CRAFT BREW ALLIANCE, INC.
Form DEF 14A
April 16, 2014

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 x
Filed by a Party other than the Registrant o

Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

CRAFT BREW ALLIANCE, INC.
(Name of Registrant as Specified In Its Charter)

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2) Form, Schedule or Registration Statement No.:
3) Filing Party:
4) Date Filed:

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 Tuesday, May 20, 2014

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 Tuesday, May 20, 2014, at 1:00 p.m. Pacific Daylight Time, in the Portland, Oregon Widmer Brothers Banquet Room located at 947 North 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 2015 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, 2014;

3. To conduct a non-binding advisory vote to approve named executive officer compensation;

4. To approve the 2014 Stock Incentive Plan; 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 21, 2014 as the record date for the meeting. Only shareholders of record of our common stock on March 21, 2014 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/ Kurt R. Widmer
Kurt R. Widmer
Chairman of the Board

Portland, Oregon
April 16, 2014

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 20, 2014:
The Proxy Statement for the 2014 Annual Meeting of Shareholders and 2013 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.

CRAFT BREW ALLIANCE, INC.
929 N. Russell Street
Portland, Oregon 97227
PROXY STATEMENT
FOR 2014 ANNUAL MEETING OF SHAREHOLDERS
to be held on May 20, 2014 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 for use at the annual meeting of shareholders to be held on May 20, 2014, and any postponements or adjournments thereof.

On or about April 16, 2014, this proxy statement and the accompanying form of proxy are being mailed to each shareholder of record at the close of business on March 21, 2014.

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, 2014;
- a non-binding advisory vote to approve our named executive officer compensation;
- a proposal to approve the 2014 Stock Incentive Plan; 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 21, 2014, the record date, may vote at the meeting. As of the record date, we had 18,972,247 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 2014 Annual Meeting of Shareholders being held?
The 2014 Annual Meeting of Shareholders will be held at the Portland, Oregon Widmer Brothers Banquet Room, located at 947 North Russell Street, Portland, Oregon 97227 at 1:00 p.m. Pacific Daylight Time, on May 20, 2014.

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.

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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 approval of the proposal to ratify the appointment of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014;
- FOR the approval of our named executive officer compensation as disclosed in the Compensation Discussion and Analysis section and accompanying compensation tables contained in this proxy statement; and
- FOR the proposal to approve the 2014 Stock Incentive Plan.

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 serve to 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 page 3 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 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 2013 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: The proposal to approve the 2014 Stock Incentive Plan 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.

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 proposals 1, 3 and 4.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 21, 2014, 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 named executive officers (as defined at "Compensation Discussion and Analysis – Base Salary") 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 by footnote, 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, percentage of beneficial ownership is based on 18,972,247 shares of common stock outstanding as of March 21, 2014.

Shareholder	Number of Shares[(1)]	Percent of Shares Outstanding	
Anheuser-Busch Companies, LLC One Busch Place St. Louis, MO 63118	6,069,047	32.0	%
W. Cameron Healy, Trustee of the Healy Family Trust[(2)] 14075 Old Germantown Road Portland, Oregon 97231	1,401,860	7.4	%
Kurt R. and Ann G. Widmer[(3)]	1,312,281	6.9	%
Dimensional Fund Advisors[(4)] 6300 Bee Cave Road Austin, TX 78746	992,685	5.2	%
Robert P. and Barbara B. Widmer[(3)]	900,000	4.7	%
Timothy P. Boyle[(5)]	469,947	2.5	%
Terry E. Michaelson	59,300	*	
Mark D. Moreland	55,153	*	
John D. Rogers, Jr.	30,227	*	
Kevin R. Kelly	27,071	*	
David R. Lord	23,977	*	
Sebastian Pastore	12,048	*	
Marc J. Cramer	10,487	*	
E. Donald Johnson, Jr.	6,593	*	
Thomas D. Larson	6,593	*	
Andrew J. Thomas	6,530	*	
All current executive officers and directors as a group (13 persons)	2,020,207	10.6	%

*Less than 1%

(1) Includes shares of common stock subject to options currently exercisable or exercisable within 60 days of March 21, 2014 as follows:

Terry E. Michaelson	34,001
Mark D. Moreland	38,753
Sebastian Pastore	4,012
Andrew J. Thomas	6,530
All executive officers and directors as a group	83,296

(2) The Healy Family Trust, of which W. Cameron Healy is trustee and sole beneficiary, acquired shares of common stock in exchange for Kona Brewing Co., Inc. ("KBC") shares in the merger with KBC (the "KBC Merger") in October 2010.

(3) Kurt R. Widmer and Robert P. Widmer are brothers. Robert P. Widmer holds the position of Vice President of Corporate Quality Assurance and Industry Relations. Each of Kurt and Robert Widmer shares voting and investment power over the shares of common stock with his spouse named above. Also, of Kurt R. Widmer's shares, 10,867 are held by his spouse.

(4) The information as to beneficial ownership is based on a Schedule 13G filed by Dimensional Fund Advisors LP ("Dimensional") with the SEC on February 10, 2014. Dimensional has sole voting power with respect to 976,503 shares and sole dispositive power with respect to all 992,685 shares.

(5) Includes 1,818 shares held by Mr. Boyle's child.

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 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, 2013, 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.

BOARD OF DIRECTORS

Our business is managed under the direction of the Board of Directors (the "Board"), which currently consists of the following eight directors: Kurt R. Widmer (Chairman), Timothy P. Boyle, Marc J. Cramer, E. Donald Johnson, Jr., Kevin R. Kelly, Thomas D. Larson, David R. Lord and John D. Rogers, Jr.

The full Board met seven times during 2013. No director attended fewer than 75% of the total number of meetings of the Board and of any Board committees of which he was a member during 2013. Directors are encouraged to attend the Annual Meeting of Shareholders. At the 2013 Annual Meeting, all eight of the incumbent directors were in attendance.

Director Independence

Our common stock is listed on The Nasdaq Stock Market 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, Kelly, Lord and Rogers are non-employee directors, 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, Kelly, Lord and Rogers are "independent directors" as defined in Listing Rule 5605(a)(2). Messrs. Johnson and Larson, who are also non-employee directors, are employees of Anheuser-Busch, LLC ("A-B") and are A-B 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). Mr. Widmer, as an employee director, does not meet 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 values highly 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. The following eight individuals have been nominated for election at the meeting. Each of the nominees currently serves as a director. Set forth below is a more detailed description of each nominee's age, background, professional experience, qualifications and skills.

Timothy P. Boyle (64)
Mr. Boyle has served as a director since our merger effective July 1, 2008 with Widmer Brothers Brewing Company ("WBBC"). He had 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. 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 the Youth Outdoor Legacy Fund 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 a 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 (56)
Mr. Cramer has served as a director since December 2010. Since 2007, he has served as the Finance Director of the Bill Healy Foundation ("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 January 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. Mr. Cramer was recommended for election as a director by the former KBC shareholders.

E. Donald Johnson, Jr. (56)
Mr. Johnson has served as a director since July 2011. Since August 2010, Mr. Johnson has served as Vice President, Business and Wholesaler Development for A-B, where he leads the development of wholesaler strategies and has overall responsibility for domestic business development at A-B. From September 2007 until July 2010, Mr. Johnson held the position of Vice President of National Retail Sales where he was responsible for sales strategies supporting A-B's growing account base of national retailers. Mr. Johnson joined A-B in 1980 and has held various sales and wholesaler support positions, including Vice President, Region Sales in Detroit and Charlotte, N.C.; Vice President, Region Operations; and Vice President, Wholesaler Development.

Individual Experience: Mr. Johnson possesses extensive background in both wholesaler strategies and sales. He also has significant experience in the beer industry and with sales of consumer products, including strategic planning, brand positioning, creative development, market plan development and execution, and sales management. Mr. Johnson has been designated by A-B to serve on our Board.

Kevin R. Kelly (64)

Mr. Kelly has served as a director since the merger with WBBC and also served as a director of WBBC from September 1995 until July 1, 2008. 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 as a director on the boards of Western Capital Corporation and the Sisters of Providence Pension Trustees. Mr. Kelly 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.

Thomas D. Larson (54)

Mr. Larson has served as a director since July 2011. Since December 2008, Mr. Larson has served as Senior Associate General Counsel for A-B, where he leads the transactional, trademark and environmental practice in A-B's United States operations. He has been the lead internal counsel for all of the transactions between A-B and us since 1994. Mr. Larson joined A-B in 1993 as an Associate General Counsel. Prior to joining A-B in 1993, Mr. Larson was in private practice in Cleveland, Ohio.

Individual Experience: Mr. Larson has an extensive legal background and possesses significant legal expertise. Having served as A-B's counsel for all transactions with us, he has historical knowledge of our relationship with A-B. Mr. Larson has been designated by A-B to serve on our Board.

David R. Lord (65)

Mr. Lord has served as a director since May 2003. In January 2009, Mr. Lord retired from the position of President of Pioneer Newspapers, Inc., which he had held for 18 years. He served as Vice Chairman 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 currently serves as Chairman of the PAGE Cooperative, a not-for-profit, member-owned cooperative buying association in the newspaper industry, and is on the Board of Directors of Wick Communications, an Arizona media company. He is also a past president and chairman of the Inland Press Association.

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.

John D. Rogers, Jr. (70)

Mr. Rogers has served as a director since May 2004. Beginning in December 2010, Mr. Rogers has served as Director of Business Development for a division of Lile International Corporation, agent for North American Van Lines. He also holds the position of Managing Partner of J4 Ranch LLC, an organic berry grower, a position held since 2007. Prior to joining J4 Ranch LLC, he served as President, Chief Executive Officer and director of Door to Door Storage, Inc. from June 2004 to June 2007. Mr. Rogers has also served in leadership roles at several manufacturing enterprises, including President and Chief Operating Officer at AWC, Inc., General Manager at British Steel Alloys, and President and Chief Executive Officer of Saab Systems Inc., NA. Mr. Rogers serves as a board member of the C. M. Russell Museum. Mr. Rogers was appointed a Sloan Fellow at Massachusetts Institute of Technology, and graduated with a Masters of Science in Business Administration. He also earned an MBA from Southern Methodist University.

Individual Experience: Mr. Rogers contributes a depth of experience in strategic planning and analysis and component and enterprise valuation. He also has a sound interpersonal and organizational behavioral skill set, including an appreciation for a variety of operating configurations for organizations of various sizes and complexities. Mr. Rogers also brings an extensive marketing and sales background, as well as knowledge of financial modeling and pro forma analysis.

Kurt R. Widmer (62)
Mr. Widmer has served as the Chairman of the Board and director since the merger with WBBC. Prior to that, Mr. Widmer served as President, Chief Executive Officer and Chairman of the Board of WBBC from 1984 until July 1, 2008. Mr. Widmer co-founded WBBC with his brother, Robert P. Widmer. He is a member of the board of directors and past president of the Oregon Brewers Guild.

Individual Experience: Mr. Widmer has spent nearly his entire career developing a small craft brewery into an industry leader. He holds strong relationships both among other craft pioneers and with new craft brewers. Mr. Widmer also possesses solid connections within the state and local political arenas in Oregon and Washington and with leaders in the craft beer industry.

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 that directors 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 2015 annual meeting to us by December 17, 2014 (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 17, 2014.

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 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 Audit Committee is currently composed of Messrs. Kelly (Chair), Cramer, Lord and Rogers, 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. Larson, as A-B's designee, currently observes meetings of the Audit Committee. The Audit Committee met four times during 2013. 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 (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 awards, stock appreciation rights and other stock-based awards granted to employees under our stock incentive plans, and for determining the number and terms of such grants made to our executive officers, among others.

The current members of the Compensation Committee, who served throughout 2013, are Messrs. Lord (Chair), Boyle, Cramer, Kelly and Rogers, each of whom is an independent director as defined by Nasdaq Listing Rule 5605(a)(2) and 5605(d)(2)(A). Mr. Johnson, as A-B's designee, currently observes meetings of the Compensation Committee. The Compensation Committee met six times during 2013. The Board has adopted a written charter for the Compensation Committee, which is available on our website at 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 December 2010, the Compensation Committee has consulted Mercer, a national compensation consulting firm, from time to time regarding compensation issues. During 2013, Mercer provided guidance to the Compensation Committee regarding the projected compensation expense to the Company relating to proposed stock-based grants to be awarded in May 2013 to employees and non-employee directors as a percentage of total revenues as compared to its peers. Our management also consults with Mercer from time to time regarding compensation of senior managers who are not executive officers. The total fees paid to Mercer during 2013 for such services totaled less than $10,000. Additional information regarding the Compensation Committee's interactions with Mercer 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. Our Chief Executive Officer, our Chief Financial Officer, and our Chairman of the Board attend 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 and the Chairman are excused during the Compensation Committee's deliberations regarding their compensation.

The Compensation Committee received input from our CEO, CFO and Chairman regarding various elements of our compensation program in 2013, including base salary levels for senior executives, target annual cash incentive bonus amounts, the allocation between corporate performance goals and individual performance goals for the target bonuses, identification and calculation of the corporate performance goals, establishment of individual performance goals for each senior executive and the Chairman, and establishment of three-year corporate performance goals for the long-term performance share grants made to senior executives. Such input was materially consistent with the compensation level and structure employed beginning in 2011.

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, particularly our performance-based awards, encourage 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, Kelly, Lord and Rogers, each of whom is an independent director as defined by Nasdaq Marketplace Rule 5605(a)(2). Mr. Johnson, as A-B's designee, currently observes meetings of the Nominating and Governance Committee. The Nominating and Governance Committee met four times in 2013. 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 (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. Rogers (Chair), Boyle, Cramer and Lord, each of whom is an independent director as defined by Nasdaq Marketplace Rule 5605(a)(2). Mr. Larson, as A-B's designee, is also a member of the Strategic Planning Committee. The Strategic Planning Committee met one time in 2013. 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 (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 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 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. Kurt Widmer serves as Board Chairman, while Terry Michaelson served as Chief Executive Officer throughout 2013 and Andrew Thomas beginning January 1, 2014. Although the Board has chosen to separate the positions of Chief Executive Officer and Chairman of the Board, Mr. Widmer, as an employee, is not independent. The Board believes that Mr. Widmer is the appropriate leader of the Board due to his history as a pioneer and innovator within the craft brewing industry and his strategic experience as the co-founder of Widmer Brothers Brewing Company. 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, 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. By meeting in executive sessions on a regular basis, the five independent directors have the opportunity to identify and evaluate issues facing us, engaging in a frank and candid dialogue without management being present. For this reason, it is the Nominating and Governance Committee's view that there is no need for an independent lead director at this time. 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

In November 2013, the Compensation Committee reviewed an internal analysis of non-employee director compensation based on 2012-2013 surveys published by Frederic W. Cook & Co., Inc., and the National Association of Corporate Directors. The analysis was based on data for a total of 337 companies in the manufacturing and food & beverage industries with revenues from $50 million to $500 million. The analysis showed that we lagged, by a substantial amount, the average total non-employee director compensation for the survey group. Therefore, the Compensation Committee approved a $10,000 increase in compensation for non-employee directors for 2014, split equally between the annual cash retainer and annual stock grant, with similar increases contemplated for 2015 and 2016. Accordingly, each non-employee director will receive an annual grant of shares of our common stock with a fair value of $30,000 upon election at the 2014 Annual Meeting of Shareholders. Each non-employee director will also receive an annual cash retainer of $25,000, paid quarterly, for their 2014-2015 service.

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

See "Certain Related Person Transactions-Employment Agreement with Kurt Widmer" for additional information regarding Mr. Widmer's compensation.

The following table sets forth certain information regarding the compensation earned by or awarded to each member of the Board in 2013.

Name	Fees earned or paid in cash	Stock awards[1]	Non-equity incentive plan compensation	All other compen-sation	Total
Timothy P. Boyle	$34,000	$25,000	$ -	$ -	$59,000
Marc J. Cramer	29,214	25,000	-	-	54,214
E. Donald Johnson, Jr.	20,000	25,000	-	-	45,000
Kevin R. Kelly	39,000	25,000	-	-	64,000
Thomas D. Larson	22,000	25,000	-	-	47,000
David R. Lord	38,000	25,000	-	-	63,000
John D. Rogers, Jr.	38,000	25,000	-	-	63,000
Kurt R. Widmer[2]	210,430	-	52,663	6,915	270,008

(1) Represents the value of 3,316 fully-vested shares of our common stock granted on May 22, 2013. The fair value of the stock awards was determined based on the fair value of our common stock on the date of grant. See Note 13 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 for additional information.

(2) Fee earned or paid in cash for Mr. Widmer represent compensation earned for his services as an employee. All other compensation for Mr. Widmer represents the 401(k) employer matching contribution accrued for Mr. Widmer for 2013. See discussion in “Compensation Discussion and Analysis” for descriptions of our 401(k) and non-equity incentive plans.

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 by Auditing Standard No. 16, Communications with Audit Committees, issued by the Public Company Accounting Oversight Board. The Audit Committee has received the written disclosures and the letter from Moss Adams LLP required by rules of the Public Company Accounting Oversight Board regarding the firm’s communications with the Audit Committee concerning independence and has discussed with Moss Adams LLP its independence.

Based upon the review and discussions of the Audit Committee with respect to the items listed above, the Audit Committee has 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, 2013 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, 2014.

Respectfully Submitted,

Kevin R. Kelly (Chair)
Marc J. Cramer
David R. Lord
John D. Rogers, Jr.
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 our equity compensation plans, including 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 stock options and performance share awards 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.

Advice of Compensation Consultant

In December 2010, the Committee retained an outside compensation consultant, Mercer, to analyze our executive compensation program as compared to our peers. Mercer advised the Committee 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. Since 2011, the Committee has consulted Mercer from time to time regarding executive compensation issues.

The Committee's decisions regarding compensation of senior executives for 2013 reflected its continued desire to emphasize incentive compensation over fixed compensation such as salaries and benefits. At our annual meeting in May 2013, shareholders approved our non-binding Say-on-Pay proposal to approve our executive compensation by a favorable vote representing 96% of the votes cast. The Committee believes that this vote represents a positive endorsement of our executive compensation practices and decisions. The shareholders' overwhelming support of our executive compensation program contributed to the Committee's decision not to make significant changes to our executive compensation programs and policies for 2014. The Committee will continue to consider results from the annual shareholder advisory votes, including the upcoming vote at the 2014 annual meeting, when reviewing the Company's executive compensation programs and policies.

Components of 2013 Executive Officer Compensation

Our executive compensation program is comprised of both fixed and variable elements with both cash and equity components, including a base salary, annual cash incentive bonus opportunities, grants of stock options and performance shares, modest personal benefits, and severance arrangements.

Base Salary

Base salaries are established annually. Consistent with recommendations made by Terry Michaelson, our then CEO, regarding executive officer compensation in 2013, the Committee determined to maintain Mr. Michaelson's base salary at its 2012 level of $346,000, while other senior executives listed in the Summary Compensation Table below (the "named executive officers") received increases as follows: Mr. Moreland, 6%; Mr. Thomas, 3%; and Mr. Pastore, 3%.

2013 Annual Cash Incentive Bonuses

In 2013, we provide our senior executives with annual cash bonus opportunities subject to the attainment of corporate level goals and individual performance objectives. The corporate level goals relate to 80% of the bonus opportunity and the individual objectives to 20%. 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 2013 base salary, for the named executive officers as follows: Mr. Michaelson, 80%; Mr. Moreland, 65%; Mr. Thomas, 50%; and Mr. Pastore, 60%.

The corporate level goals approved by the Committee for 2013 were based 50% on attainment of earnings before interest, taxes, depreciation, and amortization ("EBITDA") of $18.0 million and 50% on attainment of total sales of $185 million. EBITDA, as calculated, reflects the potential bonuses as expense. For every 1% by which achievement of a corporate goal was 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%.

The individual performance objectives are generally based upon achieving financial, strategic, operational and other goals in functional areas for which an executive has responsibility. Individual performance objectives are tied to the officer's role in achieving our strategic and operating goals. Individual performance goals for the named executive officers for 2013 were as follows: Target gross margin rate (weighted one-third for Mr. Michaelson and 75% for Mr. Pastore); target return on invested capital (weighted one-third for Mr. Michaelson, 100% for Mr. Moreland and 25% for Mr. Pastore); relative brand market share growth targets by brand family, measured by percentage sales growth in 2013 for our primary competitors in the craft beer segment (weighted one-third for Mr. Michaelson and 82.5% for Mr. Thomas); and sales and other operational targets (weighted 17.5% for Mr. Thomas). The individual goals were subject to the same 2.5% adjustment up or down for each 1% as to which achievement was above or below target levels.

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 determines otherwise.

In March 2014, the Committee determined that the EBITDA goal was not met at the 80.0% level and the net sales goal had been met at the 96.9% level, resulting in a payout on the bonus opportunity tied to corporate performance goals for 2013 of 36.9% as compared to the 80% target. Major individual performance goals were attained at the following levels: 93.4% for gross margin rate; 65.8% for return on invested capital; and 101.8% for relative brand market share growth. The combined level of achievement of individual goals for 2013 was 66.9% for Mr. Michaelson, 15.7% for Mr. Moreland, 100.5% for Mr. Thomas, and 66.2% for Mr. Pastore, resulting in payouts of 13.4%, 3.1%, 20.1%, and 13.2%, respectively, compared to the 20% target bonus attributable to individual goals overall. The Committee believes the 2013 bonus results compared to corporate and individual performance demonstrates the efficacy of our annual cash incentive structure in rewarding desired results.

Stock Incentive Plan Awards

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

As part of its analysis provided to the Committee in January 2011, Mercer advised that the long-term equity incentive grants awarded to senior executives in prior years were significantly below market as compared to our peers. Mercer also recommended that the Committee consider shifting away from grants solely of stock options and consider awarding performance shares.

The Committee determined that the grant date fair value of equity grants to the named executive officers for 2013, expressed in terms of a percentage of base salary, for the named executive officers should be as follows: Mr. Michaelson, 100%; Mr. Moreland, 75%; Mr. Thomas, 60%; and Mr. Pastore, 75%, unchanged from the prior year. The Committee further determined that the equity awards, based on grant date fair value, should continue to be 30% in the form of time-vested stock options and 70% in the form of performance share awards. Consequently, a substantial portion of the equity awards are subject to attainment of performance goals as described below.

The vesting of the performance share awards granted in 2013 is subject to achieving target levels of net sales and adjusted EBITDA over a three-year performance cycle ending December 31, 2015. The target amounts were established as stretch targets derived from the budget numbers that had been developed by management and approved by the Board. Accordingly, at the time the Committee approved the equity grants in May 2013, it believed that approximately 80% of the performance shares would likely vest. Additional details of the equity awards are reflected in the tables set forth under “Executive Compensation” below.

Severance Benefits

As part of the employment agreements with each of our named executive officers, we have entered into severance arrangements that provide for severance benefits in the event that the officer’s employment is terminated under specified circumstances 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) plan and provide health and disability insurance for the named executive officers under the same plans as for non-executive employees.

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:

David R. Lord (Chair)	Kevin R. Kelly
Timothy P. Boyle	John D. Rogers, Jr.
Marc J. Cramer	

Compensation Committee Members

EXECUTIVE OFFICERS

The following individuals were our executive officers as of April 16, 2014:

Name	Age	Position	Executive Officer Since
Andrew J. Thomas	46	Chief Executive Officer	2011
Mark D. Moreland	49	Executive Vice President, Chief Financial Officer and Treasurer	2008
Kenneth C. Kunze	55	Vice President, Chief Marketing Officer	2014
J. Scott Mennen	49	Vice President, Brewery Operations	2014
John W. Glick	50	Vice President, Supply Chain and Logistics	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. Before joining the Company, 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 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.

Mark D. Moreland has served as our Chief Financial Officer and Treasurer since August 2008 and, prior to that, was our Chief Accounting Officer beginning July 1, 2008, the effective date of the merger with WBBC. From April 1, 2008 to June 30, 2008, Mr. Moreland served as Chief Financial Officer of WBBC. He was Executive Vice President and Chief Financial Officer of Knowledge Learning Corporation from July 2006 to November 2007. From July 2005 to June 2006, Mr. Moreland held the positions of Interim CFO, Senior Vice President - Finance and Treasurer with Movie Gallery, Inc., which operated the Movie Gallery and Hollywood Entertainment video rental chains. From August 2002 to July 2005, he was Senior Vice President, Finance and Treasurer of Hollywood Entertainment Corporation, which Movie Gallery, Inc. acquired in April 2005. Movie Gallery and each of its U.S. affiliates filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code on October 16, 2007, and the plan of reorganization was subsequently confirmed by the U.S. Bankruptcy Court in 2008.

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 during 2009, and Chief Marketing Officer for Sabra Dipping Co., a PepsiCo joint venture from 2010 to 2013. Mr. Kunze is responsible for the marketing and management of our dynamic portfolio of brands, including Widmer Brothers Brewing, Redhook Brewing, Kona Brewing Co., Omission and Square Mile Cider Company, as well as new brand development. Additionally, he oversees our Restaurant & Retail division, which includes five distinctive restaurant and retail locations in cities across the U.S. 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 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 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 their 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, Supply Chain and Logistics since January 1, 2014. Prior to that, Mr. Glick served as our Vice President of Business Development beginning July 11, 2011. 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. Prior to running the business development group for A-B, he held a number of positions in business and wholesaler development, where he managed A-B's equity investments in several wholesalers and craft brewers. Mr. Glick previously held a variety of positions with 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, except that Kurt Widmer, the Chairman of our Board of Directors, is the brother of Rob Widmer, who serves as our Vice President of Corporate Quality Assurance and Industry Relations, a non-executive position.

EXECUTIVE COMPENSATION

The following table sets forth information regarding compensation earned during the years ended December 31, 2013, 2012 and 2011 by (i) our Principal Executive Officer ("PEO"); (ii) our Principal Financial Officer ("PFO"); and (iii) our two other executive officers during 2013.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compen-sation ($)(3)	All Other Compen-sation ($)(4)	Total ($)
Terry E. Michaelson (5)	2013	$346,030	$196,762	$101,785	$ 139,230	$42,783	$826,590
Former Chief Executive Officer	2012	338,953	199,242	103,449	213,966	10,306	865,916
	2011	307,054	224,715	96,264	225,149	9,067	862,249
Mark D. Moreland	2013	244,890	106,200	54,938	64,740	6,571	477,339
Executive Vice President, Chief	2012	230,538	101,326	52,596	107,071	6,628	498,159
Financial Officer and Treasurer	2011	216,479	115,675	49,541	143,481	6,455	531,631
Andrew J. Thomas(6)	2013	306,404	105,431	54,539	88,065	43,945	598,384
Chief Executive Officer and Former	2012	300,000	103,661	53,807	103,005	-	560,473
President of Commercial Operations	2011	167,139	73,491	31,514	70,140	-	342,284
V. Sebastian Pastore (7)	2013	196,398	84,452	43,684	59,519	60,868	444,921
Former Executive Vice President,	2012	190,745	83,091	43,152	95,906	5,705	418,599
Brewing, Operations and Logistics	2011	183,604	97,997	41,984	112,244	5,507	441,336

(1) Represents the grant date fair value of performance-based stock awards under our 2010 Stock Incentive Plan, which reflects the assessment of probable achievement of performance conditions on the date of grant (80%). The actual value to be received pursuant to these stock awards is dependent upon the degree to which company-wide performance goals are met over three-year performance cycles. The value of the 2013 awards at the grant date, assuming the highest level of achievement, was as follows: (i) Mr. Michaelson, $296,840; (ii) Mr. Moreland, $160,216; (iii) Mr. Thomas, $159,056; and (iv) Mr. Pastore, $127,407. Additional details regarding the terms of the performance awards are set forth in the following two tables. See Note 13 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 ("2013 Form 10-K") for information on the valuation assumptions and other related information.

(2) Represents the grant date fair value of option awards under our 2010 Stock Incentive Plan. The actual value to be received pursuant to these option awards is dependent upon 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 following two tables. See Note 13 to our audited financial statements included in our ("2013 Form 10-K") for information on the valuation assumptions and other related information.

(3) The amounts shown reflect the annual cash incentive awards based on performance for the years shown and paid in the first quarter of the following year. Additional details of the awards for 2013 are set forth in the following table.

(4) All other compensation for 2013, 2012 and 2011 represents 401(k) employer matching contributions paid or accrued for the benefit of the named executive officer, other than for Messrs. Michaelson and Pastore, for whom it

also includes the accrued portion of severance compensation and benefits of $31,866 and $54,977, respectively, and Mr. Thomas, for whom it represents a monthly living allowance of $3,995 for rented housing in Portland, Oregon for eleven months during 2013.

(5) Mr. Michaelson ceased to serve as our Chief Executive Officer effective January 1, 2014. From January 1, 2014 to December 31, 2014, Mr. Michaelson will serve as a non-executive officer, senior advisor.

(6) Mr. Thomas became an executive officer effective June 1, 2011 and, accordingly, his 2011 compensation includes only amounts earned from that time through December 31, 2011. Effective January 1, 2014, Mr. Thomas began serving as our Chief Executive Officer and ceased to serve as our President of Commercial Operations.

(7) Mr. Pastore ceased to serve as an executive officer and as our Executive Vice President of Brewing, Operations and Logistics effective January 1, 2014. From January 1, 2014 through April 1, 2014, Mr. Pastore served as a senior consultant.

Grants of Plan-Based Awards Table for the Year Ended December 31, 2013

Name	Grant date	Estimated potential payouts under non-equity incentive plan awards		Estimated future payouts under equity incentive plan awards			All other option awards: Number of securities underlying options (#)(3)	Exercise or base price of option awards ($/sh)(4)	Grant date fair value of stock and option awards ($)(5)
		Threshold ($)(1)	Target ($)(1)	Threshold (#)(2)	Target (#)(2)	Maximum (#)(2)			
Terry E. Michaelson	05/22/2013	$-	$-	18,984	31,495	39,369	-	$ -	$ 196,762
	05/22/2013	-	-	-	-	-	21,942	7.54	101,785
	03/14/2013	138,400	276,800	-	-	-	-	-	-
Mark D. Moreland	05/22/2013	-	-	10,246	16,999	21,249	-	-	106,200
	05/22/2013	-	-	-	-	-	11,843	7.54	54,938
	03/14/2013	80,925	161,850	-	-	-	-	-	-
Andrew J. Thomas	05/22/2013	-	-	10,172	16,876	21,095	-	-	105,431
	05/22/2013	-	-	-	-	-	11,757	7.54	54,539
	03/14/2013	77,250	154,500	-	-	-	-	-	-
V. Sebastian Pastore	05/22/2013	-	-	8,148	13,518	16,898	-	-	84,452
	05/22/2013	-	-	-	-	-	9,417	7.54	43,684
	03/14/2013	59,400	118,800	-	-	-	-	-	-

(1) Represents the potential annual cash incentive bonus amounts payable based on the level of achievement of corporate and individual performance goals as described under "Compensation Discussion and Analysis" above. The target amounts are payable if the overall achievement level is 100%. The threshold amounts are payable if the overall achievement level is above 80%. No amounts are payable for achievement at 80% or below the target level. For each percentage point that achievement of the 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 the goal is above the target level, the bonus amount attributable to that goal is increased by 2.5%. For 2013, no maximum limit on bonus amounts payable was imposed.

(2) Represents performance share awards under the 2010 Stock Incentive Plan that will vest upon the attainment of performance goals over a three-year performance cycle ending December 31, 2015 as described under "Compensation Discussion and Analysis" above. Upon vesting, the performance shares will be settled in shares of common stock. The target amounts will be issuable if the overall achievement level is 100%. The threshold amounts (60% of target) will be issuable if the overall achievement level is 92.7% of the net sales target and 84.6% of the adjusted EBITDA target. No shares of common stock will be issuable if achievement is below those levels. For each percentage point that achievement of the goal falls below the target level, the amount attributable to that goal is reduced by 3.5%. For each percentage point that achievement of the goal exceeds the target level, the amount attributable to that goal is increased by 6.0%, with a maximum of 125% of the target level.

(3) Reflects stock options granted under the 2010 Stock Incentive Plan which vest in five equal annual installments beginning one year after the date of grant and expire 10 years after the date of grant.

(4) The exercise price is equal to the closing sale price of our common stock on the date of grant.

(5) See Note 13 to our audited financial statements included in our 2013 Form 10-K for information on the valuation assumptions and other related information.

Outstanding Equity Awards at Year End 2013

The following table sets forth the outstanding equity awards held by the named executive officers as of December 31, 2013:

Name	Option Awards				Stock Awards			
	Number of securities underlying unexercised options: exercisable (#)	Number of securities underlying unexercised options: unexercisable (#)	Option exercise price ($/Sh)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested ($)	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($)
Terry E. Michaelson[12]	7,270							