

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

**FORM 8-K/A
(Amendment No. 1)**

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 3, 2019

The Boston Beer Company, Inc.
(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction
of incorporation)

001-14092
(Commission
File Number)

04-3284048
(IRS Employer
Identification No.)

One Design Center Place, Suite 850, Boston, MA
(Address of principal executive offices)

02210
(Zip Code)

Registrant's telephone number, including area code (617) 368-5000

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4c under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value	SAM	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

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

Explanatory Note

As previously reported on its Current Report on Form 8-K filed with the Securities and Exchange Commission (the “SEC”) on July 3, 2019 (the “Original Report”), The Boston Beer Company, Inc. (“Boston Beer”), completed its previously announced acquisition of Dogfish Head Brewery and various related operations (the “Transaction”). The Transaction was effected through the acquisition of all of the equity interests held by certain private entities in Off-Centered Way LLC (“Off-Centered Way”), the parent holding company of the Dogfish Head Brewery and related operations. Off-Centered Way, through its subsidiaries, owns all of the Dogfish Head branded business operations, which include a brewery, two restaurants, a distillery and a boutique inn.

For a description of the Transaction and the related agreements, see Boston Beer’s Current Report on Form 8-K filed with the SEC on May 9, 2019.

This Current Report on Form 8-K/A is being filed by Boston Beer solely for the purpose of amending and supplementing the Original Report to provide the financial statements and pro forma financial information relating to the Transaction required by Items 9.01(a) and (b) of Form 8-K, respectively.

Item 9.01 Financial Statements and Exhibits

(a) Financial statements of businesses acquired. The audited financial statements of Off-Centered Way LLC and Subsidiaries as of and for the year ended December 31, 2018 and 2017 are included herein and filed herewith as Exhibit 99.1. The unaudited financial statements of Off-Centered Way LLC and Subsidiaries as of June 30, 2019 and for the six months ended June 30, 2019 and 2018 are included therein and filed herewith as Exhibit 99.2.

(b) Pro forma financial information. The unaudited pro forma combined financial information of Boston Beer and Off-Centered Way LLC and Subsidiaries as of and for the twenty-six weeks ended June 29, 2019 and the year ended December 29, 2018 are included herein and filed herewith as Exhibit 99.3.

(c) Exhibits.

- | | |
|------|---|
| 23.1 | Consent of RSM US LLP, Independent Registered Public Accounting Firm |
| 23.2 | Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm |
| 23.3 | Opinion of Grant Thornton LLP, Independent Registered Public Accounting Firm |
| 99.1 | Audited Financial Statements of Off-Centered Way LLC and Subsidiaries for the years ended December 31, 2018 and 2017 and Independent Auditors Report thereon |
| 99.2 | Unaudited Interim financial statements of Off-Centered Way LLC and Subsidiaries for the six months ended June 30, 2019 and the six months ended June 30, 2018 |
| 99.3 | Unaudited pro forma combined financial information of Boston Beer and Off-Centered Way LLC and Subsidiaries as of and for the twenty-six weeks ended June 29, 2019 and the year ended December 29, 2018 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). |

SIGNATURE

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

The Boston Beer Company, Inc.
(Registrant)

Date: September 13, 2019

/s/ Frank H. Smalla

Frank H. Smalla
Chief Financial Officer

Consent of Independent Auditor

We consent to the incorporation by reference in Registration Statement (Nos. 333-209588, 333-163315, 333-163314, 333-148374, 333-140250, 333-121057, 333-85112, 333-85110, 333-68531, 333-01798 and 333-12221) on Form S-8 of The Boston Beer Company, Inc. of our report dated April 4, 2019, relating to the consolidated financial statements of Off-Centered Way, LLC and Subsidiaries, appearing in this Current Report on Form 8-K/A.

/s/ RSM US LLP

Blue Bell, Pennsylvania
September 13, 2019

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated April 30, 2018, with respect to the consolidated financial statements of Off Centered Way LLC as of and for the year ended December 31, 2017, included in the Current Report of The Boston Beer Company, Inc. on Form 8-K/A dated September 13, 2019. We consent to the incorporation by reference of said report in the Registration Statements of The Boston Beer Company, Inc. on Forms S-8 (File numbers 333-209588, 333-163315, 333-163314, 333-148374, 333-140250, 333-121057, 333-85112, 333-85110, 333-68531, 333-01798 and 333-12221).

/s/ GRANT THORNTON LLP
Philadelphia, Pennsylvania
September 13, 2019

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Off-Centered Way LLC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Off-Centered Way LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statements of comprehensive income, changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Off-Centered Way LLC and Subsidiaries as of December 31, 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Philadelphia, Pennsylvania
April 30, 2018

Off-Centered Way LLC and Subsidiaries

Consolidated Financial Report
December 31, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors
Off-Centered Way LLC and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Off-Centered Way LLC and its subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2018, the related consolidated statements of income, changes in members' equity and cash flows for the year then ended, and the related consolidated notes to the financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Off-Centered Way LLC and its subsidiaries as of December 31, 2018, the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

The consolidated financial statements of the Company, as of and for the year ended December 31, 2017, were audited by other auditors whose report, dated April 30, 2018, expressed an unmodified opinion on those statements.

RSM VS LLP

Blue Bell, Pennsylvania
April 4, 2019

Off-Centered Way LLC and Subsidiaries

Consolidated Balance Sheets
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 18,524,113	\$ 15,069,106
Accounts receivable, net	6,178,863	6,847,293
Inventories, net	9,449,128	10,355,002
Prepaid expenses and other current assets	711,978	382,738
Total current assets	34,864,082	32,654,139
Property, plant and equipment:		
Building and improvements	35,866,592	\$ 33,619,106
Brewery, distillery and food preparation equipment	88,406,014	86,981,270
Office equipment and furniture	3,263,383	3,200,333
Vehicles	387,494	387,494
	127,923,483	124,188,203
Less accumulated depreciation	(45,226,225)	(38,213,647)
	82,697,258	85,974,556
Land	5,209,079	5,209,079
Equipment held for sale	104,000	—
Construction in progress	3,698,671	1,827,075
Property, plant and equipment, net	91,709,008	93,010,710
Other assets		
Due from related party	186,399	196,560
Total assets	\$126,759,489	\$125,861,409
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	6,102,990	4,329,909
Accrued expenses	1,947,606	1,788,602
Accrued compensation	1,134,471	3,476,337
Gift certificates	162,387	148,495
Notes payable	19,985,378	23,982,403
Total current liabilities	29,332,832	33,725,746
Members' equity	97,426,657	92,135,663
Total liabilities and members' equity	\$126,759,489	\$125,861,409

See notes to consolidated financial statements.

Off-Centered Way LLC and Subsidiaries**Consolidated Statements of Income**
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Sales	\$110,205,483	\$ 111,796,286
Cost of sales	<u>56,510,773</u>	55,589,193
Gross profit	53,694,710	56,207,093
Selling expenses	13,937,328	12,850,440
Operating expenses	17,051,259	18,066,867
Depreciation and amortization expense	8,222,044	7,919,678
Loss (gain) on asset disposal	<u>590,868</u>	<u>(130,645)</u>
Income from operations	13,893,211	17,500,753
Other income (expense):		
Other income	—	5,841
Interest expense	<u>(601,818)</u>	<u>(409,321)</u>
Total other expense, net	(601,818)	(403,480)
Net income	\$ 13,291,393	\$ 17,097,273

See notes to consolidated financial statements.

Off-Centered Way LLC and Subsidiaries

**Consolidated Statements of Changes in Members' Equity
Years Ended December 31, 2018 and 2017**

	Members' Equity
Balance, January 1, 2017	\$ 84,479,429
Net income	17,097,273
Capital contributions	581,192
Distributions to members	(10,022,231)
Balance, December 31, 2017	92,135,663
Net income	13,291,393
Distributions to members	(8,000,399)
Balance, December 31, 2018	<u>\$ 97,426,657</u>

See notes to consolidated financial statements.

Off-Centered Way LLC and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Net income	\$ 13,291,393	\$ 17,097,273
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,222,044	7,919,678
Loss (gain) on disposal of assets	590,868	(130,645)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	668,430	(627,057)
Inventories	905,874	(2,807,702)
Prepaid expenses and other current assets	(329,240)	38,651
Increase (decrease) in:		
Accounts payable	1,773,081	1,494,017
Accrued expenses	159,004	428,275
Accrued compensation	(2,341,866)	1,574,714
Gift certificates	13,892	23,260
Net cash provided by operating activities	22,953,480	25,010,464
Cash flows from investing activities:		
Proceeds from sales of property and equipment	42,411	166,646
Acquisition of property and equipment	(7,550,646)	(9,348,576)
Net cash used in investing activities	(7,508,235)	(9,181,930)
Cash flows from financing activities:		
Accounts receivable due from members	—	2,694,288
Due from related party	10,161	(194,860)
Payments on notes payable	(4,000,000)	(4,000,000)
Capital contributions	—	581,192
Distributions to members	(8,000,399)	(10,022,231)
Net cash used in financing activities	(11,990,238)	(10,941,611)
Net increase in cash	3,455,007	4,886,923
Cash:		
Beginning of year	15,069,106	10,182,183
End of year	<u>\$ 18,524,113</u>	<u>\$ 15,069,106</u>
Supplemental disclosure of cash flow information:		
Interest paid, net amount capitalized	<u>\$ 604,728</u>	<u>\$ 406,412</u>

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of operations: Off-Centered Way LLC and its wholly owned subsidiaries (the Company) operate a brewery, two restaurants, a distillery and a boutique inn. The consolidated financial statements include the accounts of Off-Centered Way and its wholly owned subsidiaries. All intercompany balances are eliminated in consolidation.

Use of estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Significant estimates include the incurred but not yet reported medical claims, overhead allocations, amortization and depreciation. Actual results could differ from those estimates.

Cash: The Company maintains its cash accounts in one commercial bank. The amount on deposit at December 31, 2018 exceeded the insurance limits (\$250,000) of the Federal Deposit Insurance Corporations by \$18,082,385. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts receivable: Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations in the year in which those differences are determined. The Company recorded an allowance of \$13,442 at December 31, 2018. No allowance was considered necessary at December 31, 2017.

Inventories: Inventories consist of raw materials, work in process and finished goods, which are stated at the lower of cost (first in, first out) or net realizable value. Raw materials principally consist of hops, malt, barley, other brewing ingredients and packaging materials. The cost elements of work in process and finished goods inventory consist of raw materials, direct labor and manufacturing overhead. 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 provisions for excess or expired inventory in the future. Provisions for excess and expired inventory are included in cost of sales and totaled approximately \$380,000 and \$176,000, for the years ended December 31, 2018 and 2017, respectively.

Property, plant and equipment: Property, plant and equipment are carried at cost less accumulated depreciation. Expenditures for new assets and those that substantially increase the useful lives of existing property, plant or equipment are capitalized. Expenditures for maintenance and repairs are charged against operations. Leasehold improvements are amortized over the lesser of the estimated useful lives of the related assets or the lease terms.

The Company computes its depreciation, net of salvage value, as follows:

	<u>Method</u>	<u>Life (Years)</u>
Buildings and improvements	Straight-line	10-40
Brewery, distillery and food preparation equipment	Straight-line	3-30
Office equipment and furniture	Straight-line	3-15
Vehicles	Straight-line	5-10

Note 1. Summary of Significant Accounting Policies (Continued)

Impairment of long-lived assets: The Company regularly reviews the carrying amount of its long-lived assets, as well as their useful lives, to determine whether indicators of impairment may exist, which warrant adjustments to carrying values or estimated useful lives. The Company has not recognized any impairment losses during 2018 and 2017.

Debt issuance costs: Debt issuance costs are being amortized using the straight-line method, which approximates the effective-interest method over the life of the related debt instruments. The Company presents the debt issuance costs as a reduction to the carrying amount of the related debt. Unamortized debt issuance costs was \$14,622 and \$17,597 at December 31, 2018 and 2017, respectively.

Revenue recognition: The Company recognizes revenue when all of the following criteria are met:

- Persuasive evidence of an arrangement exists.
- Delivery has occurred or services have been rendered.
- The price to the buyer is fixed or determinable.
- Collectability is reasonably assured.

Revenue includes product revenue, revenue from the sales of beer, wine, food and merchandise at the Company's tasting room and revenue from the Brew Pub and the Inn. The majority of the Company's revenue is recognized on product sales to distributors or through sales to owned and operated outlets at the time the product is shipped. Revenue on rooms at the Inn are recognized when rooms are occupied, and the Company has rendered the services. The remaining revenue is recognized at the point of the sale.

Shipping and handling costs: Shipping and handling billed to customers are included in sales. Shipping and handling costs incurred by the Company are included in cost of sales.

Advertising and promotion costs: Advertising and promotion costs are expensed as incurred. Advertising and promotion costs for the years ended December 31, 2018 and 2017 totaled \$1,202,390 and \$839,884, respectively, and are included in selling expenses.

Income taxes: As a limited liability company, the Company has elected partnership status under the Internal Revenue Code for tax purposes and, as such, is not directly subject to federal income taxes and most state income taxes. Instead, the participating members are required to report their respective proportionate shares of taxable income (loss), tax deductions and credits on their respective income tax returns. As a result, no income taxes would be currently due and payable.

The Company has determined that there are no uncertain tax positions to be accounted for in the consolidated financial statements. Any penalties and interest that may be assessed by income tax authorities will be included in operating expenses. The Company is no longer subject to U.S. federal, state and local tax examinations by tax authorities for the years before 2015.

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. Excise tax expense included in cost of sales was \$3,854,487 and \$4,526,072 for the years ended December 31, 2018 and 2017, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

Fair value measurements: As of December 31, 2018 and 2017, the carrying values reflected in the accompanying consolidated balance sheets for cash, accounts receivable, accounts payable, and accrued expenses approximate fair value due to the relative terms and short-term maturity of these financial instruments. The carrying value of the notes payable approximates fair value since this financial instrument bears interest at a variable rate, which approximates current market rates for bonds with similar maturity and credit quality.

Reclassification: Certain amounts on the consolidated statement of income for the year ended December 31, 2017, have been reclassified, with no effect on net income, to conform to the presentation of the consolidated financial statements for the year ended December 31, 2018.

New accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which results in comprehensive new revenue accounting guidance, requires enhanced disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized, and develops a common revenue standard under U.S. GAAP and International Financial Reporting Standards. Specifically, the core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. With the issuance of ASU 2015-01, which deferred the effective date by one year, this guidance is effective January 1, 2019. Early adoption is permitted, but no earlier than January 1, 2018. The guidance can be applied either retrospectively to each prior reporting period presented, or as a cumulative-effect adjustment as of the date of adoption. The Company has not yet selected a transition method and is currently evaluating the effect that the new standard will have on the combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes FASB ASC Topic 840, Leases (Topic 840), and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The standard is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted upon issuance. The Company is currently evaluating the method of adoption and the impact of adopting ASU 2016-02 on its results of operations, cash flows and financial position.

Notes to Consolidated Financial Statements

Note 2. Inventories

Inventory consisted of the following at December 31:

	2018	2017
Raw materials	\$4,708,959	\$ 4,774,539
Work in process	2,637,761	2,203,847
Finished goods and merchandise	2,102,408	3,376,616
	<u>\$9,449,128</u>	<u>\$10,355,002</u>

Note 3. Line of Credit

The Brewery maintains a \$20,000,000 revolving line of credit, term loan (Note 4), and letters of credit. Substantially all of the Brewery's assets are pledged as collateral under the terms of the credit agreement. In addition, the credit agreement is guaranteed jointly and severally by the Company. The line of credit bears interest at LIBOR plus an applicable margin (3.00% and 2.18% at December 31, 2018 and 2017, respectively) and matures on March 11, 2019. In addition, the Brewery pays a quarterly unused fee equal to 0.075% of the difference between \$20,000,000 and the average outstanding principal balance during each quarter. The quarterly unused fee paid in both 2018 and 2017 was approximately \$15,000. At December 31, 2018, the Brewery had \$265,000 of outstanding letters of credit with the Bank. The outstanding amount reduces the available amount that can be drawn on the line of credit. There was no outstanding balance on the line of credit at December 31, 2018 and 2017, respectively. As described in Note 12, on February 21, 2019 the Company secured a new line of credit.

Note 4. Note Payable

Term Loan: The term loan bears interest at LIBOR plus an applicable margin (3.00% and 2.18% at December 31, 2018 and 2017, respectively). Quarterly principal payments in the amount of \$1,000,000 plus accrued and unpaid interest was due December 31, 2018. The remaining principal balance of \$20,000,000 at December 31, 2018 is due on March 11, 2019. The Brewery is required to meet certain financial covenants. The Brewery was in compliance with these financial covenants at December 31, 2018. As described in Note 12, on February 21, 2019 the term loan was paid in full and the credit agreement with the Bank was amended and restated.

Interest capitalized as part of construction and included in total property and equipment totaled \$0 and \$105,717 for the years ended December 31, 2018 and 2017, respectively.

Note 5. Retirement Benefits

The Company provides a voluntary 401(k) employee benefit plan, which covers all eligible employees. The Company makes discretionary matching contributions subject to a maximum level, in accordance with the terms of the plan. The Company charged \$714,153 and \$545,893 to expense under the provisions of the plan during the years ended December 31, 2018 and 2017, respectively.

Note 6. Operating Leases

The Company leases land, cold storage space and equipment under operating leases that expire on various dates through 2022. Rental expense under these operating leases was \$313,034 and \$93,064 for the years ended December 31, 2018 and 2017, respectively.

Notes to Consolidated Financial Statements

Note 6. Operating Leases (Continued)

The minimum annual rental commitments under non-cancelable operating leases, as of December 31, 2018 are due as follows:

Years ending December 31:	
2019	\$325,807
2020	38,007
2021	38,007
2022	31,673
2023	—
Thereafter	—
	<u>\$433,494</u>

Note 7. Member Interests

The Company had 1,000,000 shares of Series A Preferred Units (Preferred Units) and 5,514,282 shares of Common Units authorized, issued and outstanding at December 31, 2018 and 2017.

The Preferred Units and the Common Units both are treated as one class of equity for voting purposes as each share receives one vote. Preferred Units are convertible into Common Units. The Preferred Units accrued a 17% preferred return through December 31, 2017 and effective January 1, 2018 accrue a 15.25% return.

The Preferred Units are not mandatorily redeemable by the holders at December 31, 2018 and 2017 and the preferred return is only payable upon the occurrence of a Dissolution Event; accordingly, the preferred return was not recorded as a liability at December 31, 2018 or 2017. The liquidation value was \$148,661,077 at December 31, 2018.

Note 8. Related Party Transactions

At December 31, 2018, approximately \$4,145 was due from Members of the Company. This amount is included in the accounts receivable line item on the consolidated balance sheets.

Rent expense for the restaurant buildings for 2018 and 2017 included approximately \$237,000 and \$201,000, respectively, paid to an unconsolidated related entity under common ownership with certain Members of the Company. The Company previously adopted ASU 2014 07, *Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements*. Under the accounting guidance, the Company did not consolidate the effects of the common ownership of the related party lease arrangement as a part of the consolidated financial statements. The rent expense of the lease was recorded in the consolidated statements of income. The Company is not exposed to any liabilities held by the related party related to the leased space.

Notes to Consolidated Financial Statements

Note 9. Commitment and Contingencies

The Company has committed to the purchase of additional equipment and improvements totaling approximately \$2,400,000 which will be acquired in 2019.

The Company had outstanding total non-cancelable purchase commitments for certain raw materials and packaging from various suppliers totaling approximately \$24,525,000 at December 31, 2018. Raw materials' contracts extend through 2021 and specify both the quantities and prices to which the Company is committed. Packaging agreements only extend through 2019 and is based on forecasted use. The projected cash outflows under these purchase commitments for the remaining years under the contracts are approximately \$12,825,000, \$9,200,000, and \$2,500,000 for 2019, 2020 and 2021, respectively.

In the normal course of business, the Company is involved in various legal matters. It is the opinion of management that these matters do not have a material adverse effect on the Company's consolidated financial statements.

Note 10. Loyalty Program

The Company launched the Off Centered Society (Society) in September 2018. The Society allows members to earn points for each purchase completed at the Brewery, Inn, or Brewpub. The value of the points earned by the Society members is recognized as deferred revenue, which is included in accrued expenses on the consolidated balance sheets, and a reduction in revenue at the time the points are earned, based on the value of points that are projected to be redeemed. The estimate of amount and timing of redemptions is based on industry data. For the period ended December 31, 2018 total deferred revenue totaled approximately \$17,500. The Company does not believe there will be a material change in the future estimates or assumptions of the revenue recognition, which would materially impact the consolidated financial statements.

Note 11. Health Insurance

The Company has a self-insurance program for its employees' health care costs. The Company is liable for claims up to \$75,000 per covered individual per year. Self-insurance costs are accrued based on claims reported as of the consolidated balance sheet date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$111,178 and \$105,776 as of December 31, 2018 and 2017, respectively, and is included in accrued expenses on the consolidated balance sheets. Costs resulting from noninsured losses are charged to operating expenses when incurred.

Note 12. Subsequent Events

The Company evaluated its December 31, 2018, consolidated financial statements for subsequent events through April 4, 2019, the date the consolidated financial statements were available to be issued.

On February 21, 2019, the Company paid off the term loan. Simultaneously with this pay off, the Company entered into an Amended and Restated Credit and Security Agreement with the Bank to extend the maturity date of the line of credit to February 21, 2024. In addition, the amendment allows the Brewery to request, subject to approval of the Bank, incremental increases of \$5,000,000 to the existing availability of \$20,000,000 up to a maximum availability of \$35,000,000.

The Company is not aware of any other subsequent events which would require recognition or disclosure in the consolidated financial statements.

OFF-CENTERED WAY LLC and SUBSIDIARIES

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OFF-CENTERED WAY LLC and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2019 <small>(unaudited)</small>	December 31, 2018
Assets		
Current Assets:		
Cash	\$ 5,758	\$ 18,524
Accounts receivable, net	9,060	6,179
Due from related parties	117	—
Inventories, net	7,667	9,449
Prepaid expenses and other current assets	848	712
Total current assets	23,450	34,864
Property, plant and equipment:		
Building and improvements	36,316	35,867
Brewery, distillery and food preparation equipment	88,505	88,406
Office equipment and furniture	3,374	3,263
Vehicles	382	387
	128,577	127,923
Less accumulated depreciation	(49,405)	(45,226)
	79,172	82,697
Land	5,209	5,209
Equipment held for sale	—	104
Construction in progress	4,780	3,699
Property, plant and equipment, net	89,161	91,709
Other assets		
Due from related parties	378	186
Total assets	\$ 112,989	\$ 126,759
Liabilities and Members' Equity		
Current Liabilities:		
Accounts payable	\$ 3,861	\$ 6,103
Accrued expenses	2,258	1,948
Accrued compensation	1,654	1,134
Gift certificates	149	162
Line of credit	2,000	—
Note payable	—	19,985
Total current liabilities	9,922	29,332
Members' Equity	103,067	97,427
Total liabilities and members' equity	\$ 112,989	\$ 126,759

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

OFF-CENTERED WAY LLC and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(in thousands)
(unaudited)

	<u>Six months ended</u>	
	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
Sales	\$55,360	\$54,759
Cost of sales	28,739	26,695
Gross profit	26,621	28,064
Selling expenses	7,161	7,287
Operating expenses	9,460	9,515
Depreciation and amortization expense	4,226	4,068
Loss on asset disposal	31	47
Income from operations	5,743	7,147
Other income (expense):		
Interest expense	(103)	(290)
Total other expense, net	(103)	(290)
Net income	<u>\$ 5,640</u>	<u>\$ 6,857</u>

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

OFF-CENTERED WAY LLC and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
For the six months ended June 30, 2019 and June 30, 2018
(in thousands)
(unaudited)

	<u>Members' Equity</u>
Balance at December 31, 2018	\$ 97,427
Net income	5,640
Balance at June 30, 2019	<u>\$ 103,067</u>
	<u>Members' Equity</u>
Balance at December 31, 2017	\$ 92,136
Net income	6,857
Distributions to members	(6,219)
Balance at June 30, 2018	<u>\$ 92,774</u>

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

OFF-CENTERED WAY LLC and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)
(unaudited)

	Six months ended	
	June 30, 2019	June 30, 2018
Net income	\$ 5,640	\$ 6,857
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,226	4,068
Loss on disposal of assets	31	47
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(2,881)	(4,455)
Inventories	1,782	(1,027)
Prepaid expenses and other assets	(136)	(350)
Increase (decrease) in:		
Accounts payable	(2,242)	647
Accrued expenses	310	852
Accrued compensation	520	(1,231)
Gift certificates	(13)	(13)
Net cash provided by operating activities	<u>7,237</u>	<u>5,395</u>
Cash flows used in investing activities:		
Proceeds from sales of property and equipment	105	2
Acquisition of property and equipment	(1,814)	(3,704)
Net cash used in investing activities	<u>(1,709)</u>	<u>(3,702)</u>
Cash flows used in financing activities:		
Due from related party	(309)	(2,000)
Payments on note payable	(19,985)	—
Cash borrowed on line of credit	2,000	
Distributions to members	—	(6,219)
Net cash used in financing activities	<u>(18,294)</u>	<u>(8,219)</u>
Change in cash	(12,766)	(6,526)
Cash at beginning of year	18,524	15,069
Cash at end of period	<u>\$ 5,758</u>	<u>\$ 8,543</u>

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

OFF-CENTERED WAY LLC and SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Overview

Organization and Description of Business: Off-Centered Way LLC and its wholly owned subsidiaries (the “Company”) operate a brewery, two restaurants, a distillery and a boutique inn. The consolidated financial statements include the accounts of Off-Centered Way and its wholly owned subsidiaries. All intercompany balances are eliminated in consolidation.

Unaudited Financial Information: The accompanying consolidated balance sheet as of June 30, 2019, the consolidated statements of income, changes in members equity, and cash flows for the six months ended June 30, 2019 and June 30, 2018, and the related notes are unaudited. These unaudited financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”). In management’s opinion, the unaudited financial statements include all adjustments of a normal recurring nature necessary for the fair presentation of the Company’s statements of financial position and operating results for the periods presented.

Use of Estimates: The preparation of the consolidated financial statements in conformity GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Significant estimates include the incurred but not yet reported medical claims, overhead allocations, amortization and depreciation. Actual results could differ from those estimates.

B. Summary of Significant Accounting Policies

Cash: The Company maintains its cash accounts in one commercial bank. The amount on deposit at June 30, 2019, exceeded the insurance limits (\$250,000) of the Federal Deposit Insurance Corporations by approximately \$5.5 million. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash.

Accounts receivable: Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations in the period in which those differences are determined. No allowance was considered necessary at June 30, 2019. The Company recorded an allowance of \$13,442 at December 31, 2018.

Inventories: Inventories consist of raw materials, work in process and finished goods, which are stated at the lower of cost (first in, first out) or net realizable value. Raw materials principally consist of hops, malt, barley, other brewing materials and packaging. The cost elements of work in process and finished goods inventory consist of raw materials, direct labor and manufacturing overhead. 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 provisions for excess or expired inventory in the future. Provisions for excess and expired inventory are included in cost of goods sold and totaled approximated \$836,000 and \$450,000 for the six months ended June 30, 2019 and June 30, 2018, respectively.

Property, plant and equipment: Property, plant and equipment are carried at cost less accumulated depreciation. Expenditures for new assets and those that substantially increase the useful lives of existing property, plant or equipment are capitalized. Expenditures for maintenance and repairs are charged against income in the period incurred. Leasehold improvements are amortized over the lesser of the estimated useful lives of the related assets or the lease terms.

The Company computes its depreciation, net of salvage value, as follows:

	<u>Method</u>	<u>Life (Years)</u>
Buildings and improvements	Straight-line	10-40
Brewery, distillery and food preparation equipment	Straight-line	3-30
Office equipment and furniture	Straight-line	3-15
Vehicles	Straight-line	5-10

Impairment of long-lived assets: The Company regularly reviews the carrying amount of its long-lived assets, as well as their useful lives, to determine whether indicators of impairment may exist, which warrant adjustments to carrying values or estimated useful lives. The Company has not recognized any impairment losses during the six months ended June 30, 2019 or June 30, 2018.

Debt issuance costs: Debt issuance costs are being amortized using the straight-line method, which approximates the effective-interest method over the life of the related debt instruments. The Company presents the debt issuance costs as a reduction to the carrying amount of the related debt. There were no unamortized debt issuance costs at June 30, 2019.

Revenue recognition: The Company recognizes revenue when obligations under the terms of a contract with its customer are satisfied; generally, this occurs with the transfer of control of its products. Revenue is measured as the amount of consideration expected to be received in exchange for transferring products. If the conditions for revenue recognition are not met, the Company defers the revenue until the performance obligation is satisfied by transferring the associated promised good or service.

Revenue includes product revenue, revenue from the sales of beer, wine, food and merchandise at the Company's two restaurants and tasting room and revenue from the Company's boutique Inn. The majority of the Company's revenue is recognized on product sales to distributors or through sales to owned and operated outlets at the time the product is shipped. Revenue on rooms at the boutique Inn is recognized when rooms are occupied, and the Company has rendered the services. The remaining revenue is recognized at the point of the sale.

Shipping and handling costs: Shipping and handling billed to customers are included in sales. Shipping and handling costs incurred by the Company are included in cost of sales.

Advertising and promotion costs: Advertising and promotion costs are expensed as incurred and are included in selling expenses.

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. Excise tax expense included in cost of sales was \$1.7 million and \$1.7 million for the six months ended June 30, 2019 and June 30, 2018, respectively.

Fair value measurements: As of June 30, 2019, and December 31, 2018, the carrying values reflected in the accompanying consolidated balance sheets for cash, accounts receivable, due from related parties, accounts payable, and accrued expenses approximate fair value due to the relative terms and short-term maturity of these financial instruments. The carrying value of the notes payable approximates fair value since this financial instrument bears interest at a variable rate, which approximates current market rates for bonds with similar maturity and credit quality.

C. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updated (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), which results in comprehensive new revenue accounting guidance, requires enhanced disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized, and develops a common revenue standard under GAAP and International Financial Reporting Standards. Specifically, the core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Company adopted 2014-09, on July 3, 2019 as part of the merger with the Boston Beer Company, as noted in Note N. The Company considers the impact of the adoption to be immaterial to its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes FASB ASC Topic 840, Leases (Topic 840), and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of classification. Leases with a term of 12 months or less will be accounted for similar to previous guidance for operating leases. The standard is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted upon issuance. The Company adopted ASU 2016-02, on July 3, 2019 as part of the merger with the Boston Beer Company, as noted in Note N. The Company considers the impact of the adoption to be immaterial to its consolidated financial statements.

D. Inventories

Inventories consist of the following:

	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	(in thousands)	
Raw materials	\$ 3,885	\$ 4,709
Work in process	2,662	2,638
Finished goods and merchandise	1,120	2,102
	<u>\$ 7,667</u>	<u>\$ 9,449</u>

E. Line of Credit

The Company maintains a \$20,000,000 revolving line of credit, with an option to increase up to \$35,000,000, a term loan (Note F), and letters of credit. Substantially all the Company’s assets are pledged as collateral under the terms of the credit agreement. In addition, the credit agreement is guaranteed jointly and severally by the Company. The line of credit bears interest at LIBOR plus an applicable margin and matures on February 21, 2024. In addition, the Company pays a quarterly unused fee equal to 0.075% of the difference between \$20,000,000 and the average outstanding principal balance during each quarter. There was \$2,000,000 outstanding on the line of credit at June 30, 2019 which was repaid in full on July 3, 2019. There was no outstanding balance on the line of credit at December 31, 2018.

F. Note Payable

The term loan bears interest at LIBOR plus an applicable margin. Quarterly principal payments in the amount of \$1,000,000 plus accrued and unpaid interest was due December 31, 2018. The remaining principal balance of \$20,000,000 at December 31, 2018 was paid on February 21, 2019 and the credit agreement with the Bank was amended and restated. There was no balance outstanding on the note payable as of June 30, 2019.

G. Members' Equity

The Company had 1,000,000 shares of Series A Preferred Units ("Preferred Units") and 5,514,282 shares of Common Units authorized, issued and outstanding at June 30, 2019 and December 31, 2018. The Preferred Units and the Common Units both are treated as one class of equity for voting purposes as each share receives one vote. Preferred Units are convertible into Common Units. The Preferred Units accrued a 15.25% preferred return.

H. Commitments and Contingencies

Contract Obligations

The Company had outstanding non-cancelable purchase commitments for raw materials, packaging, property plant and equipment and operating leases. Raw material contracts extend through 2021 and specify both quantities and prices to which the Company is committed. Packaging commitments extend through 2019 and are based on forecasted use. Annual rent commitments extend through 2022, and the rent expense related to the restaurant properties is paid to an unconsolidated related entity under common ownership with certain Members of the Company.

Litigation

In the normal course of business, the Company is involved in various legal matters. It is the opinion of management that these matters do not have a material adverse effect on the Company's consolidated financial statements.

I. Income Taxes

As a limited liability company, the Company has elected partnership status under the Internal Revenue Code for tax purposes and, as such, is not directly subject to federal income taxes and most state income taxes. Instead, the participating members are required to report their respective proportionate shares of taxable income (loss), tax deductions and credits on their respective income tax returns. As a result, no income taxes would be currently due and payable.

The Company has determined that there are no uncertain tax positions to be accounted for in the consolidated financial statements. Any penalties and interest that may be assessed by income tax authorities will be included in operating expenses. The Company is no longer subject to U.S. federal, state and local tax examinations by tax authorities for the years before 2015.

J. Employee Retirement Plans

The Company provides a voluntary 401(k) employee benefit plan, which covers all eligible employees. The Company makes discretionary matching contributions subject to a maximum level, in accordance with the terms of the plan. The Company charged \$363,000 and \$374,000 to expense under the provisions of the plan during the six months ended June 30, 2019 and June 30, 2018, respectively.

K. Related Party Transactions

At June 30, 2019, approximately \$495,000 was due from Members of the Company which was included in the current and long term due from related parties line items on the consolidated balance sheets. At December 31, 2018, approximately \$190,145 was due from Members of the Company of which \$4,145 was included in the accounts receivable line item on the consolidated balance sheet and \$186,000 was included in the long term due from related parties line item on the consolidated balance sheets.

Rent expense for the restaurant buildings for the interim period ended June 30, 2019, and the fiscal period ended June 30, 2018 included approximately \$126,000 and \$103,000, respectively, paid to an unconsolidated related entity under common ownership with certain Members of the Company. The Company previously adopted ASU 2014-07, Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements. Under the accounting guidance, the Company did not consolidate the effects of the common ownership of the related party lease arrangement as a part of the consolidated financial statements. The rent expense of the lease was recorded in the consolidated statements of income. The Company is not exposed to any liabilities held by the related party related to the leased space.

L. Loyalty Program

The Company launched the Off Centered Society (“Society”) in September 2018. The Society allows members to earn points for each purchase completed at the Company’s restaurants, tap room and Inn. The value of the points earned by the Society members is recognized as deferred revenue, which is included in accrued expenses on the consolidated balance sheets, and a reduction in revenue at the time the points are earned, based on the value of points that are projected to be redeemed. The estimate of amount and timing of redemptions is based on industry data. As of June 30, 2019 and December 31, 2018 total deferred revenue totaled approximately \$29,700 and \$17,500, respectively, and was included in the accrued expenses line item on the consolidated balance sheets. The Company does not believe there will be a material change in the future estimates or assumptions of the revenue recognition, which would materially impact the consolidated financial statements.

M. Health Insurance

The Company has a self-insurance program for its employees’ health care costs. The Company is liable for claims up to \$75,000 per covered individual per year. Self-insurance costs are accrued based on claims reported as of the consolidated balance sheet date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$118,000 and \$111,000 as of June 30, 2019 and December 31, 2018, respectively, and was included in the accrued expenses line item on the consolidated balance sheets. Costs resulting from noninsured losses are charged to operating expenses when incurred.

N. Subsequent Events

On May 8, 2019, equity holders of the Company entered into definitive agreements to sell all the equity interests held by certain private entities in the Company and various related operations to The Boston Beer Company, Inc. (“Boston Beer”). The Company closed the transaction on July 3, 2019, for consideration consisting of \$173.0 million in cash and 429,291 shares of Boston Beer restricted Class A Common Stock that had an aggregate market value as of July 3, 2019 of \$163.0 million, after taking into account a post-closing cash related adjustment. The transaction qualified as a business combination with the fair value adjustments being pushed down to the Company on July 3, 2019.

The Company has evaluated subsequent events occurring after the balance sheet date, June 30, 2019, and concluded that there were no other events 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.

The Boston Beer Company, Inc.**UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION**

The following unaudited pro forma combined balance sheet as of June 29, 2019 and unaudited pro forma combined statements of income for the twenty-six weeks ended June 29, 2019 and the fiscal year ended December 29, 2018 are based on the historical financial statements of Boston Beer Company Inc. (“Boston Beer”) and Off-Centered Way LLC and Subsidiaries (“Dogfish Head Brewery”), as adjusted to give effect to the following transaction (the “Transaction”):

On May 8, 2019, Boston Beer entered into definitive agreements to acquire Dogfish Head Brewery and various related operations, through the acquisition of all of the equity interests held by certain private entities in Off-Centered Way LLC, the parent holding company of the Dogfish Head Brewery operations. In accordance with these agreements, Boston Beer made a payment of \$158.4 million, which was placed in escrow pending the satisfaction of certain closing conditions. The Transaction was closed on July 3, 2019, for total consideration of \$336.0 million, consisting of \$173.0 million in cash and 429,291 shares of restricted Class A Common Stock that had an aggregate market value as of July 3, 2019 of \$163.0 million, after taking into account a post-closing cash related adjustment. The fair value of the Transaction is estimated at approximately \$317.7 million.

The unaudited pro forma combined balance sheet gives effect to the Transaction as if it occurred on June 29, 2019, and the unaudited pro forma combined statements of income for the twenty-six ended June 29, 2019 and the year ended December 29, 2018 give effect to the Transaction as if it occurred on December 31, 2017, the first day of Boston Beer’s 2018 fiscal year. Boston Beer’s fiscal year is a fifty-two week or fifty-three week period ending on the last Saturday in December. June 29, 2019 is the last day of Boston Beer’s fiscal second quarter and December 29, 2018 is the last day of Boston Beer’s 2018 fiscal year. Dogfish Head Brewery has historically had a calendar year reporting period and has converted to Boston Beer’s fiscal year effective July 3, 2019.

For pro forma purposes, Boston Beer’s historic results have been presented on a fiscal year basis and have been combined with Dogfish Head Brewery’s results which have been presented on a calendar year basis. The differences between Dogfish Head Brewery’s results as presented on a calendar year basis versus the Boston Beer fiscal calendar are not deemed to be material.

Both Boston Beer’s and Dogfish Head Brewery’s consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The unaudited pro forma combined financial information does not purport to represent what the results of operations or financial position would actually have been had the Transaction occurred on the dates described above or to project the results of operations or financial position for any future date or period. The information does not reflect cost savings, operating synergies or revenue enhancements that may result from the Transaction or the costs to achieve any such potential cost savings, operating synergies or revenue enhancements.

The information reflects Boston Beer’s preliminary estimates of the allocation of the purchase price for Dogfish Head Brewery based upon available information and certain assumptions that Boston Beer believes are reasonable under the circumstances. The primary areas of the preliminary purchase price allocations that are not yet finalized relate to the fair value of property and equipment, intangible assets and goodwill. As indicated in Note 1 to the unaudited pro forma combined financial statements, Boston Beer made preliminary estimates of the fair values in order to prepare the unaudited pro forma combined financial statements, and the excess purchase price over the fair value of the acquired net assets has been recorded as goodwill. The valuations consist of a discounted cash flow analysis or other appropriate valuation techniques to determine the fair value of the assets acquired and liabilities assumed.

Actual results may differ from the unaudited pro forma combined financial statements once Boston Beer has completed the valuations necessary to finalize the allocation of purchase price of the assets acquired and liabilities assumed. Decreases or increases in the fair value of assets acquired or liabilities assumed would result in a corresponding increase or decrease in the amount of goodwill. In addition, if the value of the tangible and intangible assets acquired is higher than the preliminary purchase price allocation, it may result in higher amortization and/or depreciation expense than is presented in these unaudited pro forma combined financial statements.

The unaudited pro forma combined financial information should be read in conjunction with:

- Boston Beer's historical consolidated financial statements and accompanying notes contained in Boston Beer's Annual Report on Form 10-K for its fiscal year ended December 29, 2018, filed with the Securities and Exchange Commission (the "Commission") on February 20, 2019;
- Boston Beer's historical consolidated financial statements and accompanying notes contained in Boston Beer's Quarterly Report on Form 10-Q for its quarter ended June 29, 2019, filed with the Commission on July 25, 2019;
- Dogfish Head Brewery's historical financial statements and accompanying notes for the years ended, December 31, 2018 and 2017, included as Exhibit 99.1 in this amended Current Report on Form 8-K;
- Dogfish Head Brewery's unaudited financial statements and accompanying notes as of and for the six months ended June 30, 2019, included as Exhibit 99.2 in this amended Current Report on Form 8-K; and
- The Agreement filed as Exhibit 2.1 to Boston Beer's Current Report on Form 8-K filed with the Commission on May 9, 2019.

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED BALANCE SHEET

As of June 29, 2019

(in thousands, except share data)

	The Boston Beer Company, Inc.	Off-Centered Way	Merger Pro Forma Adjustments	Notes	Pro Forma
Assets					
Current Assets:					
Cash and cash equivalents	\$ 3,017	\$ 5,758	\$ —		\$ 8,775
Accounts receivable	69,420	9,060	—		78,480
Related party receivable	—	117	—		117
Inventories	80,361	7,667	2,240	a	90,268
Prepaid expenses and other current assets	16,329	848	—		17,177
Income tax receivable	9,629	—	—		9,629
Total current assets	<u>178,756</u>	<u>23,450</u>	<u>2,240</u>		<u>204,446</u>
Property, plant and equipment, net	412,064	89,161	17,721	b	518,946
Operating right-of-use assets	36,779	—	82		36,861
Merger consideration	158,402	—	(158,402)	e	—
Other assets	21,547	378	—		21,925
Intangible Assets	2,099	—	102,300	c	104,399
Goodwill	3,683	—	108,845	d	112,528
Total assets	<u>\$ 813,330</u>	<u>\$ 112,989</u>	<u>\$ 72,786</u>		<u>\$999,105</u>
Liabilities and Stockholders' Equity					
Current Liabilities:					
Accounts payable	\$ 74,906	\$ 3,861	\$ —		\$ 78,767
Accrued expenses and other current liabilities	73,545	4,061	2,036	g	79,642
Line of credit	37,500	2,000	12,591	e	52,091
Current operating lease liabilities	2,315	—	24		2,339
Total current liabilities	<u>188,266</u>	<u>9,922</u>	<u>14,651</u>		<u>212,839</u>
Deferred income taxes, net	55,452	—	18,437	h	73,889
Non-current operating lease liabilities	39,239	—	58		39,297
Other liabilities	7,572	—	—		7,572
Total liabilities	<u>290,529</u>	<u>9,922</u>	<u>33,146</u>		<u>333,597</u>
Stockholders' Equity:					
Members equity		103,067	(103,067)	f	—
Class A Common Stock, \$.01 par value; 22,700,000 shares authorized; 8,655,955 issued and outstanding as of June 29, 2019	87	—	4	f	91
Class B Common Stock, \$.01 par value; 4,200,000 shares authorized; 2,917,983 issued and outstanding as of June 29, 2019	29	—	—		29
Additional paid-in capital	416,602	—	144,738	f	561,340
Accumulated other comprehensive loss, net of tax	(1,155)	—	—		(1,155)
Retained earnings	107,238	—	(2,036)	g	105,202
Total stockholders' equity	<u>522,801</u>	<u>103,067</u>	<u>39,640</u>		<u>665,508</u>
Total liabilities and stockholders' equity	<u>\$ 813,330</u>	<u>\$ 112,989</u>	<u>\$ 72,786</u>		<u>\$999,105</u>

See accompanying notes to unaudited pro forma combined financial information.

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
FOR THE FIFTY-TWO WEEKS ENDED DECEMBER 29, 2018

(in thousands, except per share data)
(unaudited)

	The Boston Beer Company, Inc.	Off-Centered Way	Conforming Adjustments (i)	Subtotal	Merger Pro Forma Adjustments	Notes	Pro Forma
Revenue	\$ 1,057,495	\$ 110,205	\$ —	\$1,167,700	\$ —		\$1,167,700
Less excise taxes	61,846	—	3,854	65,700	—		65,700
Net revenue	995,649	110,205	(3,854)	1,102,000	—		1,102,000
Cost of goods sold	483,406	56,511	(823)	539,094	(1,456)	j	537,638
Gross profit	512,243	53,694	(3,031)	562,906	1,456		564,362
Operating expenses:							
Advertising, promotional and selling expenses	304,853	—	24,183	329,036	219	j	329,255
General and administrative expenses	90,857	—	11,996	102,853	1,122	j, k	103,975
Impairment of assets	652	591	—	1,243	—		1,243
Selling expenses	—	13,937	(13,937)	—	—		—
Operating expenses	—	17,051	(17,051)	—	—		—
Depreciation and amortization expense	—	8,222	(8,222)	—	—		—
Total operating expenses	396,362	39,801	(3,031)	433,132	1,341		434,473
Operating income	115,881	13,893	—	129,774	115		129,889
Other income (expense), net:							
Interest (expense) income, net	1,292	(602)	—	690	(1,965)	m	(1,275)
Other income (expense), net	(887)	—	—	(887)	—		(887)
Total other income (expense), net	405	(602)	—	(197)	(1,965)		(2,162)
Income before income tax provision	116,286	13,291	—	129,577	(1,850)		127,727
Income tax provision	23,623	—	—	23,623	2,929	n	26,552
Net income	\$ 92,663	\$ 13,291	\$ —	\$ 105,954	\$ (4,779)		\$ 101,175
Net income per common share - basic	\$ 7.90	\$ —	\$ —	\$ —	\$ —		\$ 8.40
Net income per common share - diluted	\$ 7.82	\$ —	\$ —	\$ —	\$ —		\$ 8.32
Weighted-average number of common shares - basic	11,622	—	—	—	429	o	12,051
Weighted-average number of common shares - diluted	11,734	—	—	—	429	o	12,163

See accompanying notes to unaudited pro forma combined financial information.

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
FOR THE TWENTY-SIX WEEKS ENDED JUNE 29, 2019

(in thousands, except per share data)
(unaudited)

	The Boston Beer Company, Inc.	Off-Centered Way	Conforming Adjustments (i)	Subtotal	Merger Pro Forma Adjustments	Notes	Pro Forma
Revenue	\$ 606,202	\$ 55,360	\$ —	\$ 661,562	\$ —		\$661,562
Less excise taxes	36,144	—	1,683	37,827	—		37,827
Net revenue	570,058	55,360	(1,683)	623,735	—		623,735
Cost of goods sold	286,516	28,739	(123)	315,132	(826)	j	314,306
Gross profit	283,542	26,621	(1,560)	308,603	826		309,429
Operating expenses:							
Advertising, promotional and selling expenses	165,802	—	13,253	179,055	107	j	179,162
General and administrative expenses	50,122	—	6,034	56,156	(1,100)	j, l	55,056
Impairment of assets	243	31	—	274	—		274
Selling expenses	—	7,161	(7,161)	—	—		—
Operating expenses	—	9,460	(9,460)	—	—		—
Depreciation and amortization expense	—	4,226	(4,226)	—	—		—
Total operating expenses	216,167	20,878	(1,560)	235,485	(993)		234,492
Operating income	67,375	5,743	—	73,118	1,819		74,937
Other income (expense), net:							
Interest (expense) income, net	610	(103)	—	507	(1,144)	m	(637)
Other income (expense), net	(55)	—	—	(55)	—		(55)
Total other income (expense), net	555	(103)	—	452	(1,144)		(692)
Income before income tax provision	67,930	5,640	—	73,570	675		74,245
Income tax provision	16,380	—	—	16,380	1,617	n	17,997
Net income	\$ 51,550	\$ 5,640	\$ —	\$ 57,190	\$ (942)		\$ 56,248
Net income per common share - basic	\$ 4.42	\$ —	\$ —	\$ —	\$ —		\$ 4.69
Net income per common share - diluted	\$ 4.38	\$ —	\$ —	\$ —	\$ —		\$ 4.65
Weighted-average number of common shares - basic	11,545	—	—	—	429	o	11,974
Weighted-average number of common shares - diluted	11,660	—	—	—	429	o	12,089

See accompanying notes to unaudited pro forma combined financial information.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

1. Transaction.

On May 8, 2019, Boston Beer entered into definitive agreements to acquire Dogfish Head Brewery and various related operations through the acquisition of all of the equity interests held by certain private entities in Off-Centered Way LLC, the parent holding company of the Dogfish Head Brewery operations (collectively, the “Transaction”). In accordance with these agreements, Boston Beer made a payment of \$158.4 million, which was placed in escrow pending the satisfaction of certain closing conditions. The Transaction closed on July 3, 2019 (“Closing date”), for a total consideration of \$336.0 million, consisting of \$173.0 million in cash and 427,095 shares of restricted Class A Stock with a market value of \$379.63 per share and 2,196 shares of restricted Class A stock with a market value of \$398.50 per share, for an aggregate market value as of the Closing date of \$163.0 million, after taking into account a post-closing cash related adjustment. The fair value of the Transaction is estimated at approximately \$317.7 million. Boston Beer funded the cash portion of the Transaction price and paid related fees and expenses through cash on hand and borrowings on Boston Beer’s existing line of credit.

The following summarizes the total preliminary purchase price and funding sources (in thousands):

Cash consideration	\$ 172,993
Nominal value of equity issued	162,999
Fair Value reduction due to liquidity	<u>(18,256)</u>
Estimated total purchase price	<u>317,736</u>
Borrowings at closing	42,500
Cash on hand	130,493
Total sources of funds	<u>\$ 172,993</u>
Assets Acquired and Liabilities assumed	
Cash and cash equivalents	\$ 7,476
Accounts receivable	8,081
Inventories	9,286
Prepaid expenses and other current assets	847
Property, plant and equipment	106,964
Goodwill	108,846
Brand	98,500
Other intangible assets	3,800
Other assets	<u>378</u>
Total assets acquired	<u>344,178</u>
Accounts payable	3,861
Accrued expenses and other current liabilities	4,085
Deferred income taxes	18,437
Other liabilities	59
Total liabilities assumed	<u>26,442</u>
Net assets acquired	<u>\$ 317,736</u>

2. Notes to Unaudited Pro Forma Combined Balance Sheet

The pro forma adjustments included in the unaudited combined balance sheet are as follows (in thousands):

- (a) **Inventory.** Represents Dogfish Head Brewery inventory step-up adjustment of \$2.2 million to be amortized over three months.
- (b) **Property and Equipment, net.** Represents net adjustments of \$17.7 million to reflect the preliminary fair value of property and equipment as of June 29, 2019. Property and equipment is expected to be depreciated on a straight-line basis over estimated useful lives that will range from 3 to 20 years. The pro forma adjustment for Property and equipment consisted of the following:

Fair value of property and equipment	\$ 106,882
Elimination of historical property and equipment, net	89,161
Pro forma property and equipment adjustment	17,721

	<u>Fair Value of PP&E Acquired</u>	<u>Estimated Useful Life</u>
Machinery and plant equipment	\$ 70,550	15 years
Buildings and building improvements	31,468	20 years
Land	2,578	N/A
Leasehold Improvements	1,207	10 years
Office equipment and furniture	1,079	3 years
Property and equipment	<u>\$106,882</u>	

- (c) **Other Intangible Assets, net.** Represents the estimated fair value of the Dogfish Head Brewery brand trade name in the amount of \$98.5 million and the estimated fair value of customer relationships in the amount of \$3.8 million. Boston Beer has estimated the Dogfish Head Brewery brand trade name has an indefinite life. The customer relationship intangible asset is expected to be amortized on a straight-line basis over the estimated useful life of 15 years.
- (d) **Goodwill.** Represents the adjustment to record goodwill as a result of the Transaction. The preliminary purchase price paid was allocated to the tangible and intangible assets acquired and liabilities assumed based upon their estimated fair values as of the closing of the Transaction. The excess of the purchase price paid over the estimated fair values of the assets and liabilities assumed has been recorded as goodwill in the amount of \$108.8 million.
- (e) **Line of Credit.** Represents adjustment in borrowings of \$12.6 million required to fund total cash component of the Transaction of \$173.0 million less cash merger consideration that was paid on May 8, 2019 of \$158.4 million. The pro forma total borrowings of \$52.1 million is greater than the actual borrowings at the closing of the Transaction of \$42.5 million due to operating cash received on July 1 and July 2, 2019 that was used to fund the cash component of the Transaction which was paid July 3, 2019. On a pro forma basis Boston Beer has reflected the additional \$9.6 million as additional debt and not as a reduction of cash as the pro forma cash balance of \$8.8 million is deemed to be required for working capital purposes.
- (f) **Equity.** Represents fair value of 429,291 Class A Common shares issued in the Transaction of \$144.7 million and elimination of historical equity of \$103.0 million in Dogfish Head Brewery.
- (g) **Transaction fees.** Represents estimated transaction fees of \$2.0 million consisting of primarily investment banker and legal fees that were not yet incurred as of June 29, 2019.
- (h) **Taxes.** Represents the establishment of a deferred tax liability in the amount of \$18.4 million which is primarily related to the portion of the acquired assets identified that will not be deductible in future periods.

3. Notes to Unaudited Pro Forma Combined Statements of Income

The unaudited pro forma combined statements of income do not include any non-recurring changes. The pro forma adjustments included in the unaudited combined statement of income are as follows (in thousands):

- (i) **Conforming adjustments.** Certain reclassifications have been made to the historical presentation of Dogfish Head Brewery to conform with the financial presentation of Boston Beer, as follows:
- a. Boston Beer recognizes excise taxes within net revenue, while Dogfish Head Brewery recognizes these costs in cost of goods sold. An adjustment was made to conform the presentation of excise taxes to Boston Beer's presentation.
 - b. Boston Beer recognizes freight expense within advertising, promotional and selling expenses, while Dogfish Head Brewery recognizes these costs in cost of goods sold. An adjustment was made to conform the presentation of freight expenses to Boston Beer's presentation.
 - c. Boston Beer classifies certain operating expenses as advertising, promotional and selling expenses and others as general and administrative expenses, which differs from the historical classifications of expenses by Dogfish Head Brewery. An adjustment to reclassify certain operating expenses to advertising, promotional and selling expenses and general and administrative expenses was made to conform the presentation of operating expenses to Boston Beer's presentation.
 - d. Boston Beer allocates depreciation to cost of goods sold, advertising, promotional and selling expense and general and administrative expense, while Dogfish Head Brewery reports depreciation and amortization as one line. An adjustment was made to reclassify depreciation and amortization to cost of goods sold, advertising, promotional and selling expense and general and administrative expense to conform with Boston Beer's presentation.
- (j) **Depreciation and Amortization.** Reflects decreases to depreciation and amortization expense of \$1.5 million and \$0.8 million for the year ended December 29, 2018 and the twenty-six weeks ended June 29, 2019, respectively. Dogfish Head Brewery's tangible and intangible assets were adjusted to fair value at the closing of the Transaction and the reduction in the pro forma expense is reflective of the change in the estimated useful lives of the brewery assets. The adjustments were calculated using the straight-line method over the estimated useful lives discussed in notes b and c in the Notes to the Unaudited Pro Forma Combined Balance Sheet.

	<u>For the year ended December 29, 2018</u>	<u>For the twenty-six weeks ended June 29, 2019</u>
Elimination of historical depreciation and amortization	\$ (8,222)	\$ (4,226)
Intangible asset amortization	253	127
Property and equipment depreciation	6,509	3,254
Pro forma depreciation and amortization	<u>\$ (1,460)</u>	<u>\$ (845)</u>

- (k) **Employment Retention costs.** Represents retention costs of certain employees which vest over a 1-year period from the closing of the Transaction and totals \$1.35 million. For pro forma purposes the related expense has been pushed back to fiscal year 2018.
- (l) **Transaction fees.** Represents transaction fees of \$1.0 million, primarily consisting of legal fees, that were incurred as of June 29, 2019.
- (m) **Interest.** Represents interest on estimated debt of \$42.5 million of debt at closing of the Transaction at an interest rate of approximately 3% which is consistent with Boston Beer's current line of credit. This pro forma adjustment also eliminates historic net interest income of \$690,000 and \$507,000 for the fiscal year ended December 29, 2018 and the twenty-six weeks ended June 29, 2019, respectively.

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- (n) **Taxes.** Represents taxes at a statutory rate of 25.6% on Dogfish Head Brewery Income before tax and the tax impact of adjustments i, j, k, l and m above.
 - (o) **Shares.** Represents the impact on shares for 429,291 Class A Common shares issued in the Transaction.