
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **March 26, 2005**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES AND 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)

MASSACHUSETTS

(State or other jurisdiction of incorporation
or organization)

04-3284048

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

75 Arlington Street, Boston, Massachusetts

(Address of principal executive offices)

02116

(Zip Code)

(617) 368-5000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act.)

Yes

No

Number of shares outstanding of each of the issuer's classes of common stock, as of May 3, 2005:

Class A Common Stock, \$.01 par value

Class B Common Stock, \$.01 par value

(Title of each class)

10,183,833

4,107,355

(Number of shares)

THE BOSTON BEER COMPANY, INC.
FORM 10-Q

QUARTERLY REPORT
MARCH 26, 2005

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THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 26, 2005 <u>(unaudited)</u>	December 25, 2004 <u></u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 38,523	\$ 35,794
Short-term investments	23,900	24,000
Accounts receivable, net of allowance for doubtful accounts of \$597 in 2005 and 2004	10,489	12,826
Inventories	12,755	12,561
Prepaid expenses	1,399	883
Deferred income taxes	1,400	1,474
Other assets	4,644	230
Total current assets	<u>93,110</u>	<u>87,768</u>
Property, plant and equipment, net	18,742	17,222
Other assets	1,060	1,095
Goodwill	1,377	1,377
Total assets	<u>\$ 114,289</u>	<u>\$ 107,462</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 5,964	\$ 9,744
Accrued expenses	22,141	16,494
Total current liabilities	<u>28,105</u>	<u>26,238</u>
Deferred income taxes	1,511	2,085
Other liabilities	768	769
Total liabilities	<u>30,384</u>	<u>29,092</u>
Commitments and Contingencies		
Stockholders' Equity:		
Class A Common Stock, \$.01 par value; 22,700,000 shares authorized; 10,182,663 shares in 2005 and 10,088,869 shares in 2004 issued and outstanding	102	101
Class B Common Stock, \$.01 par value; 4,200,000 shares authorized; 4,107,355 issued and outstanding	41	41
Additional paid-in-capital	67,842	66,157
Unearned compensation	(473)	(280)
Accumulated other comprehensive income	(124)	(203)
Retained earnings	16,517	12,554
Total stockholders' equity	<u>83,905</u>	<u>78,370</u>
Total liabilities and stockholders' equity	<u>\$ 114,289</u>	<u>\$ 107,462</u>

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

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

(in thousands, except per share data)

	Three months ended	
	March 26, 2005 (unaudited)	March 27, 2004 (unaudited)
Revenue	\$ 53,625	\$ 49,307
Less excise taxes	4,916	4,652
Net revenue	48,709	44,655
Cost of sales	18,877	18,073
Gross profit	29,832	26,582
Operating expenses:		
Advertising, promotional and selling expenses	19,808	21,522
General and administrative expenses	4,020	3,209
Total operating expenses	23,828	24,731
Operating income	6,004	1,851
Other income, net:		
Interest income, net	301	200
Other income (expense), net	158	(8)
Total other income, net	459	192
Income before provision for income taxes	6,463	2,043
Provision for income taxes	2,500	772
Net income	\$ 3,963	\$ 1,271
Net income per common share – basic	\$ 0.28	\$ 0.09
Net income per common share – diluted	\$ 0.27	\$ 0.09
Weighted average number of common shares – basic	14,275	14,019
Weighted average number of common shares – diluted	14,698	14,352

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

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three months ended	
	March 26, 2005 (unaudited)	March 27, 2004 (unaudited)
Cash flows from operating activities:		
Net income	\$ 3,963	\$ 1,271
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	980	1,251
Bad debt expense	—	65
Stock option compensation expense	36	22
Tax benefit from stock options exercised	413	309
Changes in assets and liabilities:		
Accounts receivable	2,337	795
Inventory	(194)	(577)
Prepaid expenses	(516)	(322)
Other current assets	(4,141)	1,377
Other assets	—	(114)
Deferred taxes	(422)	(257)
Accounts payable	(3,780)	(51)
Accrued expenses	5,645	(953)
Other long-term liabilities	—	(46)
Net cash from operating activities	<u>4,321</u>	<u>2,770</u>
Cash flows from investing activities:		
Redemption of short-term investments	100	—
Purchases of property, plant and equipment	(2,465)	(862)
Purchases of available-for-sale securities	—	(6,138)
Net cash used in investing activities	<u>(2,365)</u>	<u>(7,000)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	697	1,136
Net proceeds from the sale of investment shares	76	48
Net cash from financing activities	<u>773</u>	<u>1,184</u>
Change in cash and cash equivalents	2,729	(3,046)
Cash and cash equivalents at beginning of period	<u>35,794</u>	<u>27,792</u>
Cash and cash equivalents at end of period	<u>\$ 38,523</u>	<u>\$ 24,746</u>
Supplemental disclosure of cash flow information:		
Income taxes paid	<u>\$ 856</u>	<u>\$ 87</u>

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

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****A. Organization and Basis of Presentation**

The Boston Beer Company, Inc. and its subsidiaries (the "Company") are engaged in the business of brewing and selling malt beverages and cider products throughout the United States and in selected international markets. The accompanying consolidated statement of financial position as of March 26, 2005 and the statement of consolidated operations and consolidated cash flows for the quarters ended March 26, 2005 and March 27, 2004 have been prepared by the Company, without audit, in accordance with U.S. generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required for complete financial statements by U.S. generally accepted accounting principles and should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 25, 2004.

Management's Opinion

In the opinion of the Company's management, the Company's unaudited consolidated financial position as of March 26, 2005 and the results of its consolidated operations and consolidated cash flows for the interim periods ended March 26, 2005 and March 27, 2004, reflect all adjustments (consisting only of normal and recurring adjustments) necessary to present fairly the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

B. Short-Term Investments

Short-term investments as of March 26, 2005 and December 25, 2004 were as follows (in thousands):

Investment Classification	As of March 26, 2005		As of December 25, 2004	
	Fair Market	Unrealized	Fair Market	Unrealized
	Value	Gain/(Loss)	Value	Gain/(Loss)
Trading Securities	\$ 23,900	\$ —	\$ 24,000	\$ —

There were no realized gains or losses recorded during the quarters ended March 26, 2005 and March 27, 2004.

C. Inventories

Inventories, which consist principally of hops, brewing materials and packaging, are stated at the lower of cost, determined on a first-in, first-out (FIFO) basis, or market.

Inventories consist of the following (in thousands):

	March 26, 2005	December 25, 2004
Raw materials, principally hops	\$ 10,675	\$ 10,708
Work in process	750	880
Finished goods	1,330	973
	<u>\$ 12,755</u>	<u>\$ 12,561</u>

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

D. Net Income per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data).

	For the three months ended	
	March 26, 2005	March 27, 2004
Net income	\$ 3,963	\$ 1,271
Shares used in net income per common share – basic	14,275	14,019
Dilutive effect of potential common shares	423	333
Shares used in net income per common share – diluted	14,698	14,352
Net income per common share – basic	\$ 0.28	\$ 0.09
Net income per common share – diluted	\$ 0.27	\$ 0.09

E. Comprehensive Income

Comprehensive income is as follows (in thousands):

	For the three months ended	
	March 26, 2005	March 27, 2004
Net income	\$ 3,963	\$ 1,271
Unrealized loss on available-for-sale securities, net of tax	—	58
Minimum pension liability adjustment, net of tax	79	(69)
Comprehensive income	\$ 4,042	\$ 1,260

F. Commitments and Contingencies*Purchase Commitments*

The Company had outstanding purchase commitments related to advertising contracts of approximately \$9.1 million and \$12.4 million at March 26, 2005 and December 25, 2004, respectively. These purchase commitments reflect amounts that are non-cancelable.

The Company uses certain German Noble Hops in the brewing of its beers. In order to ensure an adequate supply of these unique hops, the Company enters into contracts for the supply of these specific hops from the Company's preferred growing areas. These purchase contracts, which currently extend through crop year 2008, specify both the quantities and prices to which the Company is committed, and help ensure adequate farmer planting for the Company's needs.

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The prices of these contracts are denominated in euros. Hops purchase commitments outstanding at March 26, 2005 totaled \$11.1 million (based on the exchange rate at March 26, 2005), compared to \$11.5 million at December 25, 2004.

G. Common Stock

Stock Compensation Plans

The Company accounts for stock-based compensation using the intrinsic-value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation:

	For the three months ended	
	March 26, 2005	March 27, 2004
Net income, as reported	\$ 3,963	\$ 1,271
Add: Stock-based employee compensation expense reported in net income, net of tax effects	22	14
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(283)	(222)
Pro forma net income	<u>\$ 3,702</u>	<u>\$ 1,063</u>
Earnings per share:		
Basic – as reported	\$ 0.28	\$ 0.09
Basic – pro forma	\$ 0.26	\$ 0.08
Diluted – as reported	\$ 0.27	\$ 0.09
Diluted – pro forma	\$ 0.25	\$ 0.07

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

The following is a discussion of the significant factors affecting the consolidated operating results, financial condition and liquidity and cash flows of the Company for the three-month period ended March 26, 2005 as compared to the three-month period ended March 27, 2004. This discussion should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements of the Company and Notes thereto included in the Company's Form 10-K for the fiscal year ended December 25, 2004.

RESULTS OF OPERATIONS

Boston Beer's flagship product is Samuel Adams Boston Lager®. For purposes of this discussion, Boston Beer's "core brands" include all products sold under the Samuel Adams®, Sam Adams®, Twisted Tea® and HardCore® trademarks. "Core brands" do not include the products brewed at the Cincinnati Brewery under contract arrangements for third parties.

Three Months Ended March 26, 2005 compared to Three Months Ended March 27, 2004

Net revenue. Net revenue increased by \$4.1 million or 9.1% to \$48.7 million for the three months ended March 26, 2005 as compared to the three months ended March 27, 2004. The increase is due to an increase in the volume of Boston Beer's core brands as well as price increases implemented during the first quarter 2005.

Volume. Total shipment volume increased by 6.5% to 0.3 million barrels in the three months ended March 26, 2005 from the same period 2004, due to an increase in Samuel Adams® Brewmaster's Collection, Samuel Adams® Seasonal brands and Twisted Tea®, partially offset by a decrease in shipments of Sam Adams Light® and Samuel Adams Boston Lager®.

Depletions, or wholesaler sales to retail, of core products lagged shipments for the first quarter 2005 by approximately 32,000 barrels. Wholesaler inventory levels at the end of the first quarter 2005 are believed to be higher than inventory levels at the end of the first quarter 2004. The Company expects wholesaler inventory levels to return to normal levels over several months. Orders in hand suggest that shipments for April and May 2005 will be up approximately 1.0% compared to the same period last year. As actual shipments may differ from this estimate, no inferences should be drawn with respect to future periods.

Selling Price. The selling price per barrel increased by 2.5% to \$173.96 per barrel for the quarter ended March 26, 2005 as compared to the same period last year. This increase is due primarily to the price increases implemented in the first quarter 2005 and, to a lesser extent, a shift in the package mix from kegs to bottles.

Gross Profit. Gross profit was 61.2% as a percentage of net revenue or \$106.54 per barrel for the quarter ended March 26, 2005, as compared to 59.5% and \$101.07 for the quarter ended March 27, 2004. This gross profit percentage increase is due to an increase in selling price combined with a decline in cost of goods sold.

Cost of goods sold decreased by \$1.30 per barrel to \$67.42 per barrel for the quarter ended March 26, 2005, as compared to \$68.72 per barrel for the quarter ended March 27, 2004. The decrease is due primarily to favorable manufacturing costs, only partially offset by the shift in package mix from kegs to bottles, and other inflationary cost increases.

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 by \$1.7 million to \$19.8 million or 40.7% of net revenue for the three months ended March 26, 2005, compared to \$21.5 million or 48.2% of net revenue for the three months ended March 27, 2004. The decrease is primarily driven by delayed television advertising spending in the first quarter 2005 as compared to the same period last year, as well as higher expenses in the first quarter 2004 for Sam Adams Light® outdoor and print advertising. The decrease was somewhat offset by higher freight costs in the first quarter 2005 as compared to the first quarter 2004 due to both higher shipment volume and higher freight rates.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

General and Administrative. General and administrative expenses increased by 25.3% or \$0.8 million to \$4.0 million for the quarter ended March 26, 2005 as compared to the same period last year. The increase primarily reflects an increase in salary and benefit costs, and accounting and legal fees.

Total other income, net. Other income increased by \$0.3 million during the quarter ended March 26, 2005 as compared to the quarter ended March 27, 2004. This increase is due to higher interest yields in the investment portfolio and other miscellaneous income.

Provision for income taxes. The Company's effective tax rate increased to approximately 38.7% for the three months ended March 26, 2005 from 37.8% for the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by \$2.7 million to \$38.5 million as of March 26, 2005 from \$35.8 million as of December 25, 2004. For the three months ended March 26, 2005, the increase in cash and cash equivalents was primarily due to cash flows from operating activities, partially offset by cash used for the purchase of property, plant and equipment.

Cash flows from operating activities were \$4.3 million and \$2.8 million for the fiscal quarters ended March 26, 2005 and March 27, 2004, respectively. The increase in cash flows from operating activities during the first quarter 2005 as compared to the prior year was primarily due to an increase in net income and an increase in accounts receivable collections, partially offset by a decrease in accounts payable which is due to timing of payments. The increase in accrued expenses and other current assets are offsetting, which relate primarily to a deposit held from a potential wholesaler.

Cash from financing activities decreased by \$0.4 million to \$0.8 million for the quarter ended March 26, 2005 as compared to the same period last year primarily due to a decline in proceeds from stock options exercised.

The Company did not repurchase any of its shares of outstanding Class A Common stock in the first quarter 2005. As of May 3, 2005, there were \$5.2 million remaining under the \$80 million expenditure authorization by the Board of Directors related to the Stock Repurchase Program.

During the quarter ended March 26, 2005, the Company's cash was primarily invested in high-grade taxable and tax-exempt money market funds and high-grade Municipal Auction Rate Securities with short-term maturities. The objective is to preserve principal, maintain liquidity, optimize return on investment and minimize expenses associated with the selection and management of investment securities.

The Company utilized \$2.5 million for the purchase of capital equipment during the three months ended March 26, 2005 as compared to \$0.9 million during the same period last year. Purchases during the first three months of 2005 consisted of keg and machinery and equipment purchases including equipment related to the brewery expansion project in Cincinnati.

During 2005, the Company plans to spend in the range of \$12.0 million to \$15.0 million on capital expenditures for investment in kegs, production efficiencies and information systems. This estimate includes approximately \$6.5 million that the Company anticipates spending on the expansion project at its Cincinnati Brewery in 2005 and between \$2.5 million and \$4.0 million related to an investment in the Cincinnati Brewery in connection with a production of clear malt base pursuant to a production agreement with Brown-Forman Corporation.

With working capital of \$65.0 million and \$20.0 million in unused credit facilities as of March 26, 2005, the Company believes that its cash flows from operations and existing resources should be sufficient to meet the Company's short-term and long-term operating and capital requirements. The Company's \$20.0 million credit facility expires on March 31, 2007. As of the date of this filing, the Company is not in violation of any of its covenants to the lender under the credit facility and there are no amounts outstanding under the credit facility.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)**THE POTENTIAL IMPACT OF KNOWN FACTS, COMMITMENTS, EVENTS AND UNCERTAINTIES*****Off-balance Sheet Arrangements***

As of March 26, 2005, the Company did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

The following table presents contractual obligations as of March 26, 2005.

(in thousands)	Total	Payments Due by Period			
		Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Advertising Commitments	\$ 9,139	\$ 9,139	\$ —	\$ —	\$ —
Hops Purchase Commitments	11,059	3,990	6,629	440	—
Operating Leases	2,165	1,156	783	226	—
Other Commitments	746	509	237	—	—
Total Contractual Obligations	\$ 23,109	\$ 14,794	\$ 7,649	\$ 666	\$ —

The Company's outstanding purchase commitments related to advertising contracts of approximately \$9.1 million at March 26, 2005 reflect amounts that are non-cancelable.

The Company uses certain German Noble Hops in the brewing of its beers. In order to ensure an adequate supply of these unique hops, the Company enters into contracts for the supply of these specific hops from the Company's preferred growing areas. These purchase contracts, which currently extend through crop year 2008, specify both the quantities and prices to which the Company is committed, and help ensure adequate farmer planting for the Company's needs. The prices of these contracts are denominated in euros. Hops purchase commitments outstanding on March 26, 2005 totaled \$11.1 million (based on the exchange rate at March 26, 2005), compared to \$11.5 million on December 25, 2004 (based on the exchange rate at December 25, 2004).

In the normal course of business, the Company is a party to production agreements with various third party brewing companies for the production of its products. Title to beer products brewed under these contract arrangements remains with the Company throughout the entire production and distribution process. The Company is required to reimburse the supplier for all unused raw materials and beer products on termination of the production agreement. There were approximately \$2.2 million of raw materials and beer products in process at the contract brewers for which the Company was liable as of March 26, 2005.

Additionally, the Company is obligated to meet annual volume requirements in conjunction with certain production agreements. The fees associated with these minimum volume requirements are generally not significant and are expensed as incurred.

The Company's agreements with its contract breweries periodically require the Company to purchase fixed assets in support of brewery operations. Capital projects will customarily be initiated when necessitated by a change in the Company's brewing strategy or changes to existing production arrangements or when the Company enters into new production relationships or introduces new products.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us 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. Changes in estimates are recorded in the period in which they become known. We base our estimates on

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if past experience or other assumptions do not turn out to be substantially accurate.

Inventory Reserves

The excess hops inventory reserve accounts for a significant portion of the inventory obsolescence reserve. The Company uses certain noble hops grown in Germany, for which it enters forward contracts to ensure adequate numbers of farmers in its preferred growing regions are planting and maintaining the proper quality hopvines. 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 forecasted usage requirements. Hop quality deteriorates with prolonged periods of storage and the Company discards or sells hops that no longer meet its specifications. The computation of the excess hop inventory and purchase commitment reserve is based on the age of the hops on-hand and requires management to make certain assumptions regarding future sales growth, product mix, cancellation costs, and supply, among others. The Company will continue to manage hop inventory and contract levels as necessary to attempt to ensure that it has access to the best hops each year. The current inventory and contract levels are deemed adequate, based upon foreseeable future brewing requirements. Actual hops usage and needs may differ materially from management's estimates.

Promotional Activities Accrual

Throughout the year, the Company's sales force engages in numerous promotional activities. 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.

Distributor Promotional Discount Allowance

The Company enters into promotional discount agreements with its various wholesalers for certain periods of time. The agreed-upon discount rates are applied to the wholesalers' sales to retailers in order to determine the total discounted amount. The computation of the discount accrual requires that management make certain estimates and assumptions that affect the reported amounts of related assets at the date of the financial statements and the reported amounts of revenue during the reporting period. Actual promotional discounts owed and paid could differ from the estimated accrual.

Stale Beer Accrual

In certain circumstances and with the Company's approval, the Company accepts and destroys stale beer that is returned by distributors. For several years, the Company has credited 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 establishes an accrual based upon two factors. The first factor considers actual prior months' return expense, which is applied to an estimated lag time for receipt of product and the processing of the credit to the distributor by the Company. The second factor is the Company's knowledge of specific return transactions. The actual stale beer expense incurred by the Company could differ from the estimated accrual.

Allowance for Deposits/First Fill Kegs

The Company purchases kegs from vendors and records these assets in property, plant and equipment. When the kegs are shipped to the distributors, a keg deposit is collected. This deposit is refunded to the distributors upon return of the kegs to the Company. The first fill allowance for deposits, a current liability, is estimated based on historical information and this computation requires that management make certain estimates and assumptions that affect the reported amounts of keg deposit liabilities at the date of the financial statements and the reported amounts of revenue during the reporting period. Actual keg deposit liability could differ from the estimates.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* ("SFAS No. 123R"). This Statement is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related implementation guidance. SFAS No. 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. The Statement requires entities to recognize stock compensation

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

expense for awards of equity instruments to employees based on the grant-date fair value of those awards (with limited exceptions).

In April 2005, the Securities and Exchange Commission ("the Commission") amended the compliance dates for SFAS No. 123R. Under SFAS No. 123R, registrants would have been required to implement the standard as of the beginning of the first interim or annual period that begins after June 15, 2005, or after December 15, 2005 for small business issuers. The Commission's new rule allows companies to implement SFAS No. 123R at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005, or December 15, 2005 for small business issuers. The Company intends to adopt SFAS No. 123R in fiscal year 2006. The Company is in the process of evaluating the impact of this pronouncement on its consolidated financial position, operations and cash flows.

In November 2004, the FASB issued Statement No. 151, *Inventory Costs*, an amendment of ARB No. 43, Chapter 4. Statement 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. Statement 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not believe adoption of Statement 151 will have a material effect on its consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued Statement No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29*. Statement No. 153 addresses the measurement of exchanges of nonmonetary assets and redefines the scope of transactions that should be measured based on the fair value of the assets exchanged. Statement No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not believe adoption of Statement No. 153 will have a material effect on its consolidated financial position, results of operations or cash flows.

FORWARD-LOOKING STATEMENTS

In this Form 10-Q 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," "intend," "designed," "plan" 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 events or circumstances after the date factor that may emerge, 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-looking statements, involve risks and uncertainties that could cause actual results to differ materially from those projected or unanticipated. Such risks and uncertainties include the factors set forth below in addition to the other information set forth in this Form 10-Q.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Since March 26, 2005, there have been no significant changes in the Company's exposures to interest rate or foreign currency rate fluctuations. The Company currently does not enter into derivatives or other market risk sensitive instruments for the purpose of hedging or for trading purposes.

Item 4. CONTROLS AND PROCEDURES

As of March 26, 2005, the Company conducted an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer (its principal executive officer and principal financial officer, respectively) regarding the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities.

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There was no change in the Company's internal control over financial reporting that occurred during the quarter ended March 26, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company, along with numerous other alcohol beverage producers, has been named as a defendant in number of class action law suits in several states relating to advertising practices and underage consumption. Each complaint contains substantially the same allegations that each defendant marketed its products to underage consumers and seeks an injunction and unspecified money damages on behalf of a class of parents and guardians. The Company intends to defend this litigation vigorously. All of these actions are in their earliest stages and it is not possible at this time to determine their likely impact on the Company.

In November 2004, Royal Insurance Company of America and its affiliate ("RICA"), the Company's liability insurer during most of the period covered by the above-referenced complaints, filed a complaint for declaratory judgment in Ohio seeking the court's declaration that RICA owes no duty to defend or indemnify the Company in the underlying actions filed in Ohio. While the Company believes it is entitled to reimbursement of its defense costs and indemnification, it is not able to predict at this time the ultimate outcome of this dispute.

In February 2005, the Company filed a Demand for Arbitration seeking declaratory rulings relating to a contract dispute with two of its wholesalers, who have responded with various counterclaims against the Company. In addition, the respondents have stated that they intend to name the Company and its founder, C. James Koch, in additional litigation. While it is too early to anticipate the likely outcome of these proceedings or their net impact on the Company, the Company does not currently expect these matters to have a materially adverse effect on the Company's business or operating results.

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

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Registrant made no purchases of Class A Common Stock during the period ended March 26, 2005.

The Company's Board of Directors has authorized an aggregate expenditure limitation of \$80.0 million for the repurchase of the Company's Class A Common Stock under a stock repurchase program. During the first quarter 2005, the Company did not purchase any of its outstanding stock under the Stock Repurchase Program and, as of March 26, 2005, \$5.2 million of the authorization remained in the program. From the inception of the Stock Repurchase Program through May 3, 2005, the Company has repurchased a total of 7.1 million shares of Class A Common Stock for an aggregate purchase price of \$74.8 million.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable

Item 5. OTHER INFORMATION

Not Applicable

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Item 6. EXHIBITS

<u>Exhibit No.</u>	<u>Title</u>
*+10.47	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.
11.1	The information required by Exhibit 11 has been included in Note D of the notes to the consolidated financial statements.
*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

* Filed with this report

+ Portions of this exhibit have been omitted pursuant to an application for an order declaring confidential treatment filed with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

THE BOSTON BEER COMPANY, INC.
(Registrant)

Date: May 5, 2005

By: /s/ Martin F. Roper

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

Date: May 5, 2005

By: /s/ William F. Urich

William F. Urich
Treasurer and Chief Financial Officer
(principal accounting and financial officer)

[*] DENOTES EXPURGATED INFORMATION

PRODUCTION AGREEMENT
BETWEEN
SAMUEL ADAMS BREWERY COMPANY, LTD.
AND
BROWN-FORMAN DISTILLERY COMPANY

THIS AGREEMENT ("Agreement"), effective as of the 11th day of April, 2005 (the "Effective Date"), by and between Samuel Adams Brewery Company, Ltd., an Ohio limited liability company with a principal place of business at 1625 Central Parkway, Cincinnati, OH 45214 ("SABC"), and Brown-Forman Distillery Company, a division of Brown-Forman Corporation, a Delaware corporation with a principal place of business at 850 Dixie Highway, Louisville, KY 40210 ("Brown-Forman").

WHEREAS, SABC has the capacity to provide fermented malt liquid for use as a base in the production of a clear malt base;

WHEREAS, Brown-Forman has a design for technology to "cleanse" such liquid to create a clear malt base; and

WHEREAS, the parties wish to enter into an arrangement whereby SABC will provide the fermented malt liquid for processing using Brown-Forman's technology to produce clear malt base for use by SABC and for sale to Brown-Forman;

ACCORDINGLY, for and in consideration of the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

1. SCOPE OF AGREEMENT; COMMITTED CAPACITY.

(a) COMMITMENT. During the Term of this Agreement, upon the purchase and installation at the Brewery of the ISEP and the fermentation and storage tanks required to meet the Production Capacity as set forth in Section 8 of this Agreement, SABC will ferment and process Product at the Brewery and will sell and ship in bulk container trucks Base2 to Brown-Forman; and Brown-Forman will purchase Base2 from SABC, all in accordance with and subject to the terms and conditions set forth herein.

(b) DEFINITIONS. For purposes of the Agreement, the following terms shall have the respective meanings ascribed to them:

"BARREL" means 31 U.S. gallons (3,968 ounces).

"BASE1" means fermented liquid malt beverage developed by SABC designed to be used with ISEP.

"BASE2" means clear malt beverage resulting from the processing of Base1 through ISEP.

"BREWERY" means SABC's brewery located in Cincinnati, Ohio.

"FERMENTING CAPACITY" means the number of tanks used for fermenting Base1 necessary to meet the Base2 production requirements of Brown-Forman.

"FERMENTING INGREDIENTS" means all materials, ingredients and processing aids needed for the production of Base1.

[*] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

"INCREMENTAL EFFLUENT COSTS" means the cost to SABC of processing effluent resulting from production of Base2 from Base 1.

"ISEP" means equipment that contains the malt beverage cleaning technology developed by Brown-Forman.

"ISEP MATERIALS" means all materials, ingredients, re-agents and processing aids needed for the operation of ISEP and the production of Base2.

"ISEP OPERATING COSTS" means all direct costs associated with the operation and running of ISEP, including energy costs, direct operating labor and labor overhead, maintenance and repair costs, and regeneration costs of ISP re-agents.

"PRODUCT" means the Base2 produced for Brown-Forman.

"PRODUCTION CAPACITY" means the monthly functional output capacity of ISEP on a 156 hour per week schedule.

"STORAGE CAPACITY" means the number of tanks used to receive and hold Base2 necessary to meet the Base2 production requirements of Brown-Forman.

(c) COMMITTED CAPACITY. Upon the purchase and installation of the equipment in accordance with Section 8 of this Agreement, SABC shall provide Brown-Forman [*] of Production Capacity. The Parties shall use their best efforts to share the allocation of the Production Capacity in order to meet the seasonal demands of both parties.

(d) CHANGE IN LOCATION. SABC may, at its sole option, meet its production obligations hereunder at another brewery owned by SABC or by an affiliate, except that Brown Forman's net delivered cost from the new facility shall be no higher than if the Base2 had been supplied from the Brewery in Cincinnati. SABC shall bear all costs of movement of the equipment necessary to produce Base2, including the ISEP, and shall reimburse Brown-Forman for its incremental shipping costs from the new location, if any. SABC shall use commercially reasonable efforts to ensure that there is no material disruption in production of Base2 as a result of such change in location.

2. PRICE AND MANNER OF PAYMENT.

(a) Except as otherwise provided in this Agreement, Brown-Forman shall purchase the Product from SABC for an amount (the "Price") equal to [*] per Barrel. In addition, Brown-Forman will pay for [*] used for the production of the volume of Base1 required to produce the volume of Base2 ordered by Brown-Forman. Further, Brown-Forman will pay for [*], except that Brown-Forman will not be responsible for costs associated with production losses that are not normal and customary for production of this nature. [*] will be purchased by SABC and billed to Brown-Forman [*].

(b) Prices are F.O.B. the carrier's trucks at the Brewery's docks (i.e., the Price includes the cost and risk of loading trucks at SABC's dock).

(c) On the date the Product is shipped, SABC will invoice Brown-Forman for the Price and all federal, state and local excise taxes attributable to the Product that are paid by SABC. SABC will invoice Brown-Forman for [*] incurred by SABC in the production of the Product ordered by Brown-Forman [*] when the Product is shipped (with monthly reconciliation to reflect SABC's actual cost). SABC may, upon at least ten (10) days prior written notice, adjust [*]. All invoices will be sent to Brown-Forman electronically and Brown-Forman will pay [*] by electronic funds transfer all timely invoices that relate to shipments of the Product made by SABC during the previous week.

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(d) SABC may designate an affiliate organization to process invoicing and receive such payments.

3. TERM.

The Initial Term of this Agreement shall commence on the Effective Date and, absent earlier termination pursuant to Section 9 hereof, it shall expire on [*]. [*] Notice of intent to not renew this Agreement after the Initial Term shall be provided as set forth in Section 9(c).

4. MINIMUM ORDERS.

(a) ANNUAL FORECASTS. Upon the execution of this Agreement and on or before each October 1 thereafter during the term of the Agreement, Brown-Forman shall provide SABC with a forecast for its aggregate volume requirements by month for the following calendar year (the "Annual Forecast"). The Annual Forecast for calendar year 2005 is attached as SCHEDULE 1 hereto. The Annual Forecast may not, without the approval of SABC, include any month where the volume exceeds [*] of the Production Capacity.

(b) PRODUCTION PLAN. On a weekly basis, Brown-Forman shall provide SABC with a 12-week Production Plan for the Product (the "Production Plan"). The Production Plan shall be a rolling 12-week schedule setting forth requirements for the Product for each week during the twelve (12) weeks covered by the Production Plan. All requirements for the Product during the first six (6) weeks of the Production Plan shall constitute firm orders by Brown-Forman. All requirements for the Product during the remaining six weeks of the Production Plan shall be a forecast of Brown-Forman's best estimate of requirements for the Product and shall be used by SABC for capacity planning purposes. Brown-Forman shall update the Production Plan each week by providing its best estimate of requirements for the twelfth week and by revising the schedule for brewing and packaging requirements in the seventh through eleventh weeks of the Production Plan. The batch size that Brown-Forman shall utilize in the Production Plan shall be SABC's maximum batch based on the size of the tanks in the Fermenting Capacity and Storage Capacity. SABC will have no obligation to accept a Production Plan that exceeds [*] of the Production Capacity nor that exceeds the capacity of the Fermenting Capacity or the Storage Capacity.

(c) SHIPPING SCHEDULE. Brown-Forman shall place all orders for the Product by the fifth business day of each month (the "Shipping Schedule"). The Shipping Schedule shall set forth the quantity of the Product and the day and week in which each order shall be shipped in the following month. If the Shipping Schedule is not sufficient to allow the Storage Capacity or Fermentation Capacity to be emptied in a timely manner, SABC shall not be required to produce the Production Forecast for Brown-Forman, until sufficient orders are placed and shipped and Fermenting Capacity and Storage Capacity become available. SABC will provide notice to Brown Forman prior to the cessation of production for this reason.

(d) MINIMUM PURCHASE REQUIREMENT.

(i) [*].

(ii) [*].

5. RISK OF LOSS.

Brown-Forman shall have sole responsibility for selecting carriers and making all arrangements for shipment of the Product from the Brewery, except that SABC shall be responsible for the actual scheduling of the carriers on a

day-to-day basis. Brown-Forman shall be responsible for any

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costs associated with its carrier failing to meet SABC's pick-up time guidelines. Brown-Forman shall pay for all costs associated with shipment of the Product from the Brewery. SABC and Brown-Forman each acknowledge and agree that, consistent with the F.O.B. pricing terms, the risk of loss in loading the carrier's trucks shall be borne by SABC. However, the carrier's driver shall have the right to inspect each shipment for damage prior to leaving the loading dock and, accordingly, Brown Forman shall bear the risk of loss on any shipment of Product once the carrier's truck leaves the loading dock.

6. BREWERY OF RECORD

(a) SABC shall provide all Product produced hereunder under such trade name(s) specified by Brown-Forman as the Brewery of Record, provided that Brown-Forman secure and maintain such permits, licenses, approvals and the like required by any federal, state or local governmental agency with respect related to such production. SABC shall work cooperatively with Brown-Forman to secure such permits and licenses, and Brown-Forman shall reimburse SABC promptly for any out-of-pocket costs, including, without limitation, legal expenses, incurred in connection therewith.

(b) SABC and Brown-Forman shall maintain an alternating proprietorship whereby the Product is produced at the Brewery under a Brewer's Notice for such premises issued to Brown-Forman. SABC shall maintain separate records for the Product produced under the Brown-Forman alternating proprietorship and shall provide Brown-Forman in a timely manner with such information and documentation as may be required by Brown-Forman so that it can file monthly reports and federal excise tax returns in a timely manner. Brown-Forman will pay SABC its out-of-pocket costs, including, without limitation legal expenses, incurred in connection with maintaining the Brown-Forman alternating proprietorship.

7. FORCE MAJEURE.

(a) Neither party shall be liable for failure to perform any obligation of this Agreement which may arise as a result of any present or future statute, law, ordinance, regulation, order, judgment or decree, failure to obtain required permits, licenses or approvals, any weather related or natural disaster, explosion, lockout, boycott, strike, riot, war or similar occurrence. Notwithstanding the foregoing, Brown-Forman's obligation to make payments to SABC for capital investments made by SABC under Section 8 and Section 9(a) below prior to a force majeure event shall be unaffected by the force majeure event and remain in full force and effect.

(b) The party claiming to be so affected shall promptly give notice to the other party after it learns of the occurrence of said event and any delay or failure shall not be excused unless such notice is given.

8. CAPITAL INVESTMENTS, EXPANSIONS AND MODIFICATIONS.

(a) ISEP Investments. Within [*] after the Effective Date, SABC will initiate the purchase and installation of the ISEP at the Brewery with a rated Production Capacity of at least [*]. Brown-Forman shall reimburse SABC for [*] of the such amount paid by SABC for such purchase and installation, plus interest at the annual rate of [*]. Brown-Forman shall pay SABC such amount in [*] equal installments on or before [*] of each of the first [*] years of the Initial Term, except that the first installment shall be due and payable on the initial commissioning of ISEP. Brown-Forman may prepay the amount owed pursuant to this Section 8(a) without penalty. [*].

(b) Fermentation and Storage Tanks. SABC shall purchase and install such fermentation and storage tanks, process piping and related equipment that shall be required to produce the Product to be purchased by Brown-Forman as more fully set forth on Schedule 3 attached hereto

[*] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

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(the Fermentation Capacity and Storage Capacity). Brown-Forman shall reimburse SABC for [*] such amount paid by SABC for such purchase and installation, plus interest at the annual rate of [*]. Brown-Forman shall pay SABC such amount in [*] equal installments on or before [*] of each of the first [*] years of the Initial Term, except that the first installment shall be due and payable on the initial commissioning of ISEP. Brown-Forman may prepay the amount owed pursuant to this Section 8(b) without penalty. [*]. Such reimbursement for fermentation and storage tanks is to provide adequate capacity at the Brewery to meet the production requirements to fulfill Brown-Forman orders, but does not give Brown-Forman any ownership rights or control over the use of such tanks.

(c) Brown-Forman shall reimburse SABC for any modifications it must make to the Brewery or its equipment necessary for the safe loading of Base2 on to tanker trucks for shipment. Such payment shall be made within thirty (30) days of receipt of an invoice therefore from SABC. Brown-Forman may prepay the amount owed pursuant to this Section 8(b) without penalty.

(d) SCHEDULE 2 attached hereto sets forth the anticipated costs for the equipment and brewery modifications described in subsections (a), (b) and (c) above and is hereby incorporated herein by this reference.

(e) Either party may, at its own expense, expand the Production Capacity of ISEP and, unless otherwise mutually agreed to, the party funding the expansion shall have the sole right to the additional Production Capacity resulting from such additional investment during the term of this Agreement.

(f) The parties anticipate the ISEP may from time to time, require upgrades and modifications to remain in good working order. The parties shall work together in good faith to consult on and agree to such investments and shall divide the costs of such upgrades and modifications equally, unless otherwise agreed to in writing prior to making the investment.

(g) Except as otherwise provided to the contrary in Section 9(c)(i), SABC in all events shall retain all right, title and interest in and to the equipment purchased and brewery modifications made pursuant to this Section 8.

9. TERMINATION.

(a) During the Initial Term, Brown-Forman may terminate this Agreement at any time effective no less than [*] after delivery of written notice to SABC. If the effective date of such termination is on or prior to [*], Brown-Forman will pay to SABC on or before the termination effective date the remaining balance due to SABC under Section 8 above and shall have no rights of recoupment with respect to any moneys paid prior to such termination date. Upon such termination effective date, SABC will have the right to all of the Production Capacity.

(b) SABC may not terminate the Agreement effective prior to

[*] except in the event of a Brown-Forman default as set forth in subsections (d) or (e) below.

(c) Either party may terminate this Agreement [*] prior written notice, such notice to be effective no earlier than [*].

(i) If SABC terminates this Agreement under this subsection (c), it will, at Brown-Forman's request, assign all right, title and interest in and to the ISEP to Brown-Forman for no additional consideration. SABC will decommission, remove, make ready for and load onto trucks the ISEP from the Brewery and make it available for pick-up by Brown-Forman. SABC, at its option, may purchase from Brown-Forman some or all of the fermentation and storage tanks paid for by Brown-Forman at the net book value

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thereof based on a [*] straight line depreciation. SABC, at Brown-Forman's request, shall make those tanks not purchased so by SABC available for pick-up by Brown-Forman at the Brewery.

(ii) If Brown-Forman terminates this Agreement under this subsection (c) above, SABC, at its option, may retain any or all of the equipment paid for by Brown-Forman pursuant to this Agreement, including its investments made in the ISEP and fermentation and storage tanks as set forth in Section 8 above, and Brown-Forman would no longer have any rights to Production Capacity. If, at such time, the ISEP technology is proprietary to Brown-Forman, Brown-Forman shall grant an unlimited, non-exclusive license to SABC for the use of the ISEP in accordance with the terms and conditions of this Agreement at no cost to SABC. If such technology is not deemed to be proprietary to Brown-Forman, Brown-Forman shall not interfere with SABC's use of the ISEP in accordance with the terms and conditions of this Agreement and shall relinquish any claims that it may have to the ISEP.

(d) In the event that Brown-Forman fails to meet its Minimum Purchase Requirement as set forth in Section 4(d)(ii) above, SABC may terminate this Agreement upon [*] prior written notice, and, at its option, may retain any or all of the equipment paid for by Brown-Forman pursuant to this Agreement, including its investments made in the ISEP and fermentation and storage tanks as set forth in Section 8 above, and Brown-Forman would no longer have any rights to Production Capacity. If, at such time, the ISEP technology is proprietary to Brown-Forman, Brown-Forman shall grant an unlimited, non-exclusive license to SABC for the use of the ISEP in accordance with the terms and conditions of this Agreement at no cost to SABC. If such technology is not deemed to be proprietary to Brown-Forman, Brown-Forman shall not interfere with SABC's use of the ISEP in accordance with the terms and conditions of this Agreement and shall relinquish any claims that it may have to the ISEP.

(e) In addition to exercising its rights under Section 22 hereof, either party may terminate this Agreement effective immediately upon written notice to the other party in the event that the other party is in default of any of its payment obligations under this Agreement which default continues for a period of [*] following receipt of written notice of such default or (ii) of any of its other obligations under this Agreement [*] after receipt of notice of default to correct the breach, except that if the defaulting party can demonstrate its continuing best efforts to cure such breach, it shall then have up to [*] to do so.

(f) Either party may terminate this Agreement effective immediately upon written notice to the other Party in the event that: (i) the other party makes an assignment for the benefit of creditors or files a voluntary bankruptcy, insolvency, reorganization or similar petition

seeking protection from creditors; (ii) the other party fails to vacate any involuntary bankruptcy, insolvency or reorganization petition filed against such party within sixty (60) days after the filing of such petition; or (iii) the other party liquidates, dissolves or ceases to do business as a going concern.

(g) Upon termination of this Agreement pursuant to this Section 9, Brown-Forman shall promptly pay to SABC all unpaid invoices in full and all unpaid costs incurred by SABC pursuant to this Agreement.

10. AGENCY AND INDEMNIFICATION.

(a) SABC and Brown-Forman understand and agree that neither party, by virtue of this Agreement or anything contained herein, including SABC affixing to any Product and/or registering the name of "Brown-Forman Distillery Company" or any other Brown-Forman trade name, is constituted or appointed the agent of the other party for any purpose whatsoever, nor shall anything herein contained be deemed or construed as granting Brown-Forman or SABC any right or authority to assume or to create any obligation or responsibility, express or implied, for or on behalf of or in the name of the other, or to bind the other in any manner or way whatsoever.

[*] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

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(b) Brown-Forman shall indemnify and hold harmless SABC from and against any and all claims, expenses, causes of action or liabilities of any nature whatsoever (collectively, "Damages"), to the extent that Damages arise solely from the independent conduct of Brown-Forman; provided that Damages shall not include any loss, liability, cost or expense incurred by SABC as a consequence of the exercise by Brown-Forman of any rights under this Agreement.

(c) SABC shall indemnify and hold harmless Brown-Forman from and against any and all claims, expenses, causes of action or liabilities of any nature whatsoever (collectively, "Damages"), to the extent that Damages arise solely from the independent conduct of SABC; provided that Damages shall not include any loss, liability, cost or expense incurred by Brown-Forman as a consequence of the exercise by SABC of any of its rights under this Agreement.

(d) Except as otherwise provided in subsections (b) and (c) above and Section 11 below, neither party shall have any obligation to indemnify the other with respect to any action or claim that may arise out of or relate to the performance by the respective party under this Agreement.

11. PRODUCT LIABILITY.

(a) SABC and Brown-Forman shall each maintain product liability insurance coverage in the respective amount of not less than [*] per occurrence and [*] combined single limit, and in the amount of not less than [*] combined single limit in the aggregate relating to the Product produced by SABC for Brown-Forman hereunder. Each such policy shall be non-cancelable and non-amendable with respect to the other party without at least thirty (30) days' prior notice to the other party and each party shall provide at least annually a Certificate of Insurance evidencing such coverage.

(b) SABC shall indemnify and hold harmless Brown-Forman and all of its affiliates from and against any and all loss, liability, cost or expense of any nature whatsoever, including reasonable attorney's fees

(collectively, "Product Liability Damages"), arising out of or associated with the manufacture of the Product by SABC, regardless of when manufactured, and whether under this Agreement or otherwise, except to the extent that (i) Product Liability Damages were caused by improper storage, handling or alteration of the Product after delivery to Brown-Forman, (ii) Product Liability Damages are based on or result from a claim that the Product is inherently defective, or (iii) Product Liability Damages were caused by the ISEP, ISEP Materials, specifications, formulas, standards, processes or quality control programs specified by Brown-Forman.

(c) Brown-Forman shall indemnify and hold harmless SABC and all of its affiliates from and against any and all Product Liability Damages to the extent arising out of the causes excepted from SABC's duty to indemnify Brown-Forman under clauses (i), (ii) and (iii) of subsection (b) of this Section 11.

(d) Notwithstanding the provisions of subsections (b) and (c) of Section 12, in no event shall either party be liable to indemnify the other Party for consequential and/or punitive damages suffered by the other in an amount greater than [*].

12. RECIPE AND QUALITY

(a) SABC shall produce the Product in accordance with the specifications to be provided by Brown-Forman no later than [*] and approved by SABC and in compliance with federal, state and local laws and regulations applicable to the Product. Brown-Forman shall have the right to change specifications upon reasonable prior written notice, provided that the cost of any such change shall be borne by Brown-Forman and, provided further, that the specified ISEP Materials are readily available in the necessary timeframe.

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(b) The Product shall be produced and shipped according to Brown-Forman's specifications. SABC shall take two samples of each batch of Product prior to loading the shipment onto trucks and shall properly identify and store such sample at the Brewery and send the other sample with the shipment to Brown-Forman. Brown-Forman shall have the right to inspect such sample upon final delivery at Brown-Forman's facilities and reject such Product if the sample does not meet Brown-Forman's specifications, provided that the failure to meet such specifications is not the result of mishandling or an event that may have occurred subsequent to the sample being loaded on Brown-Forman's trucks.

13. COMPETING PRODUCTS.

(a) [*].

(b) [*].

(c) [*].

(d) The parties agree to work in good faith to resolve issues that may arise from time to time relating to the Production Capacity allocation or other provisions of this Agreement to seek mutually beneficial solutions thereof.

14. RIGHTS OF OFFSET.

The parties acknowledge and agree that, to the extent a party is at any time owed money by the other party that is either immediately due and

payable or is overdue, such party may set off such amount against any monies owed by such party from time to time to such other party, said set-off to be accomplished by written notice to such other party effective upon being sent.

15. LIMITATION PERIOD ON CLAIMS.

All claims hereunder must be brought no later than [*] after such claims arose or the party having such claim shall be deemed to have waived and forever released it; provided that for this purpose, a claim will be deemed to have arisen at the time the party asserting the claim first became aware of it.

16. NOTICES.

All notices required herein shall be given by registered airmail, return receipt requested, or by overnight courier service, in both cases with a copy also sent by telecopier or email, to the following addresses (unless change thereof has previously been given to the arty giving the notice) and shall be deemed effective when received:

If to Brown-Forman: Theodore S. Lioutas, V.P. R&D and
Alan Blake, GM Louisville Production Operations
Brown-Forman Corporation
850 Dixie Highway
Louisville, KY. 49210
(502) 774-7377
theo_lioutas@b-f.com
alan_blake@b-f.com

[*] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

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with a copy to: General Counsel
Brown-Forman Corporation
850 Dixie Highway
Louisville, KY. 49210
(502) 774-7963

If to SABC: Jeffrey D. White, COO, and
Martin F. Roper, President and CEO
The Boston Beer Company
75 Arlington Street
Boston, MA 02116
Fax: (617) 368-5553
martin.roper@bostonbeer.com
jeff.white@bostonbeer.com

with a copy to: Frederick H. Grein, Jr., Esq.
Nixon Peabody LLP
100 Summer Street
Boston, Massachusetts 02110
Fax: (866) 369-4741
fgrein@nixonpeabody.com

17. SUCCESSORS AND ASSIGNS.

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties, but shall not be assigned by any party without the prior written consent of the other Party, which consent will not be unreasonably withheld. No failure of a party to consent to a proposed assignment of this Agreement by the other party shall be deemed unreasonable if such party believes in good faith that the proposed

assignee is not capable of performing the financial or production obligations of the party proposing to assign this Agreement. Transfer of ownership to a parent, subsidiary or affiliate of a party shall not be deemed an assignment under this Section 17. Assignment of this Agreement shall not relieve the assigning Party of its financial obligations hereunder, including its indemnification obligations, if an assignee defaults in the performance of its assigned obligations.

18. GOVERNING LAW.

This Agreement shall be interpreted and construed in accordance with the laws of the State of Ohio.

19. EXECUTION IN COUNTERPARTS.

This Agreement may be executed in one or more counterparts each of which shall be deemed to be an original but all of which together shall constitute one and the same document.

20. AMENDMENTS.

No amendment, change or modification of any of the terms, provisions or conditions of this Agreement shall be effective unless made in writing and signed or initialed on behalf of the Parties hereto by their duly authorized representatives.

[*] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

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21. NO THIRD PARTY BENEFICIARIES.

SABC and Brown-Forman agree that this Agreement is solely for their benefit and it does not nor is it intended to create any rights in favor of, or obligations owing to, any person not a Party to this Agreement.

22. ARBITRATION.

Any controversy or claim arising out of or relating to this Agreement, or the breach hereof, with the exception of any claim for a temporary restraining order or preliminary or permanent injunctive relief to enjoin any breach or threatened breach hereof, shall be settled by binding arbitration to be conducted by the American Arbitration Association ("AAA") in New York City in accordance with the Optional Procedures for Large Complex Commercial Disputes (the "Complex Procedures"), and to the extent any such matter is not addressed by the Complex Procedures, in accordance with the Commercial Arbitration Rules of applying the laws of New York. The parties agree that (i) such arbitration shall be conducted by a panel of three arbitrators experienced in commercial controversies, (ii) discovery shall not be permitted except as pursuant to the Complex Procedures, or where applicable the Commercial Arbitration Rules off AAA, and (iii) no punitive or exemplary damages shall be awarded. The parties also agree that the parties' respective rights to terminate this Agreement in the event of a breach by the other party of its obligations thereunder shall be suspended pending the resolution of any dispute with respect to the asserted breach, and each party shall continue to perform its obligations under this Agreement, until the dispute is resolved. (The preceding sentence shall not affect any party's right to terminate that is not based upon a breach.) Any award rendered by the arbitrators shall be final and binding on the parties, and judgment may be entered on it in any court of competent jurisdiction as otherwise provided by law; provided that, if the decision of the arbitrators was to affirm the existence of a default or breach, the non-prevailing party shall be afforded a period of forty-five (45) days

after the decision of the arbitrators is rendered to cure the default or breach or such longer cure period as may be determined appropriate by the arbitrators. In the event of any such arbitration (including, without limitation, any arbitration relating to the interpretation or enforcement of this Agreement), the prevailing party or parties shall be entitled to recover from the other party or parties all reasonable attorneys' fees and expenses incurred in connection therewith, to the extent determined appropriate and so awarded by the arbitrators.

23. CONFIDENTIALITY.

SABC and Brown-Forman acknowledge that they are or will be engaged in competition with one another and engaged in transactions with other parties in the industry in which they do business; and misuse by either party of information provided to it by the other in connection with the transactions contemplated by this Agreement could have a most serious impact on the other's competitive position. Therefore, in consideration of Confidential Information, as hereinafter defined, previously exchanged between the parties, and in order to induce each party to make available and known to the other certain Confidential Information in connection with the transactions contemplated herein, the Parties agree as follows:

(a) "Confidential Information" shall include recipes, brewing processes and procedures, quality perimeters, sources of supply, forecasts, production plans, financial information, unpublished business plans, research, inventions, know-how, trade secrets, present and future products, processes and/or customers.

(b) Confidential Information shall not include any information which:

(i) was previously known to the other Party, other than as a result of the transactions referred to herein and free of any obligation to keep it confidential; or

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(ii) is or becomes publicly known through no wrongful act or failure to act of the other Party; or

(iii) was or is independently developed by the other Party without the use of any information that would otherwise be Confidential Information, as shown by records maintained in the ordinary course of the developing Party's business; or

(iv) is disclosed pursuant to a statute, regulation or the order of a court of competent jurisdiction provided the Party from whom the production is required previously notifies the other Party.

(c) Each Party shall:

(i) use the Confidential Information only in connection with the transactions contemplated in this Agreement, and for no other purpose whatsoever;

(ii) restrict disclosure of the Confidential Information solely to those of its officers, directors, members, managers and employees, or its agents (all under similar restrictions of confidentiality) with a need to know, and permit such individuals or agents to use the Confidential Information only in connection with the transactions contemplated in this Agreement;

(iii) use and require its officers, directors, members,

managers, employees and agents, (including, in the case of Brown-Forman, its BBC Brewmasters and in the case of SABC each of its Brewmasters) to use at least the same degree of care to protect the Confidential Information as is used with comparable confidential information; and advise its officers, directors, members, managers, employees and agents, (including, in the case of Brown-Forman, its BBC Brewmasters and in the case of SABC each of its Brewmasters) who receive the Confidential Information that they may only use, and are required to protect, such Confidential Information as set forth above.

(d) The obligations of the Parties hereunder shall survive the termination of this Agreement.

(e) The Parties agree to maintain in confidence the material terms and conditions contained in this Agreement and related documents, provided that Brown-Forman shall have the right to disclose any or all of such terms and conditions, in its discretion in its reports filed with the Securities and Exchange Commission, including the right to file such documents as exhibits to such a report.

24. MERGER; SEPARABILITY.

This Agreement terminates and supersedes all prior formal or informal understandings between the Parties with respect to the subject matter contained herein. Should any provision or provisions of this Agreement be deemed ineffective or void for any reason whatsoever, such provision or provisions shall be deemed separable and shall not effect the validity of any other provision.

[*] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

IN WITNESS WHEREOF, the parties have executed this Agreement , effective as of the Effective Date.

Witness: BROWN-FORMAN CORPORATION
/S/ ROMA TESTA By: /S/ THEODORE LIOUTAS

V.P. R&D

Witness: SAMUEL ADAMS BREWERY COMPANY, LTD.
/S/ KATHLEEN H. WADE By: /S/ MARTIN F. ROPER

President and CEO

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SCHEDULE 1

FORECAST FOR FIRST 12 MONTHS OF PRODUCTION OF BASE2

MONTH	BBLS
[*]	[*]
TOTAL	[*]

[*] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

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SCHEDULE 2

BASE1 AND BASE2 FERMENTATION AND STORAGE CAPACITY EQUIPMENT REQUIREMENTS -
ESTIMATED COSTS

[*]

[*] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

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I, Martin F. Roper, President and Chief Executive Officer of The Boston Beer Company, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Boston Beer Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2005

/s/ Martin F. Roper

Martin F. Roper
President and Chief Executive Officer
[Principal Executive Officer]

I, William F. Urich, Chief Financial Officer of The Boston Beer Company, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Boston Beer Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2005

/s/ William F. Urich

William F. Urich
Chief Financial Officer
[Principal Financial Officer]

The Boston Beer Company, Inc.

Certification Pursuant To
18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of The Boston Beer Company, Inc. (the "Company") on Form 10-Q for the period ended March 26, 2005 as filed with the Securities and Exchange Commission (the "Report"), I, Martin F. Roper, President and Chief Executive Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2005

/s/ Martin F. Roper

Martin F. Roper
President and Chief
Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Boston Beer Company, Inc. and will be retained by The Boston Beer Company, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The Boston Beer Company, Inc.

Certification Pursuant To
18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of The Boston Beer Company, Inc. (the "Company") on Form 10-Q for the period ended March 26, 2005 as filed with the Securities and Exchange Commission (the "Report"), I, William F. Urich, Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2005

/s/ William F. Urich

William F. Urich
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Boston Beer Company, Inc. and will be retained by The Boston Beer Company, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.