choose to continue to be covered under the Company's comprehensive group medical plan until they reach the age when they are eligible for Medicare health benefits under the Social Security Act or coverage under a comparable State health benefit plan. Eligible retirees pay 100% of the cost of the coverage.

The funded status of the Local 1199 Pension Plan and the Retiree Medical Plan are as follows:

	<b>Local 1199 Pension Plan</b>		<b>Retiree Medical Plan</b>	
	<b>December 31, 2016</b>	<b>December 26, 2015</b>	<b>December 31, 2016</b>	<b>December 26, 2015</b>
	(in thousands)			
Fair value of plan assets at end of fiscal year	\$ 2,733	\$ 2,471	\$	\$
Benefit obligation at end of fiscal year	4,611	4,105	708	671
<b>Unfunded Status</b>	<b>\$ (1,878)</b>	<b>\$ (1,634)</b>	<b>\$ (708)</b>	<b>\$ (671)</b>

The Local 1199 Pension Plan invests in a family of funds designed to minimize excessive short-term risk and focus on consistent, competitive long-term performance, consistent with the funds' investment objectives. The fund-specific objectives vary and include maximizing long-term returns both before and after taxes, maximizing total return from capital appreciation plus income, and investing in funds that invest in common stock of companies that cover a broad range of industries. The Local 1199 Plan's investments are considered category 1 assets in the fair value hierarchy and the fair values were determined by reference to period-end quoted market prices.

The basis of the long-term rate of return assumption of 6.5% reflects the Local 1199 Plan's current targeted asset mix of approximately 35% debt securities and 65% equity securities with assumed average annual returns of approximately 3% to 6% for debt securities and 8% to 12% for equity securities. It is assumed that the Local 1199 Pension Plan's investment portfolio will be adjusted periodically to maintain the targeted ratios of debt securities and equity securities. Additional consideration is given to the Local 1199 Plan's historical returns as well as future long-range projections of investment returns for each asset category. The assumed discount rate in estimating the pension obligation was 4.25% and 4.50% at December 31, 2016 and December 26, 2015, respectively.

The Local 1199 Plan's weighted-average asset allocations at the measurement dates by asset category are as follows:

<b>Asset Category</b>	<b>December 31, 2016</b>	<b>December 26, 2015</b>
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Equity securities	66%	67%
Debt securities	34%	33%
Total	100%	100%

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The following table sets forth the computation of basic net income per share using the two-class method:

	<b>December 31, 2016 (53 weeks)</b>	<b>December 26, 2015</b>	<b>December 27, 2014</b>
	<b>(in thousands, except per share data)</b>		
Net Income	\$ 87,349	\$ 98,414	\$ 90,743
Allocation of net income for basic:			
Class A Common Stock	\$ 63,717	\$ 71,798	\$ 64,027
Class B Common Stock	23,190	26,154	26,207
Unvested participating shares	442	462	509
	\$ 87,349	\$ 98,414	\$ 90,743
Weighted average number of shares for basic:			
Class A Common Stock	9,189	9,619	9,202
Class B Common Stock*	3,344	3,504	3,766
Unvested participating shares	64	62	73
	12,597	13,185	13,041
Net income per share for basic:			
Class A Common Stock	\$ 6.93	\$ 7.46	\$ 6.96
Class B Common Stock	\$ 6.93	\$ 7.46	\$ 6.96

\* Change in Class B Common Stock resulted from the conversion of 150,000 shares to Class A Common Stock on May 6, 2015, 100,000 shares to Class A Common Stock on October 26, 2015, 125,000 shares to Class A Common Stock on November 4, 2016 and 45,000 shares to Class A Common Stock on November 30, 2016, with the ending number of shares reflecting the weighted average for the period.

*Net Income per Common Share Diluted*

The Company calculates diluted net income per share for common stock using the more dilutive of (1) the treasury stock method, or (2) the two-class method, which assumes the participating securities are not exercised or converted.

The following tables set forth the computation of diluted net income per share, assuming the conversion of all Class B Common Stock into Class A Common Stock and using the two-class method for unvested participating shares:

<b>Fifty-three weeks ended December 31, 2016</b>			
<b>Earnings</b>			
<b>to</b>			
<b>Common</b>			
	<b>Shareholders</b>	<b>Common Shares</b>	<b>EPS</b>
<b>(in thousands, except per share data)</b>			
As reported basic	\$ 63,717	9,189	\$ 6.93
Add: effect of dilutive potential common shares			
Share-based awards		263	
Class B Common Stock	23,190	3,344	
Net effect of unvested participating shares	9		
Net income per common share diluted	\$ 86,916	12,796	\$ 6.79

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	<b>Fifty-two weeks ended December 26, 2015</b>		
	<b>Earnings to Common Shareholders (in thousands, except per share data)</b>	<b>Common Shares</b>	<b>EPS</b>
As reported basic	\$ 71,798	9,619	\$ 7.46
Add: effect of dilutive potential common shares			
Share-based awards		397	
Class B Common Stock	26,154	3,504	
Net effect of unvested participating shares	14		
Net income per common share diluted	\$ 97,966	13,520	\$ 7.25

	<b>Fifty-two weeks ended December 27, 2014</b>		
	<b>Earnings to Common Shareholders (in thousands, except per share data)</b>	<b>Common Shares</b>	<b>EPS</b>
As reported basic	\$ 64,027	9,202	\$ 6.96
Add: effect of dilutive potential common shares			
Share-based awards		516	
Class B Common Stock	26,207	3,766	
Net effect of unvested participating shares	19		
Net income per common share diluted	\$ 90,253	13,484	\$ 6.69

Basic net income per common share for each share of Class A Common Stock and Class B Common Stock is \$6.93, \$7.46, and \$6.96 for the fiscal years 2016, 2015, and 2014, respectively, as each share of Class A and Class B participates equally in earnings. Shares of Class B are convertible at any time into shares of Class A on a one-for-one basis at the option of the stockholder.

Weighted average stock options to purchase 712,000, 16,000, and 11,000 shares of Class A Common Stock were outstanding during fiscal 2016, 2015, and 2014, respectively, but not included in computing diluted income per share because their effects were anti-dilutive. Additionally, performance-based stock options to purchase 35,000, 15,000, and 30,000 shares of Class A Common Stock were outstanding during fiscal 2016, 2015, and 2014, respectively, but not included in computing dilutive income per share because the performance criteria of these stock options were not met as of December 31, 2016, December 26, 2015, and December 27, 2014, respectively.



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Accumulated other comprehensive (loss) income represents amounts of unrecognized actuarial gains or losses related to the Company sponsored defined benefit pension plan and post-retirement medical plan, net of tax effect and currency translation adjustments. Changes in accumulated other comprehensive loss represent actuarial losses or gains, net of tax effect, recognized as components of net periodic benefit costs and currency translation adjustments. The following table details the changes in accumulated other comprehensive (loss) income for 2016, 2015, and 2014 (in thousands):

	<b>Accumulated Other Comprehensive (Loss) Income</b>
<b>Balance at December 28, 2013</b>	\$ (417)
Deferred pension and other post-retirement benefit costs, net of taxes of \$466	(734)
Amortization of Deferred benefit costs, net of tax of (\$11)	18
<b>Balance at December 27, 2014</b>	\$ (1,133)
Deferred pension and other post-retirement benefit costs, net of taxes of (\$99)	130
Amortization of Deferred benefit costs, net of tax of (\$43)	74
Currency translation adjustment	(22)
<b>Balance at December 26, 2015</b>	\$ (951)
Deferred pension and other post-retirement benefit costs, net of taxes of (\$69)	122
Amortization of Deferred benefit costs, net of tax of \$101	(175)
Currency translation adjustment	(99)
<b>Balance at December 31, 2016</b>	\$ (1,103)

**P. Valuation and Qualifying Accounts**

The Company maintains reserves against accounts receivable for doubtful accounts and inventory for obsolete and slow-moving inventory. The Company also maintains reserves against accounts receivable for distributor promotional allowances. In addition, the Company maintains a reserve for estimated returns of stale beer, which is included in accrued expenses.

<b>Allowance for Doubtful Accounts</b>	<b>Balance at Beginning of Period</b>	<b>Net Provision (Recovery)</b>	<b>Amounts Charged Against Reserves</b>	<b>Balance at End of Period</b>
	(In thousands)			
2016	\$ 244	\$ (244)	\$	\$
2015	\$ 144	\$ 165	\$ (65)	\$ 244
2014	\$ 160	\$ (16)	\$	\$ 144

<b>Discount Accrual</b>	<b>Balance at Beginning of Period</b>	<b>Net Provision (Recovery)</b>	<b>Amounts Charged Against Reserves</b>	<b>Balance at End of Period</b>
	(In thousands)			
2016	\$ 2,813	\$ 33,157	\$ (32,892)	\$ 3,078
2015	\$ 3,006	\$ 33,204	\$ (33,397)	\$ 2,813
2014	\$ 2,602	\$ 28,448	\$ (28,044)	\$ 3,006

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<b>Inventory Obsolescence Reserve</b>	<b>Balance at Beginning of Period</b>	<b>Net Provision (Recovery)</b>	<b>Amounts Charged Against Reserves</b>	<b>Balance at End of Period</b>
	(In thousands)			
2016	\$ 1,525	\$ 4,707	\$ (3,970)	\$ 2,262
2015	\$ 1,328	\$ 4,045	\$ (3,848)	\$ 1,525
2014	\$ 1,616	\$ 6,130	\$ (6,418)	\$ 1,328

<b>Stale Beer Reserve</b>	<b>Balance at Beginning of Period</b>	<b>Net Provision (Recovery)</b>	<b>Amounts Charged Against Reserves</b>	<b>Balance at End of Period</b>
	(In thousands)			
2016	\$ 3,254	\$ 10,466	\$ (8,494)	\$ 5,226
2015	\$ 2,422	\$ 7,780	\$ (6,948)	\$ 3,254
2014	\$ 1,754	\$ 5,648	\$ (4,980)	\$ 2,422

**Q. Subsequent Events**

As disclosed in Note L, on January 1, 2017 the Company granted stock options and restricted stock awards and employees elected to purchase shares under the investment share purchase program.

As disclosed in Form 8-K filed with the SEC on February 6, 2017, the Company announcement the planned retirement of its Chief Executive Officer expected in 2018.

The Company evaluated subsequent events occurring after the balance sheet date, December 31, 2016, and concluded that there was no event of which management was aware that occurred after the balance sheet date that would require any adjustment to or disclosure in the accompanying consolidated financial statements.

**R. Quarterly Results (Unaudited)**

The Company's fiscal quarters are consistently determined year to year and generally consist of 13 weeks, except in those fiscal years in which there are fifty-three weeks where the last fiscal quarters then consist of 14 weeks. In management's opinion, the following unaudited information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the information for the quarters presented. The operating results for any quarter are not necessarily indicative of results for any future quarters.

	<b>For Quarters Ended</b>							
	<b>December 31, 2016 (1)</b>	<b>September 24, 2016</b>	<b>June 25, 2016</b>	<b>March 26, 2016</b>	<b>December 26, 2015</b>	<b>September 26, 2015</b>	<b>June 27, 2015</b>	<b>March 28, 2015</b>
	<b>(14 weeks)</b>	<b>(13 weeks)</b>	<b>(13 weeks)</b>	<b>(13 weeks)</b>	<b>(13 weeks)</b>	<b>(13 weeks)</b>	<b>(13 weeks)</b>	<b>(13 weeks)</b>
	(In thousands, except per share data)							
Net revenue	\$ 219,370	\$ 253,433	\$ 244,816	\$ 188,827	\$ 215,133	\$ 293,094	\$ 252,204	\$ 199,503
Gross profit	107,656	133,607	126,876	91,531	108,767	157,010	136,225	99,615

Operating income	34,325	50,309	41,788	11,237	26,338	60,879	46,819	22,138
Net income	\$ 22,166	\$ 31,530	\$ 26,621	\$ 7,032	\$ 16,115	\$ 38,624	\$ 29,932	\$ 13,743
Net income per share basic	\$ 1.77	\$ 2.53	\$ 2.11	\$ 0.55	\$ 1.25	\$ 2.93	\$ 2.24	\$ 1.04
Net income per share diluted	\$ 1.75	\$ 2.48	\$ 2.06	\$ 0.53	\$ 1.21	\$ 2.85	\$ 2.18	\$ 1.00

- (1) During the fourth quarter of 2016, the Company recorded a \$3.6 million decrease in stock-based compensation expense related to the planned retirement of the Company's Chief Executive Officer in 2018.

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**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

None.

**Item 9A. Controls and Procedures**

**(a) Evaluation of disclosure controls and procedures**

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in alerting them in a timely manner to material information required to be disclosed in the Company's reports filed with or submitted to the SEC.

**(b) Management's Report on Internal Control Over Financial Reporting**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, the Company used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (2013 framework)*. Based on its assessment, the Company believes that, as of December 31, 2016, the Company's internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of The Boston Beer Company, Inc.

Boston, Massachusetts

We have audited the internal control over financial reporting of The Boston Beer Company, Inc. and subsidiaries (the Company ), as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016 of the Company and our report dated February 22, 2017 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Boston, Massachusetts

February 22, 2017

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**(c) Changes in internal control over financial reporting**

No changes in the Company's internal control over financial reporting occurred during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information**

None.

**PART III.**

**Item 10. Directors, Executive Officers and Corporate Governance**

In December 2002, the Board of Directors of the Company adopted a (i) Code of Business Conduct and Ethics that applies to its Chief Executive Officer and its Chief Financial Officer, and (ii) Corporate Governance Guidelines. The Code of Business Conduct and Ethics was amended effective August 1, 2007 to provide for a third-party whistleblower hotline. These, as well as the charters of each of the Board Committees, are posted on the Company's website, [www.bostonbeer.com](http://www.bostonbeer.com), and are available in print to any shareholder who requests them. Such requests should be directed to the Investor Relations Department, The Boston Beer Company, Inc., One Design Center Place, Suite 850, Boston, MA 02210. The Company intends to disclose any amendment to, or waiver from, a provision of its code of ethics that applies to the Company's Chief Executive Officer or Chief Financial Officer and that relates to any element of the Code of Ethics definition enumerated in Item 406 of Regulation S-K by posting such information on the Company's website.

The information required by Item 10 is hereby incorporated by reference from the registrant's definitive Proxy Statement for the 2017 Annual Meeting to be held on May 18, 2017.

**Item 11. Executive Compensation**

The Information required by Item 11 is hereby incorporated by reference from the registrant's definitive Proxy Statement for the 2017 Annual Meeting to be held on May 18, 2017.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

*Security Ownership*

The information required by Item 12 with respect to security ownership of certain beneficial owners and management is hereby incorporated by reference from the registrant's definitive Proxy Statement for the 2017 Annual Meeting to be held on May 18, 2017.

*Related Stockholder Matters*



## EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Security Holders	1,348,233	\$ 141.98	753,160
Equity Compensation Plans Not Approved by Security Holders	N/A	N/A	N/A
<b>Total</b>	<b>1,348,233</b>	<b>\$ 141.98</b>	<b>753,160</b>

**Table of Contents****Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by Item 13 is hereby incorporated by reference from the registrant's definitive Proxy Statement for the 2017 Annual Meeting to be held on May 18, 2017.

**Item 14. Principal Accountant Fees and Services**

The information required by Item 14 is hereby incorporated by reference from the registrant's definitive Proxy Statement for the 2017 Annual Meeting to be held on May 18, 2017.

**PART IV.****Item 15. Exhibits and Financial Statement Schedules****(a)1. Financial Statements.**

The following financial statements are filed as a part of this report:

	<b>Page</b>
<u>Report of Independent Registered Public Accounting Firm</u>	38
Consolidated Financial Statements:	
<u>Consolidated Balance Sheets as of December 31, 2016 and December 26, 2015</u>	40
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, December 26, 2015, and December 27, 2014</u>	41
<u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2016, December 26, 2015, and December 27, 2014</u>	42
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2016, December 26, 2015, and December 27, 2014</u>	43
<u>Notes to the Consolidated Financial Statements</u>	44

**(a)2. Financial Statement Schedules.**

All schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission have been omitted because they are inapplicable or the required information is shown in the consolidated financial statements, or notes thereto, included herein.

**(b) Exhibits**

The following is a list of exhibits filed as part of this Form 10-K:

<b>Exhibit No.</b>	<b>Title</b>
3.1	

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Amended and Restated By-Laws of the Company, dated June 2, 1998 (incorporated by reference to Exhibit 3.5 to the Company's Form 10-Q filed on August 10, 1998).

- 3.2 Restated Articles of Organization of the Company, dated November 17, 1995, as amended August 4, 1998 (incorporated by reference to Exhibit 3.6 to the Company's Form 10-Q filed on August 10, 1998).
- 4.1 Form of Class A Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement No. 33-96164).
- 10.1 Deferred Compensation Agreement between the Partnership and Alfred W. Rossow, Jr., effective December 1, 1992 (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement No. 33-96162).

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- 10.2 Stockholder Rights Agreement, dated as of December, 1995, among The Boston Beer Company, Inc. and the initial Stockholders (incorporated by reference to the Company's Form 10-K, filed on April 1, 1996).
- 10.3 Second Amended and Restated Credit Agreement between The Boston Beer Company, Inc. and Boston Beer Corporation, as Borrowers, and Bank of America, N.A. (successor-in-merger to Fleet National Bank), effective as of July 1, 2002 (incorporated by reference to the Company's 10-Q, filed on August 13, 2002).
- 10.4 Letter Agreement dated August 4, 2004 amending the Second Amended and Restated Credit Agreement between Bank of America, N.A. (successor-in-merger to Fleet National Bank) and The Boston Beer Company, Inc. and Boston Beer Corporation (incorporated by reference to the Company's 10-Q, filed on November 4, 2004).
- 10.5 Amendment dated February 27, 2007 to the Second Amended and Restated Credit Agreement between Bank of America, N.A., successor-in-merger to Fleet National Bank, and The Boston Beer Company, Inc. and Boston Beer Corporation (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 15, 2007).
- 10.6 Amendment to Credit Agreement by and among the Company and Boston Beer Corporation, as borrowers, and Bank of America, N.A., as the lender, effective as of March 10, 2008 (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 6, 2008).
- +10.7 Production Agreement between Samuel Adams Brewery Company, Ltd. and Brown-Forman Distillery Company, a division of Brown-Forman Corporation, effective as of April 11, 2005 (incorporated by reference to the Company's 10-Q filed on May 5, 2005).
- +10.8 Brewing Services Agreement between CBC Latrobe Acquisition, LLC and Boston Beer Corporation dated March 28, 2007 (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 10, 2007).
- +10.9 Office Lease Agreement between Boston Design Center LLC and Boston Beer Corporation dated March 24, 2006 ( Office Lease Agreement ), as amended on September 29, 2006, October 31, 2007, March 25, 2008, August 27, 2012, February 22, 2013, and June 3, 2015 (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 11, 2006 and Annual Report on Form 10-K filed on February 18, 2016).
- 10.11 Stock Option Agreement between the Company and Martin F. Roper entered into effective as of January 1, 2008 (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 6, 2008).
- 10.12 The 1996 Stock Option Plan for Non-Employee Directors, originally adopted in 1996 and amended and restated on October 19, 2004, as amended on October 30, 2009, effective as of January 1, 2010 (incorporated by reference to the Company's Post-Effective Amendment to its Registration Statement on Form S-8 filed on November 28, 2009); amended and restated on December 12, 2012, effective as of January 1, 2012; amended and restated on March 9, 2016, effective as of March 9, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on July 21, 2016).
- 10.13 Amendment dated January 24, 2014 to the Second Amended and Restated Credit Agreement between Bank of America, N.A., successor-in-merger to Fleet National Bank, and The Boston Beer Company, Inc. and Boston Beer Corporation (incorporated by reference to the Company's Current Report on Form 8-K filed on January 28, 2014).

- 10.14 The Boston Beer Company, Inc. Employee Equity Incentive Plan, as amended on February 23, 1996, December 20, 1997, December 19, 2005, December 19, 2006, December 21, 2007, October 30, 2009, October 8, 2013, October 8, 2014, and December 9, 2015 (incorporated by reference to the Company's Annual Report on Form 10-K filed on February 18, 2016).

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10.15	Stock Option Agreement between the Company and Martin F. Roper entered into effective as of January 1, 2016 (incorporated by reference to the Company's Annual Report on Form 10-K filed on February 18, 2016).
10.16	Offer Letter to Frank H. Smalla, Senior Vice President, Finance dated December 15, 2015 (incorporated by reference to the Company's Annual Report on Form 10-K filed on February 18, 2016).
10.17	Offer Letter to Quincy B. Troupe, Senior Vice President, Supply Chain dated December 18, 2015 (incorporated by reference to the Company's Annual Report on Form 10-K filed on February 18, 2016).
10.18	Martin F. Roper Retirement Letter Agreement dated February 2, 2017 (incorporated by reference to the Company's Current Report on Form 8-K filed on February 6, 2017)
10.19	Martin F. Roper Proprietary Information and Restrictive Covenant Agreement dated February 2, 2017 (incorporated by reference to the Company's Current Report on Form 8-K filed on February 6, 2017)
*10.20	Offer Letter to Jonathan N. Potter, Chief Marketing Officer, dated June 7, 2016.
*11.1	The information required by exhibit 11 has been included in Note N of the notes to the consolidated financial statements.
*21.5	List of subsidiaries of The Boston Beer Company, Inc. effective as of December 31, 2016.
*23.1	Consent of Deloitte & Touche LLP, an Independent Registered Public Accounting Firm.
*23.2	Consent of Ernst & Young LLP, an Independent Registered Public Accounting Firm.
*31.1	Certification of the President and Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of the President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Calculation Linkbase Document
*101.LAB	XBRL Label Linkbase Document
*101.PRE	XBRL Taxonomy Presentation Linkbase Document
*101.DEF	XBRL Definition Linkbase Document

\* Filed with this report.

- + Portions of this Exhibit were omitted pursuant to an application for an order declaring confidential treatment filed with and approved by the Securities and Exchange Commission.

**Item 16. Form 10-K Summary**

Not applicable.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 22<sup>nd</sup> day of February 2017.

THE BOSTON BEER COMPANY, INC.

/s/ Martin F. Roper  
 Martin F. Roper  
 President and Chief Executive Officer  
 (principal executive officer)

Pursuant to the requirements of the Securities and Exchange Act of 1934, the following persons on behalf of the registrant and in the capacities and on the dates indicated have signed this report below.

<b>Signature</b>	<b>Title</b>
/s/ Martin F. Roper Martin F. Roper	President, Chief Executive Officer (principal executive officer) and Director
/s/ Frank H. Smalla Frank H. Smalla	Chief Financial Officer (principal financial officer)
/s/ Matthew D. Murphy Matthew D. Murphy	Chief Accounting Officer (principal accounting officer)
/s/ David A. Burwick David A. Burwick	Director
/s/ David P. Fialkow David P. Fialkow	Director
/s/ Cynthia A. Fisher Cynthia A. Fisher	Director
/s/ C. James Koch C. James Koch	Chairman and Director



/s/ Jay Margolis Director

Jay Margolis

/s/ Michael Spillane Director

Michael Spillane

/s/ Gregg A. Tanner Director

Gregg A. Tanner

/s/ Jean-Michel Valette Director

Jean-Michel Valette