

CRAFT BREW ALLIANCE, INC.

Form DEF 14A

April 12, 2018

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

CRAFT BREW ALLIANCE, INC.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

1 Title of each class of securities to which transaction applies:

2 Aggregate number of securities to which transaction applies:

3 Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4 Proposed maximum aggregate value of transaction:

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1 Amount Previously Paid:

2 Form, Schedule or Registration Statement No.:

3 Filing Party:

4 Date Filed:

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CRAFT BREW ALLIANCE, INC.  
929 N. Russell Street  
Portland, Oregon 97227

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To Be Held at 1:00 p.m. Pacific Daylight Time on Wednesday, May 16, 2018

TO THE HOLDERS OF COMMON STOCK  
OF CRAFT BREW ALLIANCE, INC.:

The Annual Meeting of Shareholders of Craft Brew Alliance, Inc., a Washington corporation, will be held on Wednesday, May 16, 2018, at 1:00 p.m. Pacific Daylight Time, in the Portland, Oregon Widmer Brothers Banquet Room located at 947 N. Russell Street, Portland, Oregon 97227, for the following purposes as more fully described in the accompanying Proxy Statement:

1. To elect eight directors to serve until the 2019 Annual Meeting of Shareholders and until their successors are elected and qualified;
2. To ratify the appointment of Moss Adams LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018;
3. To conduct an advisory vote to approve named executive officer compensation;
4. To conduct an advisory vote on the frequency of holding future shareholder advisory votes on named executive officer compensation; and
5. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors of Craft Brew Alliance, Inc. has fixed the close of business on March 16, 2018 as the record date for the meeting. Only shareholders of record of our common stock on March 16, 2018 are entitled to notice of and to vote at the meeting. You are requested to fill in and sign the enclosed form of proxy, which is being solicited by the Board of Directors, and to mail it promptly in the enclosed postage-prepaid envelope. Any proxy may be revoked by delivery of a later dated proxy. Shareholders of record who attend the annual meeting may vote in person, even if they have previously delivered a signed proxy.

By order of the Board of Directors,

/s/ David R. Lord  
David R. Lord  
Chairman of the Board

Portland, Oregon  
April 12, 2018

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
SHAREHOLDER MEETING TO BE HELD ON MAY 16, 2018:

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The Proxy Statement for the 2018 Annual Meeting of Shareholders and 2017 Annual Report to Shareholders are available at

<http://phx.corporate-ir.net/phoenix.zhtml?c=95666&p=irol-proxy>

**YOUR VOTE IS IMPORTANT!**

**WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE POSTAGE-PREPAID ENVELOPE PROVIDED OR FOLLOW THE INSTRUCTIONS FOR ELECTRONIC VOTING ON THE CARD. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY CARD.**

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CRAFT BREW ALLIANCE, INC.

929 N. Russell Street

Portland, Oregon 97227

PROXY STATEMENT

FOR 2018 ANNUAL MEETING OF SHAREHOLDERS

to be held on May 16, 2018 at 1:00 p.m. PDT

This proxy statement and the enclosed form of proxy are furnished in connection with solicitation of proxies by our Board of Directors (the "Board") for use at the annual meeting of shareholders to be held on May 16, 2018, and any postponements or adjournments thereof.

On or about April 12, 2018, this proxy statement and the accompanying form of proxy are being mailed to each shareholder of record at the close of business on March 16, 2018.

The information provided in the "question and answer" format below is for your convenience only and is merely a summary of the information contained in this proxy statement. You should read this entire proxy statement carefully.

What matters am I voting on?

You will be voting on:

- the election of eight directors to hold office until the next annual meeting of shareholders and until their successors are elected and qualified;
- a proposal to ratify the appointment of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018;
- a non-binding advisory vote to approve our named executive officer compensation ("say-on-pay" vote);
- a non-binding advisory vote on the frequency of holding future say-on-pay votes; and
- any other business that may properly come before the meeting.

Who is entitled to vote?

Holders of our common stock of record as of the close of business on March 16, 2018, the record date, may vote at the meeting. As of the record date, we had 19,309,829 shares of common stock outstanding. In deciding all matters at the meeting other than the election of directors, each shareholder will be entitled to one vote for each share of common stock held on the record date. For the election of directors, cumulative voting applies, so the number of votes each shareholder will have will be equal to the number of shares held on the record date multiplied by eight, the number of directors that are nominated. Each shareholder may cast all such votes for a single nominee, distribute them among the eight nominees for director equally, or distribute them among the eight nominees in any other way the shareholder deems fit. If a shareholder voting by proxy wishes to distribute votes among the nominees for director, the shareholder may do so on the enclosed proxy card in the space provided. If votes are not distributed on the proxy card, the persons named as proxies will use their discretion to distribute such votes FOR each of the eight individuals nominated to serve as director.

Where is the 2018 Annual Meeting of Shareholders being held?

The 2018 Annual Meeting of Shareholders will be held at the Portland, Oregon Widmer Brothers Banquet Room, located at 947 N. Russell Street, Portland, Oregon 97227 at 1:00 p.m. Pacific Daylight Time, on May 16, 2018.

What is the effect of giving a proxy?

Proxies in the form enclosed are solicited by and on behalf of our Board. The persons named in the proxy have been designated as proxies by our Board. If you sign and return the proxy in accordance with the procedures set forth in this

proxy statement, the persons designated as proxies by the Board will vote your shares at the meeting as specified in your proxy.

If you sign and return your proxy in accordance with the procedures set forth in this proxy statement but you do not provide any instructions as to how your shares should be voted, your shares will be voted as follows:

• FOR the election as directors of the nominees listed below under Proposal No. 1;

• FOR the proposal to ratify the appointment of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018;

• FOR approval, on an advisory basis, of our named executive officer compensation as disclosed in the Compensation Discussion and Analysis section and accompanying compensation tables included in this proxy statement; and

• FOR ONE YEAR, on an advisory basis, on the frequency of holding future say-on-pay votes.

If you give your proxy, your shares also will be voted in the discretion of the proxies named on the proxy card with respect to any other matters properly brought before the meeting.

Can I change my vote after I return my proxy card?

You may revoke your proxy at any time before it is exercised by:

- delivering written notification of your revocation to our secretary;
- voting in person at the meeting; or
- delivering another proxy bearing a later date.

Please note that your attendance at the meeting alone will not revoke your proxy.

What is a quorum?

A quorum is the minimum number of shares required to be present at the annual meeting for the meeting to be properly held under our bylaws and Washington state law. The presence, in person or by proxy, of a majority of all issued and outstanding shares of common stock entitled to vote at the meeting will constitute a quorum at the meeting. A proxy submitted by a shareholder may indicate that all or a portion of the shares represented by the proxy are not being voted with respect to a particular matter. Similarly, a broker may not be permitted to vote shares (“broker non-vote”) held in street name on a particular matter in the absence of instructions from the beneficial owner of the shares. The shares subject to a valid proxy which are not being voted on a particular matter will nevertheless count for purposes of determining the presence of a quorum.

How may I vote?

You may vote your shares by mail or follow the instructions for electronic voting on the proxy card. If mailing, please date, sign and return the accompanying proxy in the envelope enclosed for that purpose (to which no postage need be affixed if mailed in the United States). You may specify your choices by marking the appropriate boxes on the proxy card. If you attend the meeting, you may deliver your completed proxy card in person or fill out and return a ballot that will be supplied to you. See below for an explanation of how to vote shares held in street name.

How many votes are needed for approval of each matter?

Proposal No. 1: The election of directors is subject to a plurality vote of the shares of common stock voted at the meeting. “Plurality” means that the eight individuals who receive the largest number of votes cast “FOR” are elected as directors. Consequently, any shares not voted “FOR” a particular nominee (whether as a result of marking the proxy to withhold votes or a broker non-vote) will not be counted in such nominee’s favor and will have no effect on the outcome of the election. See “Who is entitled to vote?” above for an explanation of cumulative voting in the election of directors.

Proposal No. 2: The ratification of the appointment of Moss Adams LLP must receive more votes “FOR” than votes “AGAINST” at the meeting to be approved. Broker non-votes and abstentions from voting on this proposal will have no effect on the outcome of this proposal.

Proposal No. 3: The proposal to approve, on a non-binding advisory basis, the compensation paid to our named executive officers during 2017 must receive more votes “FOR” than votes “AGAINST” at the meeting to be approved. Broker non-votes and abstentions from voting on this proposal will have no effect on the outcome of the proposal. Because the shareholder vote is advisory only, it will not be binding on us or on our Board of Directors. However, the Board of Directors will review the voting results and take them into consideration when making future decisions regarding executive compensation.

Proposal No. 4: Shareholders may choose one of four options regarding the frequency of future advisory votes on executive compensation - every one year, two years, or three years, or to abstain from voting. Broker non-votes and abstentions from voting on this proposal will have no effect on the outcome of the proposal. Because the shareholder

vote is advisory only, it will not be binding on us or on our Board of Directors. However, the Board of Directors will review the voting results and take them into consideration when determining the frequency of future say-on-pay votes.

How may my brokerage firm or other intermediary vote my shares if I fail to provide timely directions?

Brokerage firms and other intermediaries holding shares of common stock in street name for customers are generally required to vote such shares in the manner directed by their customers. In the absence of timely directions, brokerage firms and other intermediaries generally will have discretion to vote their customers' shares on the proposal to ratify the appointment of Moss Adams LLP, but they will not have discretion to vote on proposal Nos. 1, 3 and 4.



## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 26, 2018, certain information regarding beneficial ownership of our common stock (a) by each person known by us to be the beneficial owner of more than 5% of the outstanding common stock; (b) by each director and nominee for director; (c) by the executive officers named in note 1 below; and (d) by all of our current executive officers and directors as a group.

Unless otherwise indicated, the address for each person and entity listed is Craft Brew Alliance, Inc., 929 N. Russell Street, Portland, Oregon 97227. Except as indicated in the footnotes below, to our knowledge, the persons and entities named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable. Except where noted, the percentage of beneficial ownership is based on 19,309,829 shares of common stock outstanding as of March 26, 2018.

Shareholder	Number of Shares <sup>(1)</sup>	Percent of Shares Outstanding	
Anheuser-Busch Companies, LLC One Busch Place St. Louis, Missouri 63118 W. Cameron Healy, Trustee of the Healy Family Trust PO Box 4525 Portland, Oregon 97208	6,069,047	31.4	%
Dimensional Fund Advisors <sup>(2)</sup> 6300 Bee Cave Road Austin, Texas 78746	1,401,860	7.3	%
Timothy P. Boyle <sup>(3)</sup>	1,269,327	6.6	%
Andrew J. Thomas	483,675	2.5	%
Kevin R. Kelly <sup>(4)</sup>	61,994	*	
David R. Lord	38,220	*	
Marc J. Cramer	33,665	*	
J. Scott Mennen	24,215	*	
Derek Y. Hahm	23,498	*	
Kenneth C. Kunze	16,260	*	
Joseph K. Vanderstelt	14,442	*	
Paul D. Davis	10,035	*	
Nickolas A. Mills	7,686	*	
Michael R. Taylor	2,778	*	
Jacqueline S. Woodward	2,778	*	
	—	—	
All current executive officers and directors as a group (14 persons)	748,986	3.9	%

\*Less than 1%

(1) Includes shares of common stock subject to options currently exercisable or exercisable within 60 days of March 26, 2018 as follows:

	Options
Andrew J. Thomas	54,160
Derek Y. Hahm	16,260
J. Scott Mennen	16,183
Kenneth C. Kunze	13,192

Joseph K. Vanderstelt	5,115
All current executive officers and directors as a group	124,493

The information as to beneficial ownership is based on a Schedule 13G filed by Dimensional Fund Advisors LP (2) (“Dimensional”) with the Securities and Exchange Commission on February 9, 2018. Dimensional has sole voting power with respect to 1,243,109 shares and sole dispositive power with respect to all 1,269,327 shares.

(3) Includes 1,818 shares held by Mr. Boyle’s child.

(4) Includes 352 shares held by Mr. Kelly’s spouse.

## STOCK OWNERSHIP AND RETENTION POLICY

Effective April 1, 2016, at the recommendation of the Compensation Committee, the Board adopted a policy that establishes expectations for ownership of our common stock that apply to our independent directors and members of our Executive Leadership Team (“ELT”). Expectations include ownership of shares with a value equal to four times the amount of the annual cash retainer for our independent directors; shares with a value equal to four times annual base salary for our Chief Executive Officer; shares with a value equal to two times annual base salary for our other executive officers; and shares with a value equal to one times annual base salary for all other ELT members. The policy also requires ELT members to retain 50% of the net shares acquired through stock option exercises and vesting of restricted stock units and performance shares until the ownership expectations are met, and 25% of such shares for a minimum of three years following exercise or vesting after meeting the ownership expectations.

## PLEDGING AND HEDGING TRANSACTION POLICY

In March 2013, the Nominating and Governance Committee approved the adoption of a policy prohibiting the pledging of shares of our common stock by executive officers and directors as security for borrowings, including margin loans. The policy also prohibits executive officers and directors from engaging in hedging transactions in our common stock, including such financial instruments as prepaid variable forwards, equity swaps, collars, exchange funds, puts and calls, and other derivative securities that are designed to hedge or offset a decrease in market value of our common stock.

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), requires that our officers and directors, and persons who own more than 10% of our common stock, file reports of stock ownership and changes of ownership with the SEC. Based solely on our review of the copies of such reports received by us and on written representations by our officers and directors regarding their compliance with the applicable reporting requirements under Section 16(a) of the Exchange Act, we believe that, with respect to our fiscal year ended December 31, 2017, all filing requirements applicable to our officers and directors, and all of the persons known to us to own more than 10% of our common stock, were complied with by such persons on a timely basis, except for Andrew Thomas, Joseph Vanderstelt, Kenneth Kunze, Scott Mennen, Derek Hahm, John Glick, and Edwin Smith, each of whom was an officer during 2017 and filed one late Form 4 report with respect to an award of restricted stock units.

## BOARD OF DIRECTORS

Our business is managed under the direction of the Board of Directors (the “Board”), which currently consists of the following 8 directors: David R. Lord (Chairman), Timothy P. Boyle, Marc J. Cramer, Paul D. Davis, Kevin R. Kelly, Nickolas A. Mills, Michael R. Taylor and Jacqueline S. Woodward.

The full Board met six times during 2017. No director attended fewer than 75% of the total number of meetings of the Board and of any Board committees of which he or she was a member during 2017. Directors are encouraged to attend the Annual Meeting of Shareholders. At the 2017 Annual Meeting, the seven incumbent directors who were directors at the time were in attendance, as well as Ms. Woodward, who was elected as a director at the meeting.

## Director Independence

Our common stock is listed on The Nasdaq Stock Market ("Nasdaq") and, accordingly, we are subject to the requirement in Nasdaq Listing Rule 5605(b)(1) that a majority of our directors be independent as defined in Listing Rule 5605(a)(2). Current nominees Messrs. Boyle, Cramer, Davis, Kelly and Lord and Ms. Woodward do not have any relationship that would disqualify them as independent directors under Listing Rule 5605(a)(2) and, in the opinion of the Board, do not have any other relationship that would interfere with their exercise of independent judgment in carrying out their responsibilities as directors. Therefore, the Board believes that Messrs. Boyle, Cramer, Davis, Kelly and Lord and Ms. Woodward are "independent directors" as defined in Listing Rule 5605(a)(2). Messrs. Mills and Taylor are employees of Anheuser-Busch, LLC ("A-B") and are A-B's designees to the Board pursuant to an agreement between A-B and us that precludes them from meeting the definition of "independent director" in Listing Rule 5605(a)(2)..All independent directors meet in executive session, at which only independent directors are present, at least twice a year, in conjunction with regularly scheduled Board meetings.

## Nominees for Director

The Board believes that our current directors, as a whole, provide the diversity of experience and skills necessary for a well-functioning board. All of our directors have substantial senior executive level experience, a significant background in the beer industry, or both. The Board highly values the ability of individual directors to contribute to a constructive governance environment and believes that the current Board members, collectively, perform in such a manner.

Under our Amended and Restated Bylaws, there are 8 positions on the Board. The following 8 individuals have been nominated for election at the annual meeting. Each of the nominees currently serves as a director. A-B has the contractual right to appoint two directors to our Board.

Set forth below is a more detailed description of each nominee's age, background, professional experience, qualifications and skills.

### Timothy P. Boyle (68)

Mr. Boyle has served as a director since our merger effective July 1, 2008 with Widmer Brothers Brewing Company ("WBBC"). He served as a director of WBBC from May 1999 until July 1, 2008. Since 1989, Mr. Boyle has served as President and Chief Executive Officer of Columbia Sportswear Company, an active outdoor apparel and footwear company headquartered in Portland, Oregon, and listed on Nasdaq. He began working with Columbia Sportswear Company in 1970. Mr. Boyle serves as a director on the boards of Columbia Sportswear Company and Northwest Natural Gas Company, and director emeritus on the board of The Freshwater Trust. He is a member of the Public Affairs and Environmental Policy Committee of Northwest Natural Gas Company. Mr. Boyle is a trustee of Reed College and a past member of the Young Presidents' Organization and the University of Oregon Foundation.

Individual Experience: Mr. Boyle has a breadth of experience as a public company director and an entrepreneurial background in leading and growing a small business into one of the largest outerwear companies in the world, including leading that company through an initial public offering. Mr. Boyle possesses expertise in designing strategic initiatives and brand development, maintaining organizational culture during periods of significant growth, and developing and managing sound operating systems.

### Marc J. Cramer (60)

Mr. Cramer has served as a director since December 2010. Since 2007, he has served as the Finance Director of the Bill Healy Foundation, a private charitable foundation, and Cedar Holdings LLC, a private investment company. Prior to 2007, he was employed by Kettle Foods Holdings Inc., a privately held, all-natural food manufacturer, serving in the roles of Global Financial Director, Assistant Secretary and Treasurer beginning in 2004, and, from 1999 to 2004, as President, North American Operations of Kettle Foods, Inc. Mr. Cramer has been a director of Sequential Pacific Biodiesel, Inc., and Scott Paul Wines since 2008, and Pioneer Newspapers, Inc., since 2013; he previously served on the boards of Kona Brewing Co., Inc. from 2007 to October 2010 and Kettle Foods, Inc. from 2004 to 2006.

Individual Experience: Trained as a certified public accountant, Mr. Cramer has spent a significant portion of his career creating and executing strategies around global brand building and operational and organizational development. He is an experienced finance professional with expertise regarding the application and integration of financial and operational issues commonly faced by mid-market and smaller entrepreneurial organizations.

### Paul D. Davis (61)

Mr. Davis has served as a director since March 2016. In February 2017, he returned as Chief Executive Officer of popchips Inc. ("popchips"), an innovative snack company, after previously serving as Co-Chairman of the Board from August 2015 to February 2017. Prior to serving on the popchips board of directors, he served as Chief Executive

Officer from December 2013 to August 2015. Prior to joining popchips, he was the Chief Executive Officer of Coinstar, Inc. (now named Outerwall Inc.), a provider of automated retail solutions, from April 2009 to March 2013, and Chief Operating Officer for one year beginning in April 2008. Other positions held by Mr. Davis include Chief Executive Officer of Kettle Foods, Inc., from 2004 to 2007, and President and CEO of Barilla America, Inc., the U.S.-based division of The Barilla Group, from 2002 to 2004. In addition, Mr. Davis served in various executive positions at Starbucks Corporation, including President - North American Operations, from March 1999 until October 2001. Mr. Davis is also a director of Farestart, a non-profit program providing culinary training and job placement services for homeless and disadvantaged persons. He was a director of Luvo, Inc., a privately held frozen food manufacturer, until February 2017, when he resigned due to returning as Chief Executive Officer of popchips.

Individual Experience: Mr. Davis has more than 30 years of business experience with consumer packaged goods. Mr. Davis has in-depth experience in leading innovative lifestyle brands such as Kettle Foods, Starbucks, popchips and Redbox through transformational changes and high-growth periods. Mr. Davis acquired significant experience in the beer industry through his

service on the Kona Brewing Company board from 2007 to 2010, and then on the Kona advisory board following the company's merger into our wholly owned subsidiary in October 2010 until 2013.

**Kevin R. Kelly (68)**

Mr. Kelly has served as a director since the merger with WBBC in 2008 and also served as a director of WBBC from September 1995 until July 1, 2008. Mr. Kelly is retired from First Call Heating and Cooling, U.S. Bancorp and college teaching. In September 2011, Mr. Kelly sold First Call Heating and Cooling, an oil sales and heating/cooling contractor, where he had been Chief Executive Officer and owner since 1994. Prior to that, he was President of U.S. Bancorp, and held various roles with U.S. Bancorp and its subsidiaries from 1977, including Chief Executive Officer and President of U.S. Bank of Oregon. Mr. Kelly serves on the Providence Health System Investment Committee. He earned a Ph.D. and a Masters Degree in Economics from the University of Oregon.

**Individual Experience:** Mr. Kelly's lengthy banking career and lending expertise has provided him with an in-depth understanding of financial analysis and financial statements. Mr. Kelly possesses substantial background in deal and transactional analysis and organization culture after leading numerous merger and acquisition activities. As a former executive in a major lending institution, he has significant professional and political contacts in Oregon and Washington.

**David R. Lord (69)**

Mr. Lord has served as a director since May 2003 and was elected Chairman of the Board in January 2016. In January 2009, Mr. Lord retired from the position of President of Pioneer Newspapers, Inc., a position he had held for 18 years. He served as Vice Chairman of Pioneer Newspapers from 2009 until December 2012 when he became a director. Pioneer Newspapers owns eight daily newspapers and nine weekly, semi-weekly and monthly publications in the western United States. Prior to joining Pioneer Newspapers, Mr. Lord practiced law, both in private practice and as a criminal deputy prosecuting attorney. Mr. Lord is past president and chairman of the PAGE Cooperative, a not-for-profit, member-owned cooperative buying association in the newspaper industry. He is also a past president and chairman of the Inland Press Association and is currently a member of the board of directors of Wick Communications.

**Individual Experience:** Mr. Lord has a broad operating and strategic planning background, with knowledge of the issues facing small to mid-sized companies spread over a large geographic area. He also possesses sound legal judgment and knowledge and provides strong counsel in contract negotiations, employment practices and human resources issues.

**Nickolas A. Mills (41)**

Mr. Mills has served as a director since January 2017. He has served as Vice President of Supply for The High End at A-B, a global beer company, since 2016. Mr. Mills held the roles of Senior Brewmaster and Senior General Manager at A-B's Baldwinsville Brewery from 2010 to 2016, where he supervised the production of a wide variety of beer styles, including Goose Island and Blue Point beers, flavored malt beverages, and ciders. Previously, he served in various brewing positions with A-B in St. Louis, Missouri, Merrimack, New Hampshire, and Jacksonville, Florida.

**Individual Experience:** Mr. Mills brings an intimate knowledge of the craft beer industry, including the brewing process and supply chain. Mr. Mills has been designated by A-B to serve on our Board.

**Michael R. Taylor (46)**

Mr. Taylor has served as a director since January 2017. He has served as a Vice President for the North America Zone of A-B, a global beer company, since December 2010, where he has been responsible for business development for A-B's U.S. and Canadian business units, including strategy and transactional execution. Since joining A-B in 2004, Mr. Taylor has also held various roles in finance and real estate, including Vice President of Real Estate.

Individual Experience: Mr. Taylor brings financial expertise and an in-depth knowledge of the craft beer industry, as well as an understanding of the key mechanisms for driving performance and creating shareholder value. He has interacted with our senior management team for several years. Mr. Taylor has been designated by A-B to serve on our Board.

Jacqueline S. Woodward (56)

Ms. Woodward was elected as a director of the Company at our annual meeting held on May 17, 2017. Ms. Woodward has served as Senior Vice President and Chief Marketing Officer of Krispy Kreme Doughnuts Corporation, a leading branded retailer and wholesaler of doughnuts and complementary products, since June 2016. She previously served as Vice President of Marketing Connections for General Mills, Inc., a leading global manufacturer and marketer of branded and unbranded consumer foods, from September 2014 through June 2016. From August 2008 through August 2014, Ms. Woodward served as Vice President of Marketing Connections for MillerCoors, LLC, the U.S. business unit of the Molson Coors Brewing Company, one of the world's largest brewing companies.



Individual Experience: Ms. Woodward brings more than 30 years of experience in marketing management for consumer brands, both domestically and globally, including more than eight years in the beer industry. Ms. Woodward was recommended to the Nominating and Governance Committee as a potential candidate for director by our Chief Financial Officer and was selected by the committee from a pool of candidates identified by various senior executives and members of our Board.

#### Criteria for Director Nominees

The specific, minimum qualifications that the Nominating and Governance Committee believes must be met by a nominee for a position on our Board are:

- the highest ethical character;
- the ability to read and understand financial statements;
- attained 21 years of age;
- no material conflict, whether personal, financial or otherwise, associated with being on the Board;
- satisfaction of the requirements for regulatory approval; and
- adequate time to devote to Board activities.

The specific qualities or skills that the Nominating and Governance Committee believes are necessary for one or more of our directors to possess are:

- the ability to offer advice and guidance to our Chief Executive Officer based on relevant expertise and experience;
- attributes of independence or financial expertise as required by the Nasdaq Listing Rules and Securities and Exchange Commission ("SEC") regulations;
- skills, experience and background complementary to those of other directors; and
- the ability to maintain a constructive working relationship with other directors.

Although the Board does not maintain a specific policy with respect to Board diversity, the Board believes that, whenever feasible, the Board should be a diverse body, and the Nominating and Governance Committee considers a broad range of backgrounds and experiences. In making determinations regarding nominations of directors, the Nominating and Governance Committee may take into account the benefits of diverse viewpoints. The Nominating and Governance Committee also considers these and other factors as it oversees the annual Board and committee evaluations.

We have adopted a policy requiring directors to retire from the Board effective at the Annual Meeting of Shareholders after turning age 73.

#### Shareholder Recommendations for Nominations to the Board of Directors

The Nominating and Governance Committee will consider candidates for director recommended by any of our shareholders and will evaluate such recommendations in accordance with its charter, our bylaws and the regular nominee criteria described above. This process is designed to ensure that the Board includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to our business. Eligible shareholders wishing to recommend a candidate for nomination should follow the procedures set forth in our Amended and Restated Bylaws, as further described below. In connection with its evaluation of a director nominee, the Nominating and Governance Committee may request additional information from the candidate or the recommending shareholder and may request an interview with the candidate. The Nominating and Governance Committee has discretion to decide which individuals to recommend for nomination as directors. Shareholders should submit any recommendations for director nominees at our 2019 annual meeting to us by December 13, 2018 (120 days

prior to the anniversary of mailing this proxy statement).

A shareholder of record can nominate a candidate for election to the Board by complying with the procedures in Article II, Section 2.3.2 of our Amended and Restated Bylaws. Any eligible shareholder who wishes to submit a nomination should review the requirements in the bylaws on nominations by shareholders. Any nomination should be sent in writing to the Secretary, Craft Brew Alliance, Inc., 929 N. Russell Street, Portland, OR 97227. Notice must be received by us no later than December 13, 2018.

#### Committees of the Board

The Board has standing Audit, Compensation, Nominating and Governance, and Strategic Planning Committees. Each of our committees is responsible to the full Board and its activities are therefore subject to Board approval. Pursuant to an exchange and recapitalization agreement between us and A-B, A-B has the right to designate two members of our Board of Directors. A-B also generally has the right to have a designee on each committee of the Board of Directors, except where prohibited by law or stock

exchange requirements, or with respect to a committee formed to review or determine transactions or proposed transactions between A-B and us. The activities of each of our standing Board committees are summarized in more detail below.

#### Audit Committee

The Audit Committee is responsible for the engagement of and approval of the services provided by our independent registered public accounting firm. The Audit Committee assists our Board in fulfilling its oversight responsibilities by reviewing (i) the financial reports and other pertinent financial information provided by us to the public and the SEC, (ii) our system of internal control established by management and the Board, and (iii) our auditing, accounting and financial reporting processes generally.

The current members of the Audit Committee, who served throughout 2017, are Messrs. Kelly (Chair), Cramer and Lord, each of whom is an independent director as defined by Nasdaq Listing Rule 5605(a)(2) and (c)(2). The Board has also determined that Mr. Kelly, an independent director, qualifies as an “audit committee financial expert” as defined by the SEC. Mr. Taylor, as A-B’s designee, observes meetings of the Audit Committee. John D. Rogers, Jr., a former director, was also a member of the Audit Committee during 2017. The Audit Committee met five times during 2017. The Board has adopted a written charter for the Audit Committee, which is reviewed annually and revised as appropriate. A copy of the Audit Committee Charter is available on our website at [www.craftbrew.com](http://www.craftbrew.com) (select Investors – Governance – Highlights).

#### Compensation Committee

The Compensation Committee is responsible for establishing and approving corporate goals and objectives relevant to compensation of the Chief Executive Officer and other senior executives; evaluating the performance of the Chief Executive Officer and other senior executives in light of those goals and objectives; developing and overseeing the overall compensation policies applicable to our Chief Executive Officer and other senior executives; and annually reviewing and making recommendations to the Board with respect to director compensation and benefits. The Compensation Committee is also responsible for establishing general policies applicable to the granting, vesting and other terms of stock options, restricted stock, restricted stock units, performance shares, stock appreciation rights and other stock-based awards granted to employees, directors, and consultants under our stock incentive plans, and for determining the number and terms of such grants.

The current members of the Compensation Committee are Messrs. Davis (Chair), Boyle, Cramer, Kelly and Lord, and Ms. Woodward, each of whom is an independent director as defined by Nasdaq Listing Rule 5605(a)(2) and 5605(d)(2)(A). Mr. Mills, as A-B’s designee, observes meetings of the Compensation Committee. John D. Rogers, Jr., a former director, was also a member of the Compensation Committee during 2017. The Compensation Committee met three times during 2017. The Board has adopted a written charter for the Compensation Committee, which is available on our website at [www.craftbrew.com](http://www.craftbrew.com) (select Investors – Governance – Highlights).

Under its charter, the Compensation Committee has the authority, in its sole discretion, to retain the services of outside consultants to provide advice regarding our executive compensation program and other compensation matters for which the Compensation Committee is responsible. The Compensation Committee also has sole authority to terminate its relationship with any consultants and to approve their fees and other terms of their engagement. Beginning in October 2014, the Compensation Committee engaged Hay Group, a global compensation consulting firm acquired by Korn Ferry in December 2015, to provide advice upon request regarding compensation issues. Among the factors considered by the Committee in retaining Hay Group were its practice of analyzing each executive or other management position by function and responsibilities rather than by title, in part through conducting interviews with each individual, as well as its compilation of compensation survey data separately for companies in the beer, wine and spirits industry. During 2017, at the request of the Committee, Hay Group provided its recommendations regarding changes in the composition of the peer group used to evaluate the Company's competitive

position regarding executive compensation, certain aspects of the CEO's compensation, the structure of the annual executive cash incentive program, and the compensation program for outside directors. In November 2017, the Committee also authorized Hay Group to prepare an updated analysis of the Company's executive compensation program using current survey data for use in its future deliberations. The fees paid to Hay Group during 2017 for such services totaled approximately \$19,000. No other compensation consultant provided services to the Compensation Committee during 2017. Additional information regarding the Compensation Committee's interactions with Hay Group appears below under the heading "Compensation Discussion and Analysis."

The Compensation Committee receives and considers the recommendations of our Chief Executive Officer regarding compensation of other senior executives. During 2017, our Chief Executive Officer and our Chief Financial Officer attended meetings of the Compensation Committee when invited. Our Chief Executive Officer reports to the Compensation Committee regarding the level of achievement of individual performance goals by other senior executives tied to their annual cash incentive target bonuses. Executive officers are excused during the Compensation Committee's deliberations regarding their compensation.

The Compensation Committee received input from our Chief Executive Officer regarding various elements of our compensation program in 2017, including base salary levels for senior executives, target annual cash incentive bonus amounts, the allocation

among corporate performance goals for the target bonuses, identification and calculation of achievement of the corporate performance goals, establishment of individual performance goals for our senior executives, and establishment of corporate performance goals for the long-term performance share awards made to senior executives.

Under its Charter, the Compensation Committee is permitted to delegate any of its responsibilities to one or more subcommittees composed entirely of independent directors. In addition, the Compensation Committee may choose to delegate its authority under our stock incentive plans to our CEO with respect to grants of stock-based awards to employees who are not subject to the reporting requirements of Section 16 of the Exchange Act.

In reviewing our compensation policies and practices, the Compensation Committee has considered whether our compensation program, in particular our performance-based awards, encourages participants to take risks that are reasonably likely to have a material adverse effect on us, and has concluded that such a result is unlikely.

#### Nominating and Governance Committee

The Nominating and Governance Committee reviews the structure of the Board, its committee structure and overall size; recommends to the Board nominees for vacant Board positions; reviews and reports to the Board on the nominees to be included in the slate of directors, including evaluating any individuals suggested by shareholders, for election at the Annual Meeting of Shareholders; recommends directors to serve on each Board committee; oversees the development of a plan for CEO succession; and oversees the evaluation of the Board and its committees.

The Nominating and Governance Committee is currently composed of Messrs. Boyle (Chair), Cramer, Davis, Kelly and Lord, and Ms. Woodward, each of whom is an independent director as defined by Nasdaq Marketplace Rule 5605(a)(2). Mr. Taylor, as A-B's designee, observes meetings of the Nominating and Governance Committee. John D. Rogers, Jr., a former director, was also a member of the Nominating and Governance Committee during 2017. The Nominating and Governance Committee met three times in 2017. The Board has adopted a written charter for the Nominating and Governance Committee, which is reviewed annually and revised as appropriate. A copy of the charter is available on our website at [www.craftbrew.com](http://www.craftbrew.com) (select Investors – Governance – Highlights).

#### Strategic Planning Committee

The Strategic Planning Committee is responsible for advising management in the development of strategic plans; reviewing proposed capital and other significant expenditures proposed by management for consistency with our long-term business objectives; and reviewing and recommending to the Board management proposals related to expansion, capital investment, acquisitions, partnerships, joint ventures or alliances, dispositions of capital assets, adequacy of the existing capital structure and similar issues.

The Strategic Planning Committee is currently composed of Messrs. Cramer (Chair), Boyle, Davis, Kelly and Mills and Ms. Woodward, each of whom, except Mr. Mills, is an independent director as defined by Nasdaq Marketplace Rule 5605(a)(2). Effective January 1, 2017, Mr. Cramer became Co-Chair and served as Chair following the retirement, in May 2017, of John D. Rogers, Jr., a former director. The Strategic Planning Committee met four times in 2017. The Board has adopted a written charter for the Strategic Planning Committee, which is reviewed annually and revised as appropriate. A copy of the charter is available on our website at [www.craftbrew.com](http://www.craftbrew.com) (select Investors – Governance – Highlights).

#### Risk Management

We have designed and implemented processes to manage risk in our operations. The Board's role in risk management is primarily one of oversight, with day-to-day responsibility for risk management implemented by the management team. The Board receives a report annually regarding the state of the Company's enterprise risk management system. The Board executes its oversight role directly and also through its various committees. The Audit Committee has

principal responsibility for implementing the Board's risk management oversight role. The Audit Committee reviews management's assessment of the key risks facing us, including the key controls we rely on to mitigate those risks. The Audit Committee also monitors certain key risks at each of its regularly scheduled meetings, such as risk associated with internal control over financial reporting, liquidity risk, risk relating to compliance with loan covenants and contract terms, and risk arising out of related party transactions. The Nominating and Governance Committee also assists in risk management by overseeing our compliance with legal and regulatory requirements and risks relating to our governance structure. The Compensation Committee assesses risks created by the incentives inherent in our compensation policies. Finally, the full Board reviews strategic and operational risk in the context of reports from the management team, receives reports on all significant committee activities at each regular meeting, and evaluates the risks inherent in significant transactions. The Board believes that its current leadership structure has not been influenced by the manner in which it oversees risk management.

## Leadership Structure

The positions of Chairman of the Board and Chief Executive Officer are filled by two different people. Currently, the Chairman position is held by David Lord, an independent director, and our Chief Executive Officer is Andrew Thomas. Separating the Chairman and Chief Executive Officer positions provides multiple perspectives and ideas at Board meetings, expands the skill set available to address the variety of risks and challenges we may encounter, gives the independent directors input over the agenda and issues to be discussed at Board meetings, and improves communication between management and the Board by giving the Chief Executive Officer a single initial source for Board-level communication and input on significant decisions. The Nominating and Governance Committee reevaluates the efficacy of the Board's leadership structure at least annually.

## SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Shareholders wishing to communicate with the Board, the non-management directors, or with an individual Board member may do so by writing to the Board, to the non-management directors, or to the particular Board member, and mailing the correspondence to: c/o Audit Committee Chair, Craft Brew Alliance, Inc., 929 N. Russell St., Portland, Oregon 97227. The envelope should indicate that it contains a shareholder communication. All such shareholder communications will be forwarded to the director or directors to whom the communications are addressed.

## DIRECTOR COMPENSATION

For 2017, non-employee directors, other than the Chairman of the Board, were paid an annual cash retainer of \$40,000 and received a fully-vested stock award with a value of \$45,000. For service in 2018, non-employee directors, other than the Chairman of the Board, will receive an annual cash retainer of \$42,500 and a stock award with a value of \$47,500. For 2017, Mr. Lord, Chairman of the Board, received an annual cash retainer of \$60,000 and a stock award with a value of \$67,500. For service in 2018, Mr. Lord will receive an annual cash retainer of \$65,000 and a stock award with a value of \$70,000.

The Chair of the Audit Committee is entitled to an additional annual cash retainer of \$15,000, while each other member of the Audit Committee receives an additional \$4,000. In 2018, members of the Audit Committee will receive an additional payment of \$5,000. The Chairs of each of the Nominating and Governance, Compensation, and Strategic Planning Committees are entitled to an additional annual cash retainer of \$10,000, while all other committee members receive an additional payment of \$2,000 for each committee position. In 2018, members of the Nominating and Governance and Strategic Planning Committees will receive an additional payment of \$2,000 and the members of the Compensation Committee will receive an additional payment of \$3,000. Committee compensation is paid quarterly.

The following table sets forth certain information regarding the compensation earned by or awarded to each member of the Board during 2017.

Name	Fees earned or paid in cash	Stock awards <sup>(1)</sup>	Total
Timothy P. Boyle	\$54,000	\$45,004	\$99,004
Marc J. Cramer	58,000	45,004	103,004
Paul D. Davis	54,000	45,004	99,004
Kevin R. Kelly	61,000	45,004	106,004
David R. Lord	70,000	67,505	137,505
Nickolas A. Mills	42,000	45,004	87,004

John D. Rogers, Jr. <sup>(2)</sup>	21,810	45,004	66,814
Michael R. Taylor	40,000	45,004	85,004
Jacqueline S. Woodward <sup>(3)</sup>	28,545	—	28,545

- Represents the value of 2,778 fully-vested shares of our common stock (4,167 shares for Mr. Lord) granted on May 17, 2017. The fair value of the stock awards was determined based on the fair value of our common stock on the date of grant. See Notes 2 and 13 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 for additional information.
- (1)
- (2) Mr. Rogers ceased to be a director effective May 17, 2017.
- (3) Jacqueline S. Woodward joined the Board in May 2017 and, accordingly, her compensation reflects amounts earned since that time.



## REPORT OF THE AUDIT COMMITTEE

The Audit Committee has reviewed and discussed the audited financial statements with management. The Audit Committee has discussed with Moss Adams LLP, the Company's independent registered public accounting firm, the matters required to be discussed pursuant to auditing standards adopted by the Public Company Accounting Oversight Board ("PCAOB"). In addition, the Audit Committee discussed various matters with Moss Adams LLP related to the Company's consolidated financial statements, including critical accounting policies and practices. The Audit Committee also received the written disclosures and the letter from Moss Adams LLP required by PCAOB Rule 3526, "Communication with Audit Committees Concerning Independence," and has discussed with Moss Adams LLP its independence from the Company and management.

Based on the review and discussions of the Audit Committee with respect to the items listed above, the Audit Committee recommended to the Board of Directors that the audited financial statements of the Company be included in the Annual Report on Form 10-K for the year ended December 31, 2017 for filing with the SEC. The Audit Committee has also recommended, subject to shareholder approval, the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for its fiscal year ending December 31, 2018.

Respectfully Submitted:

Kevin R. Kelly (Chair)  
Marc J. Cramer  
David R. Lord  
Audit Committee Members

## COMPENSATION DISCUSSION AND ANALYSIS

Our Board is responsible for establishing and administering our executive compensation and employee benefit programs in the context of our overall goals and objectives. This Board duty has been delegated to the Compensation Committee (referred to in this section as the "Committee") in accordance with the Committee's Charter. The Committee reviews the executive compensation program at least annually and approves appropriate modifications to executive officer compensation, including specific amounts and types of compensation. The Committee is responsible for establishing the compensation of the CEO. The Committee also reviews and approves the compensation and incentive programs for other executive officers after reviewing the CEO's recommendations. The Committee establishes the annual compensation of the non-employee directors and oversees the administration of our stock-based compensation plans.

This Compensation Discussion and Analysis provides information on our executive compensation program and policies and summarizes the decision-making process supporting the compensation amounts shown in the tables that follow this section.

### Executive Compensation Philosophy and Objectives

The objectives of our compensation program are to (i) provide a competitive, comprehensive compensation package to attract, retain and motivate highly talented personnel at all levels of our organization and (ii) provide incentives and rewards for implementing and accomplishing our short-term and long-term strategic and operational goals and objectives. Therefore, we strive to structure compensation packages that are competitive within the industry, while maintaining and promoting our interests, as well as the interests of our shareholders. Additionally, when appropriate, compensation is structured to maximize the tax benefits available to us and minimize compensation expense.

We believe that specific levels of executive compensation should reflect the responsibilities of each position within our company, the relative value of the position and the competition for quality, key personnel in our industry. Our executive compensation program includes four primary components:

Base salary. Base salary is the guaranteed element of an executive's annual cash compensation. The level of base salary reflects the Committee's assessment of the employee's long-term performance, his or her skill set and the market value of that skill set.

• Annual cash bonus opportunities. Performance-based incentive cash bonuses are intended to reward executives for achieving specific financial and operational goals both at a corporate and an individual level.

• Long-term incentive awards. Long-term incentives are provided through grants of performance share awards ("PBAs") and restricted stock units ("RSUs"). These equity-based awards are intended to encourage our executives to take steps that they believe are necessary to ensure our long-term success, and to align their interests with our other shareholders.

Severance payments. Executive employment agreements provide for severance payments as a means of recruiting and retaining top quality executives, by assuring them of a reasonable amount of compensation in the event of termination of employment under specified circumstances, including a change in control.

At our annual meeting in May 2017, shareholders approved our non-binding Say-on-Pay proposal to approve our executive compensation by a favorable vote representing more than 96% of the votes cast. The Committee believes that this vote represents a positive endorsement of our executive compensation practices and decisions. The shareholders' substantial support of our executive compensation program contributed to the Committee's decision not to change its general approach to our executive compensation programs and policies for 2018. The Committee will continue to consider results from the shareholder advisory votes, including the upcoming vote at the 2018 annual meeting, when reviewing our executive compensation programs and policies.

#### Advice of Compensation Consultant

The Committee retains an outside compensation consultant to provide advice periodically regarding appropriate elements of a competitive executive compensation structure, including fixed and at-risk elements, short-term and long-term incentives, cash and equity components, and benefits. The Committee currently retains Hay Group as its independent compensation consultant. See "Board of Directors-Committees of the Board-Compensation Committee" above for additional information regarding Hay Group.

Decisions made by the Committee regarding our executive compensation programs for 2015 and 2016 were made based on a competitive assessment provided by Hay Group in November 2014. This assessment compared compensation paid to executive officers as compared to a group of peer companies recommended by Hay Group and approved by the Committee Chair, as well as comparative compensation data for 2014 with regard to companies in Hay Group's beer, wine and spirits industry survey. During its November 2017 meeting, the Committee authorized the engagement of Hay Group to prepare an updated survey of executive compensation for positions comparable to our executive officer positions to inform its decisions in 2018.

#### Components of 2017 Executive Officer Compensation

Our executive compensation program is comprised of both fixed and variable elements with both cash and equity components, consisting primarily of a base salary, annual cash incentive bonus opportunities, grants of RSUs and PBAs, modest personal benefits, and severance arrangements. The Committee's decisions regarding compensation of senior executives for 2017 reflected its continued desire to emphasize incentive compensation over fixed compensation such as salaries and benefits.

#### Base Salary

Base salaries are established annually. The Committee's general philosophy is to weight incentive compensation more heavily than fixed compensation. In November 2016, the Committee reviewed recommendations by our human resources department regarding 2017 executive salaries, based on national benchmark salary data obtained through a subscription with Mercer, the world's largest human resources consulting firm. The Committee approved an increase in executive officer salaries by 3% from 2016 levels, consistent with the survey data in Mercer's benchmark database.

#### 2017 Annual Cash Incentive Bonuses

Consistent with the Committee's philosophy of tying a significant portion of compensation to the achievement of performance goals, the Committee established annual cash bonus opportunities, expressed as a percentage of 2017 base salary, for the following executive officers (together with Andrew Thomas, the "named executive officers"): Joseph Vanderstelt, 55%; Scott Mennen, 55%; Kenneth Kunze, 55%; and Derek Hahm, 100%. Mr. Thomas's cash bonus opportunity was set at \$350,000, unchanged from 2016. The annual cash bonus opportunities for the named executive officers other than Mr. Thomas were subject to the attainment of two corporate performance goals listed below (35% each), while 30% was tied to achievement of a performance goal tailored to each executive officer. Mr.

Thomas's individual performance goal was tied to 40% of his target bonus, while each of the corporate goals represented 30%. The bonus percentages tied to individual goals were increased from 20% to 40% for Mr. Thomas and to 30% for the other executive officers to emphasize personal accountability.

The Committee determines the extent to which performance goals have been satisfied following the end of each fiscal year. Payment, if any, is made promptly following such determination. An executive officer is not entitled to receive a bonus unless he or she remains employed by us through the date of the Committee's determination, unless the Committee decides otherwise.

The corporate level goals approved by the Committee for 2017 were based on target amounts of earnings before interest, taxes, depreciation, and amortization ("EBITDA") and total revenue. EBITDA, as calculated, includes the potential bonuses as expense. The corporate performance target amounts, originally fixed by the Committee at its February 2017 meeting, were each adjusted upward in May 2017 by approximately \$3 million to reflect required changes in the timing of recognition of certain payments to us by affiliates of Anheuser-Busch, LLC, as revenue under generally accepted accounting principles. The corporate performance target amounts were later adjusted downward, with the approval of the Committee at its meeting in February 2018, to reflect a change in the our strategic priorities approved by the Board in mid-2017. The EBITDA goal was decreased by approximately

2.3% and the total revenue goal by approximately 2.8% as a result of these adjustments. Following the adjustments, the target amount of EBITDA was \$20.0 million and the target amount of total revenue was \$219.2 million.

For each 1% by which achievement of a corporate goal is above or below 100%, the portion of the bonus opportunity attributable to that goal would increase or decrease by 2.5%. No bonus amount would be paid with respect to a goal as to which achievement fell below 80%. Achievement of individual performance goals is determined on a straight-line sliding scale. The maximum payout in a given year is 125% of the target amount.

In February 2018, the Committee determined that the adjusted EBITDA goal was met at the 87.3% level and the total revenue goal was achieved at the 94.6% level, resulting in an overall payout on the bonus opportunity tied to corporate goals for 2017 of 77.4%.

Individual performance goals for 2017 approved by the Committee for the named executive officers and levels of achievement as approved by the Committee in February 2018 were as follows:

Name	Goal	Achievement %
Andrew Thomas	Weighted average of achievement of individual objective metrics by executive team	91%
Joseph Vanderstelt	Index of 2017 quarterly results relative to budget	95%
Scott Mennen	Cost of goods sold per barrel, excluding alternating proprietorship and Woodinville closing	101%
Kenneth Kunze	Home market volume index	91%
Derek Hahm	Domestic beer and restaurant and retail gross profit	91%

#### Stock Incentive Plan Awards

The Committee typically considers equity grants for our senior executives and other employees annually.

The Committee determined that the grant date fair value of annual equity grants to the named executive officers for 2017, expressed in terms of a percentage of base salary, should be as follows: Mr. Thomas, 100%; Mr. Vanderstelt, 75%; Mr. Mennen, 50%; Mr. Kunze, 50%; and Mr. Hahm, 50%. The Committee further determined that the equity awards, based on grant date fair value, should be 30% in the form of time-vested RSUs and 70% in the form of PBAs. Consequently, a substantial portion of the equity awards are subject to attainment of performance goals as described below.

The RSUs will cliff vest on March 31, 2020, assuming continued employment through that date.

The vesting of the PBAs granted in 2017 is subject to achieving target levels of revenue compound annual growth rate (CAGR)

and EBITDA margin over a performance cycle beginning January 1, 2017 and ending December 31, 2019. The target amounts were fixed at 50 basis points above the three-year plan numbers that had been developed by management and approved by the Board. Payout of shares will be based on a sliding scale from 50% at the threshold level of 50 basis points below plan to 150% at 150 basis points above plan. Accordingly, at the time the Committee approved the PBAs in February 2017, it believed that approximately 88% of the awards would likely vest.

At its November 2017 meeting, the Committee reviewed an analysis provided by Hay Group showing that Mr. Thomas's actual compensation over the past two years was below the median for our peers despite our strong stock performance and total shareholder return above the median. Accordingly, the Committee approved a one-time grant of RSUs with a grant date fair value of \$85,000 to Mr. Thomas in light of his exemplary leadership contributing to our achievement of highly positive financial results in the face of significant competition and other factors adversely affecting the craft beer industry.

Additional details of all equity awards are reflected in the tables set forth under “Executive Compensation” below.

In February 2018, the Committee also considered the attainment of performance goals established for PBAs granted in 2015. The goals were based on total revenue and EBITDA for the three years ended December 31, 2017. The EBITDA goal was attained at the 60% level and the revenue goal was attained at the 85% level, resulting in a zero payout of the awarded shares.

See “Stock Ownership and Retention Policy” and “Pledging and Hedging Transaction Policy” above for descriptions of expectations for ownership of our common stock and prohibitions on the pledging of shares of our common stock and hedging transactions by members of our Executive Leadership Team.

#### Severance Benefits

In 2016, we entered into amendments to the employment agreements with each of our named executive officers that provide for severance benefits in the event that the officer's employment is terminated under specified circumstances, including upon a change in control, as described in more detail below under "Employment Agreements and Potential Payments upon Termination or Change-in-Control."

#### Other Compensation

We make contributions to the 401(k) accounts of all participating named executive officers on the same terms as those of other participants in our 401(k) annual plan and provide health and disability insurance for the named executive officers under the same plans as for non-executive employees.

In December 2015, the Committee approved a \$100,000 retention bonus for Mr. Thomas, half of which was paid in January 2016 and the other half of which will be paid on December 31, 2018. If Mr. Thomas fails to remain employed as our CEO through that date, he will not be entitled to the second payment and will be required to repay the initial \$50,000.

#### Disclosure of Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are providing the following information about the relationship between the annual total compensation of our employees and the annual total compensation of our CEO for 2017, our last completed fiscal year:

- The annual total compensation of our CEO was \$1,241,442.
- The median of the annual total compensation of all of our employees other than our CEO (based on our median employee identified under the methodology described below) was \$54,002.
- The resulting ratio of our CEO's annual total compensation to the annual total compensation of our median employee is 23 to 1.

The pay ratio stated above is a reasonable estimate calculated in a manner consistent with SEC rules based on our internal records. The SEC's rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. As a result, the pay ratios reported by other companies may not be comparable to our pay ratio stated above.

We completed the following steps to identify the median of the annual total compensation of all our employees and to determine the annual total compensation of our median employee and CEO:

- On December 31, 2017, our employee population consisted of approximately 665 individuals, including full-time, part-time, temporary, and seasonal employees employed on that date.
- To find the median of the annual total compensation of all our employees (other than our CEO), we used wages from our payroll records as reported to the Internal Revenue Service on Form W-2 for the fiscal year 2017. In making this determination, we annualized the compensation of full-time and part-time permanent employees who were employed on December 31, 2017 but who did not work for us the entire year. No full-time equivalent adjustments were made for part-time employees.
- We identified our median employee using this compensation measure and methodology, which was consistently applied to all employees included in the calculation.
- After identifying the median employee, we added together all of the elements of that employee's compensation for 2017 in accordance with the requirements applicable to calculating annual total compensation for purposes of the Summary Compensation Table below.

For the annual total compensation of our CEO, we used the amount reported for our CEO in the “Total” column for 2017 in the Summary Compensation Table below.

**Tax Deductibility**

Section 162(m) of the Internal Revenue Code limits the amount that we may deduct for income tax purposes for compensation paid to our named executive officers to \$1,000,000 per person. Prior to the enactment of the Tax Cuts and Jobs Act by Congress in late 2017, performance-based compensation that met the requirements of Section 162(m) and regulations thereunder was excluded from the limit. This exception was repealed on a prospective basis.

Accordingly, subject to certain limitations, effective with the 2018 tax year, all compensation paid to a named executive officer or other covered employee in excess of \$1,000,000 will be non-deductible, other than qualifying performance-based compensation paid under written binding agreements in effect as of November 2, 2017.



## COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included elsewhere in this proxy statement with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be incorporated by reference in our annual report on Form 10-K and included in this proxy statement.

Respectfully Submitted:

Paul D. Davis (Chair)	Kevin R. Kelly
Timothy P. Boyle	David R. Lord
Marc J. Cramer	Jacqueline S. Woodward

Compensation Committee Members

## EXECUTIVE OFFICERS

The following individuals were our executive officers as of April 12, 2018:

Name	Age	Position	Executive Officer Since
Andrew J. Thomas	50	Chief Executive Officer	2011
Joseph K. Vanderstelt	52	Executive Vice President, Chief Financial Officer and Treasurer	2015
Derek Y. Hahm	48	Vice President, Sales and Brewpubs	2016
Kenneth C. Kunze	59	Vice President, Chief Marketing Officer	2014
J. Scott Mennen	53	Vice President, Chief Operating Officer	2014
John W. Glick	54	Vice President, Emerging Business	2014

Andrew J. Thomas has served as Chief Executive Officer since January 1, 2014. Prior to that, Mr. Thomas served as President of Commercial Operations beginning June 1, 2011. Previously, Mr. Thomas served as an independent marketing and strategy consultant and senior adviser to The Monitor Group, a strategy consulting firm, beginning in April 2009. Mr. Thomas was an independent consultant from October 2007 to April 2009. He served as President and Chief Executive Officer of Heineken USA, an importer of upscale beers, from 2005 to 2007, and was employed by Heineken International from January 1995 to October 2007 in a variety of positions of increasing responsibility and authority.

Joseph K. Vanderstelt has served as Chief Financial Officer since April 27, 2015. From 2010 to April 2015, Mr. Vanderstelt served as Senior Director, Finance & Strategy for MillerCoors, a joint venture of SABMiller plc and Molson Coors Brewing Company formed in 2008. From 2008 to 2010, Mr. Vanderstelt served in several leadership positions with MillerCoors and Miller Brewing Company including Sr. Director, Marketing Finance, Regional Controller, Plant Controller, Manager, Corporate Strategy, and General Manager. Prior to joining Miller Brewing Company, Mr. Vanderstelt was a principal of Vanderplow Distributing Company, a Michigan beer & wine wholesaler whose primary suppliers were Miller Brewing Company and Gallo Wine. Mr. Vanderstelt is a Certified Public Accountant (CPA), Certified Global Management Accountant (CGMA), and Certified Management Accountant (CMA).

Derek Y. Hahm has served as our Vice President, Sales and Brewpubs since November 2016. Mr. Hahm brings more than two decades of experience in the alcoholic beverage industry, serving in key sales and operations management roles, including serving as our Chief of Staff from 2013-2016. Prior to 2013, he held several sales leadership positions, including Vice President, National Sales Operations.

Kenneth C. Kunze has served as our Chief Marketing Officer since November 4, 2013, and was designated as a Vice President effective January 1, 2014. Prior to that, Mr. Kunze served as Chief Marketing Officer for Heineken USA from 1997 to 2008, Principal Consultant for Brand Value Advisors, a brand strategy company, during 2009, and Chief Marketing Officer for Sabra Dipping Co., a Middle-Eastern style food products company, from 2010 to 2013. Mr. Kunze is responsible for the marketing and management of our dynamic portfolio of brands, including Kona Brewing Co., Widmer Brothers Brewing, Redhook Brewing, Omission and Square Mile Cider Company, as well as new brand development. Additionally, he oversaw our Pubs division, which includes five distinctive restaurant and retail locations in cities across the U.S., through the end of 2015. Mr. Kunze is a seasoned marketing executive with more than 25 years of leadership experience in the consumer packaged goods, beer and beverage industries.

J. Scott Mennen has served as our Chief Operating Officer since May 2015, after serving as our Vice President, Brewery Operations since January 1, 2014, and, prior to that, served as our Vice President of Operations beginning May 9, 2013. Mr. Mennen served as Vice President of Operations for Pabst Brewing Company, a beer manufacturer, from 2012 to 2013. Prior to that, he was Global Director of Brewing and Quality for A-B, where he was responsible for brewing and quality operations worldwide, from 2009 to 2012. Mr. Mennen served as General Manager of Newark Brewery from 2008 to 2009, and was its Resident Brewmaster from 2001 to 2008. He has 25 years of extensive experience in all facets of brewery and operations management.

John W. Glick has served as our Vice President, Emerging Business since May 2015 and, prior to that, was our Vice President, Supply Chain and Emerging Business since January 1, 2014. Mr. Glick served as our Vice President of Business Development beginning July 11, 2011 through the end of 2013. Mr. Glick spent five years at A-B as Vice President of Business Development beginning in 2006, where he developed A-B's adjacent (non-beer) beverage strategy and led import beer planning, shipping and operations. He previously held a number of positions at A-B in business and wholesaler development, where he managed A-B's equity investments in several wholesalers and craft brewers. Earlier in his career, Mr. Glick was employed in General Motors' Delco Products component manufacturing division. He has more than 19 years of experience working closely with beer wholesalers to optimize forecasting, inventory planning, purchasing, and production.

There are no family relationships among any of our directors or executive officers.

## EXECUTIVE COMPENSATION

## Summary Compensation Table

The following table lists the annual compensation for the years shown in the table of our named executive officers:

			Salary (\$)	Bonus (\$) <sup>(3)</sup>	Stock Awards (\$) <sup>(4)</sup>	Option Awards (\$) <sup>(5)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(6)</sup>	All Other Compensation (\$) <sup>(7)</sup>	Total (\$)
Name and Principal Position		Year							
Andrew J. Thomas Executive Officer	Chief	2017	\$452,170	\$ —	\$499,577	\$ —	\$289,695	\$ —	\$1,241,442
		2016	439,006	120,000	404,148	—	123,698	—	1,086,852
		2015	425,192	70,000	237,320	121,099	85,954	—	1,039,565
Joseph K. Vanderstelt <sup>(1)</sup> President, Chief Financial Officer	Executive Vice	2017	272,976	—	187,696	—	124,161	—	584,833
		2016	265,031	51,231	182,976	—	51,511	16,903	567,656
		2015	177,186	43,831	108,534	55,625	50,041	80,018	515,239
J. Scott Mennen President, Chief Operating Officer	Vice	2017	262,650	—	120,412	—	121,888	8,710	513,660
		2016	255,024	—	117,380	—	72,154	8,756	453,314
		2015	237,147	13,866	66,574	33,983	61,099	7,295	419,958
Kenneth C. Kunze President, Chief Marketing Officer	Vice	2017	263,680	—	120,888	—	118,312	9,327	512,207
		2016	256,050	—	117,842	—	73,957	78,324	526,173
		2015	253,442	20,000	70,910	36,188	71,592	68,911	521,043
Derek Y. Hahm <sup>(2)</sup> President, Sales and Brewpubs	Vice	2017	221,474	—	101,536	—	180,349	6,697	510,056
		2016	215,030	—	88,697	—	46,425	7,023	357,175

(1) Mr. Vanderstelt began serving as our Chief Financial Officer effective April 27, 2015.

(2) Mr. Hahm began serving as our Vice President, Sales and Brewpubs effective November 16, 2016.

The amount shown for Mr. Thomas for 2016 includes \$50,000 paid in January 2016 as a retention bonus; the balance shown for 2016 and the amount shown for 2015 represents a performance bonus based on achievement of the individual goals assigned to him for the year. The amounts shown for Mr. Vanderstelt for 2016 and 2015 reflect

(3) a one-time, \$50,000 signing bonus payable in two equal installments, one in each year, in connection with the commencement of his employment, as well as a performance bonus based on achievement of the individual goals assigned to him for 2016 and 2015. Amounts shown for Messrs. Mennen and Kunze for 2015 represent lump sum, non-performance-based bonuses.

(4) Represents the grant date fair value of PBAs under our 2014 Stock Incentive Plan, which reflects the assessment of probable achievement of performance conditions on the date of grant (83% in 2015, 89% in 2016 and 88% in 2017). The actual value to be received pursuant to these stock awards is dependent on the degree to which company-wide performance goals are met over three-year performance cycles (2.5 years for 2016). The value of the 2017 PBAs at the grant date, assuming the highest level of achievement, was as follows: (i) Mr. Thomas, \$474,787; (ii) Mr. Vanderstelt, \$214,958; (iii) Mr. Mennen, \$137,895; (iv) Mr. Kunze, \$138,450; and (v) Mr.

Hahn, \$116,291. Also includes the grant date fair value of RSUs granted in 2016 and 2017 under our 2014 Stock Incentive Plan. Additional details regarding the terms of the PBAs and RSUs are set forth in the following two tables. See Notes 2 and 13 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 ("2017 Form 10-K") for information on the valuation assumptions and other related information.

(5) Represents the grant date fair value of option awards under our 2014 Stock Incentive Plan. The actual value to be received pursuant to these option awards is dependent on the appreciation in our stock price prior to the expiration of the options. Additional details regarding the terms of the option awards are set forth in the Outstanding Equity Awards table below. See

Notes 2 and 13 to our audited financial statements included in our 2017 Form 10-K for information on the valuation assumptions and related information.

The amounts shown reflect the annual cash incentive awards based on performance for the years shown and paid in (6) the first quarter of the following year. Additional details of the awards for 2017 are set forth in the Grants of Plan-Based Awards Table.

(7) Amounts shown in this column for 2017 represent the sum of the amounts attributable to personal benefits and other items of compensation as listed in the following table:

2017	Andrew Thomas	Joseph Vanderstelt	Scott Mennen	Kenneth Kunze	Derek Hahm
Reimbursement of taxes <sup>(a)</sup>	\$ —	\$ —	\$ 760	\$ 1,377	\$ —
Employer matching contributions to 401(k) Plan	—	—	7,950	7,950	6,697
Total	\$ —	\$ —	\$ 8,710	\$ 9,327	\$ 6,697

(a) For Messrs. Mennen and Kunze, represents a gross-up reimbursement of applicable taxes on excess contributions returned under limits imposed on 401(k) plans.

#### Grants of Plan-Based Awards Table for the Year Ended December 31, 2017

Name	Grant date	Estimated potential payouts under non-equity incentive plan awards			Estimated future payouts under equity incentive plan awards			Grant All other date stock fair awards: value
		Thres-hold (\$) <sup>(1)</sup>	Target (\$) <sup>(1)</sup>	Maxi-mum (\$) <sup>(1)</sup>	Thres-hold (#) <sup>(2)</sup>	Target (#) <sup>(2)</sup>	Maxi-mum (#) <sup>(2)</sup>	
Andrew J. Thomas	2/22/2017	\$ —	\$ —	\$ —	9,985	19,970	29,955	—
	2/22/2017	—	—	—	—	—	—	8,559
	2/22/2017	175,000	350,000	437,500	—	—	—	—
	11/15/2017	—	—	—	—	—	—	4,393
Joseph K. Vanderstelt	2/22/2017	—	—	—	4,521	9,041	13,562	—
	2/22/2017	—	—	—	—	—	—	3,875
	2/22/2017	75,062	150,123	187,654	—	—	—	—
J. Scott Mennen	2/22/2017	—	—	—	2,900	5,800	8,700	—
	2/22/2017	—	—	—	—	—	—	2,486
	2/22/2017	72,229	144,458	180,573	—	—	—	—
Kenneth C. Kunze	2/22/2017	—	—	—	2,912	5,823	8,735	—
	2/22/2017	—	—	—	—	—	—	2,496
	2/22/2017	72,512	145,024	181,280	—	—	—	—
Derek Y. Hahm	2/22/2017	—	—	—	2,446	4,891	7,337	—
	2/22/2017	—	—	—	—	—	—	2,096

2/22/2017 110,725 221,450 276,813 — — — — —

Represents the potential annual cash incentive bonus amounts payable based on the level of achievement of corporate performance goals, as well as individual performance goals, as described under “Compensation Discussion and Analysis” above. The target amounts are payable if the overall achievement level is 100%. No (1) amounts are payable for achievement of corporate goals below 80% of the target level. For each percentage point that achievement of a corporate goal falls below the target level, the bonus amount attributable to that goal is reduced by 2.5%. For each percentage point that achievement of a corporate goal is above the target level, the bonus amount attributable to that goal is increased by 2.5%. The maximum payout is 125% of the target amount.

Represents PBAs under the 2014 Stock Incentive Plan that will vest upon the attainment of performance goals over a three fiscal year performance cycle ending December 31, 2019 as described under “Compensation Discussion and Analysis” above. Upon vesting, the performance shares will be settled in shares of common stock. The performance goals are based on threshold, target and maximum levels of net sales CAGR and EBITDA margin. Payout of shares will be based on a sliding scale from 50% at the threshold to 150% at the maximum. The target amounts will be issuable if the overall achievement level is 100%.

Reflects RSU awards granted under the 2014 Stock Incentive Plan that vest on March 31, 2020, approximately three years following the grant date, other than the November 15, 2017 grant of RSUs to Mr. Thomas, which vest as to 20% on December 31, 2018; 40% on December 31, 2019; and 40% on December 31, 2020.

See Notes 2 and 13 to our audited financial statements included in our 2017 Form 10-K for information on the valuation assumptions and other related information.

#### Outstanding Equity Awards at Year End 2017

The following table sets forth the outstanding equity awards held by the named executive officers as of December 31, 2017:

Name	Option Awards				Stock Awards			Equity incentive plan awards: market or payout value of unearned shares that have not vested (\$)
	Number of securities underlying unexercised options: exercisable (#)	Number of securities underlying unexercised options: unexercisable (#)	Option exercise price (\$/Sh)	Option expiration date	Number of units of stock that have not vested (#)	Market value of units of stock that have not vested (\$)	Equity incentive plan awards: number of unearned shares that have not vested (#)	
Andrew J. Thomas	5,215	—	\$ 9.35	6/1/2021	—	\$ —	—	\$ —
	11,110	—	7.63	5/14/2022	—	—	—	—
	9,406	2,351	7.54	5/22/2023 <sup>(1)</sup>	—	—	—	—
	10,907	7,272	10.70	5/20/2024 <sup>(2)</sup>	—	—	—	—
	7,690	7,690	13.10	3/13/2025 <sup>(3)</sup>	—	—	—	—
	—	—	—	—	—	—	18,116	<sup>(5)</sup> 347,827 <sup>(10)</sup>
	—	—	—	—	—	—	35,428	<sup>(6)</sup> 680,218 <sup>(10)</sup>
	—	—	—	—	—	—	13,675	<sup>(7)</sup> 262,560 <sup>(10)</sup>
	—	—	—	—	17,127 <sup>(8)</sup>	328,838 <sup>(10)</sup>	—	—
	—	—	—	—	8,559 <sup>(9)</sup>	164,333 <sup>(10)</sup>	—	—
Joseph K. Vanderstelt	—	—	—	—	4,393 <sup>(13)</sup>	84,346 <sup>(10)</sup>	—	—
	3,410	3,410	13.66	4/27/2025 <sup>(4)</sup>	—	—	—	—
	—	—	—	—	—	—	8,285	<sup>(5)</sup> 159,072 <sup>(10)</sup>
	—	—	—	—	—	—	16,040	<sup>(6)</sup> 307,968 <sup>(10)</sup>
	—	—	—	—	—	—	6,191	<sup>(7)</sup> 118,867 <sup>(10)</sup>
J. Scott Mennen	—	—	—	—	7,754 <sup>(8)</sup>	148,877 <sup>(10)</sup>	—	—
	—	—	—	—	3,875 <sup>(9)</sup>	74,400 <sup>(10)</sup>	—	—
	2,968	742	7.54	5/22/2023 <sup>(1)</sup>	—	—	—	—



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5,600	1,400	9.41	7/19/2023 <sup>(12)</sup>	—	—	—	—
2,727	1,818	10.70	5/20/2024 <sup>(2)</sup>	—	—	—	—
2,158	2,158	13.10	3/13/2025 <sup>(3)</sup>	—	—	—	—
—	—	—	—	—	—	5,082	<sup>(5)</sup> 97,574 <sup>(10)</sup>
—	—	—	—	—	—	10,290	<sup>(6)</sup> 197,568 <sup>(10)</sup>
—	—	—	—	—	—	3,972	<sup>(7)</sup> 76,262 <sup>(10)</sup>
—	—	—	—	4,974	<sup>(8)</sup> 95,501 <sup>(10)</sup>	—	—
—	—	—	—	2,486	<sup>(9)</sup> 47,731 <sup>(10)</sup>	—	—

Option Awards			Stock Awards	
Name	Number of	Option exercise price (\$/Sh)	Number of units of stock that have not vested (#)	Market value of units of
	Number of securities underlying unexercised options: exercisable (#)			