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

FORM 10-Q

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

For The Quarterly Period Ended March 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to _______________

Commission File Number 0-26542

CRAFT BREW ALLIANCE, INC.

(Exact name of registrant as specified in its charter)

Washington	**91-1141254**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
929 North Russell Street	
Portland, Oregon	**97227-1733**
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: **(503) 331-7270**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Accelerated filer ☒
Non-accelerated filer ☐
Smaller reporting company ☐
Emerging growth company ☐

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

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.005 par value	**BREW**	**The NASDAQ Stock Market LLC**

The number of shares of the registrant’s common stock outstanding as of May 2, 2019 was 19,414,950.

CRAFT BREW ALLIANCE, INC.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CRAFT BREW ALLIANCE, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands, except par value)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash, cash equivalents and restricted cash	$ 1,670	$ 1,200
Accounts receivable, net	27,831	29,998
Inventory, net	19,748	17,216
Other current assets	5,310	3,121
Total current assets	54,559	51,535
Property, equipment and leasehold improvements, net	111,602	113,189
Operating lease right-of-use assets	19,390	—
Goodwill	21,935	21,986
Trademarks	44,245	44,289
Intangible and other assets, net	5,999	5,048
Total assets	$ 257,730	$ 236,047
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 23,408	$ 17,552
Accrued salaries, wages and payroll taxes	6,379	5,635
Refundable deposits	4,093	4,123
Deferred revenue	5,176	6,015
Other accrued expenses	8,534	3,618
Current portion of long-term debt and finance lease obligations	829	919
Total current liabilities	48,419	37,862
Long-term debt and finance lease obligations, net of current portion	48,996	46,573
Fair value of derivative financial instruments	178	116
Deferred income tax liability, net	10,025	12,381
Long-term operating lease liabilities	19,607	—
Other liabilities	1,220	2,680
Total liabilities	128,445	99,612
Commitments and contingencies (Note 15)		
Common shareholders' equity:		
Common stock, $0.005 par value. Authorized 50,000,000 shares; issued and outstanding 19,411,870 and 19,382,641	97	97
Additional paid-in capital	144,274	144,013
Accumulated other comprehensive loss	(133)	(86)
Accumulated deficit	(14,953)	(7,589)
Total common shareholders' equity	129,285	136,435
Total liabilities and common shareholders' equity	$ 257,730	$ 236,047

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

CRAFT BREW ALLIANCE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Sales	$ 49,768	$ 50,085
Less excise taxes	2,776	2,598
Net sales	46,992	47,487
Cost of sales	30,809	32,416
Gross profit	16,183	15,071
Selling, general and administrative expenses	25,565	14,748
Operating income (loss)	(9,382)	323
Interest expense	(308)	(134)
Other income, net	—	34
Income (loss) before income taxes	(9,690)	223
Income tax provision (benefit)	(2,326)	62
Net income (loss)	$ (7,364)	$ 161
Basic and diluted net income (loss) per share	$ (0.38)	$ 0.01
Shares used in basic per share calculations	19,412	19,310
Shares used in diluted per share calculations	19,412	19,488

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

CRAFT BREW ALLIANCE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2019	**2018**
Net income (loss)	$ (7,364)	$ 161
Unrealized gain (loss) on derivative hedge transactions, net of tax	(47)	83
Comprehensive income (loss)	$ (7,411)	$ 244

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

CRAFT BREW ALLIANCE, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Common Stock										
	Shares	Par Value		Additional Paid-In Capital		Accumulated Other Comprehensive Loss		Accumulated Deficit		Total Common Shareholders' Equity	
Balance at December 31, 2017	19,310	$	96	$	142,196	$	(164)	$	(11,337)	$	130,791
Adoption of accounting standard ASC 606	—		—		—		—		(394)		(394)
Stock-based compensation	—		—		485		—		—		485
Unrealized gain on derivative financial instruments, net of tax of $29	—		—		—		83		—		83
Net income	—		—		—		—		161		161
Balance at March 31, 2018	19,310	$	96	$	142,681	$	(81)	$	(11,570)	$	131,126

	Common Stock										
	Shares	Par Value		Additional Paid-In Capital		Accumulated Other Comprehensive Loss		Accumulated Deficit		Total Common Shareholders' Equity	
Balance at December 31, 2018	19,383	$	97	$	144,013	$	(86)	$	(7,589)	$	136,435
Stock-based compensation, net of shares withheld for tax payments	29		—		418		—		—		418
Unrealized loss on derivative financial instruments, net of tax of $16	—		—		—		(47)		—		(47)
Tax payments related to stock-based awards	—		—		(157)		—		—		(157)
Net income	—		—		—		—		(7,364)		(7,364)
Balance at March 31, 2019	19,412	$	97	$	144,274	$	(133)	$	(14,953)	$	129,285

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

CRAFT BREW ALLIANCE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash flows from operating activities:		
Net income (loss)	$ (7,364)	$ 161
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,726	2,736
(Gain) loss on sale or disposal of Property, equipment and leasehold improvements	8	(516)
Deferred income taxes	(2,341)	(605)
Stock-based compensation	418	485
Lease expense	54	—
Other	66	73
Changes in operating assets and liabilities:		
Accounts receivable, net	2,466	(285)
Inventories	(2,531)	(1,791)
Other current assets	(2,406)	1,128
Accounts payable, deferred revenue and other accrued expenses	11,681	3,015
Accrued salaries, wages and payroll taxes	745	(1,185)
Refundable deposits	(70)	(475)
Net cash provided by operating activities	3,452	2,741
Cash flows from investing activities:		
Expenditures for Property, equipment and leasehold improvements	(5,173)	(1,104)
Proceeds from sale of Property, equipment and leasehold improvements	16	22,456
Restricted cash from sale of Property, equipment and leasehold improvements	—	515
Net cash provided by (used in) investing activities	(5,157)	21,867
Cash flows from financing activities:		
Principal payments on debt and finance lease obligations	(277)	(174)
Net borrowings (repayments) under revolving line of credit	2,609	(22,199)
Tax payments related to stock-based awards	(157)	—
Net cash provided by (used in) financing activities	2,175	(22,373)
Increase in Cash, cash equivalents and restricted cash	470	2,235
Cash, cash equivalents and restricted cash:		
Beginning of period	1,200	579
End of period	$ 1,670	$ 2,814
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 335	$ 178
Cash paid for income taxes, net	—	1
Supplemental disclosure of non-cash information:		
Right-of-use assets obtained in exchange for operating lease obligations	$ 19,726	$ —
Right-of-use assets obtained in exchange for finance lease obligations	$ 2,538	$ —
Purchases of Property, equipment and leasehold improvements included in Accounts payable at end of period	1,384	203

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

CRAFT BREW ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accompanying consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018 (“2018 Annual Report”). These consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements are unaudited but, in the opinion of management, reflect all material adjustments necessary to present fairly our consolidated financial position, results of operations and cash flows for the periods presented. All such adjustments were of a normal, recurring nature. The results of operations for such interim periods are not necessarily indicative of the results of operations for the full year.

Reclassifications
Certain reclassifications have been made to the prior year's data to conform to the current year's presentation. None of the changes affect our previously reported consolidated Net sales, Gross profit, Operating income (loss), Net income (loss) or Basic and diluted net income (loss) per share.

Note 2. Recent Accounting Pronouncements

ASU 2018-15
In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. We are still evaluating the effect of the adoption of ASU 2018-15.

ASU 2018-13
In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement." ASU 2018-13 removes, modifies and adds certain disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. We are still evaluating the effect of the adoption of ASU 2018-13.

ASU 2017-12
In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." ASU 2017-12 refines and expands hedge accounting for both financial and commodity risks. Its provisions create more transparency around how economic results are presented, both on the face of the financial statements and in the footnotes. It also makes certain targeted improvements to simplify the application of hedge accounting guidance. ASU 2017-12 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2018, on a prospective basis. We did not adopt ASU 2017-12 as it was not applicable to our financial position, results of operations or cash flows.

ASU 2017-04
In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment." ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. An entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, if applicable. The loss recognized should not exceed the total amount of goodwill allocated to the reporting unit. The same impairment test also applies to any reporting unit with a zero or negative carrying amount. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU 2017-04 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2019, on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. We do not expect the adoption of ASU 2017-04 to have a material effect on our financial position, results of operations or cash flows.

ASU 2016-13
In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326)." ASU 2016-13 addresses accounting for credit losses for assets that are not measured at fair value through net income on a recurring basis. ASU 2016-13 is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods, with early adoption permitted for fiscal years beginning after December 15, 2018. We do not expect the adoption of ASU 2016-13 to have a material effect on our financial position, results of operations or cash flows.

ASU 2016-02, ASU2018-10 and ASU 2018-11
In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requires disclosing key information about leasing arrangements. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods.

In July 2018, the FASB issued ASU 2018-10, "Codification Improvements to Topic 842, Leases." ASU 2018-10 provides narrow amendments that clarify how to apply certain aspects of the guidance in ASU 2016-02. ASU 2018-10 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods.

In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842): Targeted Improvements." ASU 2018-11 provides an optional transition method, that allows entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. ASU 2018-11 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods.

The new leases guidance affects all companies and organizations that lease assets, and requires them to record on their balance sheet right-of-use ("ROU") assets and lease liabilities for the rights and obligations created by those leases. Under ASC 842, a lease is an arrangement that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The new guidance retains a distinction between finance leases and operating leases, while requiring companies to recognize both types of leases on their balance sheet. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the criteria for distinguishing between capital leases and operating leases in legacy U.S. GAAP - ASC 840. Lessor accounting remains substantially the same as ASC 840, but with some targeted improvements to align lessor accounting with the lessee accounting model and with the revised revenue recognition guidance under ASC 606. The new standard and amendments require new qualitative and quantitative disclosures for both lessees and lessors.

On January 1, 2019, we adopted ASC 842 and elected the optional transition method under which we initially applied the standard on that date without adjusting amounts for prior periods, which we continue to present in accordance with ASC 840, including related disclosures. We evaluated the potential cumulative effect of applying the new leases guidance and determined that such an adjustment would be immaterial. In connection with our adoption, we:

- elected the package of three practical expedients available under the transition provisions which allowed us to: (i) not reassess whether expired or existing contracts were or contained leases, (ii) not reassess the lease classification for expired or existing leases, and (iii) not reassess initial direct costs for existing leases.
- determined the land easement practical expedient was not applicable.
- as applicable, used hindsight for specified determinations and assessments in applying the new leases guidance.
- did not separate lease and associated non-lease components for transitioned leases, but instead are accounting for them together as a single lease component.
- elected to utilize the recognition exemption for short-term leases of one year or less at inception

Our adoption did not change the classification of lease-related expenses in the Consolidated Statements of Operations, and we do not expect significant changes to our pattern of expense recognition. As a result, we expect our adoption will not materially affect our cash flows.

The adjustments to our Consolidated Balance Sheets upon adoption of ASC 842, effective January 1, 2019 were as follows (in thousands):

	Balance at December 31, 2018	Adjustments due to ASC 842	Balance at January 1, 2019
Assets			
Accounts receivable	$ 29,998	$ 300	$ 30,298
Other current assets	3,121	(216)	2,905
Property, equipment and leasehold improvements, net	113,189	(2,538)	110,651
Operating lease right-of-use assets	—	19,726	19,726
Intangible and other assets, net	5,048	1,140	6,188
Liabilities and Shareholders' Equity			
Other accrued expenses	3,618	269	3,887
Long-term lease liabilities	—	18,143	18,143

Note 3. Cash, Cash Equivalents and Restricted Cash

We maintain cash balances with financial institutions that may exceed federally insured limits. We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of March 31, 2019 and December 31, 2018, we did not have any cash equivalents.

As part of our cash management system, we use a controlled disbursement account to fund cash distribution checks presented for payment by the holder. Checks issued but not yet presented to banks may result in overdraft balances for accounting purposes. As of March 31, 2019, there were no bank overdrafts. As of December 31, 2018, there were $0.6 million of bank overdrafts. Changes in bank overdrafts from period to period are reported in the Consolidated Statements of Cash Flows as a component of operating activities within Accounts payable and Other accrued expenses.

Cash and cash equivalents that are restricted as to withdrawal or use under terms of certain contractual agreements are recorded in Cash, cash equivalents and restricted cash on our Consolidated Balance Sheets. Restricted cash of $0.5 million at March 31, 2019 and December 31, 2018 represents funds held in an escrow account from the sale of our Woodinville brewery related to a lien; we expect that the lien will be resolved in our favor and the restriction will be removed.

Note 4. Inventories

Inventories are stated at the lower of standard cost or net realizable value.

We regularly review our inventories for the presence of obsolete product attributed to age, seasonality and quality. If our review indicates a reduction in utility below the product's carrying value, we reduce the product to a new cost basis. We record the cost of inventory for which we estimate we have more than a twelve-month supply as a component of Intangible and other assets, net on our Consolidated Balance Sheets.

Inventories consisted of the following (in thousands):

	March 31, 2019	**December 31, 2018**
Raw materials	$ 7,137	$ 7,146
Work in process	3,483	3,219
Finished goods	6,676	4,319
Packaging materials	1,186	891
Promotional merchandise	760	1,139
Brewpub food, beverages and supplies	506	502
	$ 19,748	$ 17,216

Work in process is beer held in fermentation tanks prior to the filtration and packaging process.

Note 5. Leases

We lease office space, restaurant and production facilities, warehouse and storage space, land and equipment under operating leases that expire at various dates through the year ending December 31, 2064. Certain leases contain renewal options for varying periods and escalation clauses for adjusting rent to reflect changes in price indices or scheduled adjustments. We exercise judgment in determining the reasonably certain lease term based on the provisions of the underlying agreement, the economic value of leasehold improvements and other relevant factors. Certain leases require us to pay for insurance, taxes and maintenance applicable to the leased property. Under the terms of the land lease for our New Hampshire Brewery, we hold a first right of refusal to purchase the property should the lessor decide to sell the property.

We lease equipment under finance leases that expire at various dates through the year ending December 31, 2024. Ownership of the leased equipment transfers to us at the end of each lease term.

Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

If our leases do not provide an implicit rate, we develop an estimated incremental borrowing rate at the commencement date based on the estimated rate at which we would borrow, in the current economic environment, an amount equal to the lease payments over a similar term on a collateralized basis which is used to in determine the present value of lease payments. There were no new operating lease obligations recognized at adoption in comparison to our operating lease obligations disclosed as of December 31, 2018. Our accounting for finance (formerly capital) leases is substantially unchanged.

As described further in Note 2, we adopted ASC 842 as of January 1, 2019. Prior period amounts have not been adjusted and continue to be reported in accordance with our historic accounting under ASC 840.

Lease-related liabilities consisted of the following (in thousands):

	March 31, 2019	December 31, 2018
Operating lease liabilities:		
Current lease liabilities included in Other accrued expenses	$ 933	$ —
Long-term lease liabilities	19,607	—
Total operating lease liabilities	20,540	—
Financing lease liabilities:		
Current portion included in Current portion of long-term debt and finance lease obligations	385	477
Long-term portion of lease liabilities in Long-term debt and finance lease obligations, net of current portion	1,028	1,101
Total financing lease liabilities	1,413	1,578
Total lease liabilities	$ 21,953	$ 1,578
Weighted-average remaining lease term:		
Operating leases	27 years	
Finance leases	5 years	
Weighted-average discount rate:		
Operating leases	4.91%	
Finance leases	3.55%	

As of March 31, 2019, the maturities of our operating lease liabilities were as follows (in thousands):

		Operating Leases
2019	$	1,490
2020		1,689
2021		1,713
2022		1,705
2023		1,496
Thereafter		29,181
Total minimum lease payments		37,274
Less: present value adjustment		(16,734)
Operating lease liabilities	$	20,540

As of March 31, 2019, the maturities of our finance lease liabilities were as follows (in thousands):

		Finance Leases
2019	$	348
2020		333
2021		266
2022		199
2023		199
Thereafter		199
Total minimum lease payments		1,544
Less: present value adjustment		(131)
Finance lease liabilities	$	1,413

We have additional operating lease liabilities of $3.8 million for lease contracts which have not yet commenced as of March 31, 2019, and, as such, have not been recognized on our Consolidated Balance Sheets. This lease is expected to commence during the third quarter of 2019 for a term of 3 years with an extension at our option for two 5-year periods.

Components of lease cost were as follows (in thousands):

		Three Months Ended March 31, 2019
Operating lease cost(1)	$	874
Finance lease cost		
Amortization of right-of-use asset		42
Interest on lease liabilities		13
Total lease cost	$	929

(1) Includes short-term, month-to-month lease and variable lease costs, which were immaterial.

Total future minimum lease payments as of December 31, 2018 consisted of (in thousands):

	Operating Lease Obligations	Capital Lease Obligations
2019	$ 11,208	$ 529
2020	1,937	333
2021	1,863	266
2022	1,793	199
2023	1,465	199
Thereafter	25,446	199
	$ 43,712	1,725
Amount representing interest		(148)
		$ 1,577

Note 6. Acquisitions

On October 10, 2018, we purchased the intellectual property assets of Cisco and we increased our ownership interest in Wynwood from 24.5% to 100%. The purchase transaction of Cisco was accounted for as an asset acquisition. The increase in our ownership interest in Wynwood was accounted for under the acquisition method of accounting as a step acquisition. As required by this method, we remeasured our preexisting 24.5% equity interest to its acquisition-date fair value.

On November 29, 2018, we acquired substantially all the assets of Appalachian Mountain Brewery ("AMB"). The acquisition of AMB was accounted for under the acquisition method of accounting and all assets acquired and liabilities assumed were recorded at their respective acquisition-date fair values.

Given the close proximity of the closing dates of the acquisitions to the end of our fiscal year and the potential for working capital adjustments that may impact recognized amounts, the allocation of the purchase price to the underlying net assets was preliminary as of December 31, 2018. During the first quarter of 2019, we recorded immaterial adjustments to the allocation of the purchase price for the Cisco asset purchase and the Wynwood acquisition.

The preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed are subject to revisions, which may result in adjustments to the preliminary values recorded as of December 31, 2018. We expect to finalize these amounts no later than December 31, 2019.

Note 7. Related Party Transactions

As of March 31, 2019 and December 31, 2018, Anheuser-Busch, LLC ("A-B") owned approximately 31.3% of our outstanding common stock.

Transactions with A-B, Ambev and Anheuser-Busch Worldwide Investments, LLC (“ABWI”)
In December 2015, we partnered with Ambev, the Brazilian subsidiary of Anheuser-Busch InBev SA, to distribute Kona beers into Brazil. In August 2016, we also entered into an International Distribution Agreement with ABWI, an affiliate of A-B, pursuant to which ABWI distributes our malt beverage products in jurisdictions outside the United States, subject to the terms and conditions of our prior agreement with our other international distributor, CraftCan Travel LLC, and certain other limitations.

Contract Brewing Arrangement with Anheuser-Busch Companies, LLC ("ABC")
On January 30, 2018, we entered into a Contract Brewing Agreement (the “Brewing Agreement”) with ABC, an affiliate of A-B, pursuant to which we brew, package, and palletize certain malt beverage products of A-B's craft breweries at our Portland, Oregon, and Portsmouth, New Hampshire, breweries as selected by ABC. Under the terms of the Brewing Agreement, ABC pays us a per barrel fee that varies based on the annual volume of the specified product brewed by us, plus (a) our actual incremental costs of brewing the product and (b) certain capital costs and costs of graphics and labeling that we incur in connection with the brewed products.

The Brewing Agreement, as extended, will expire on December 31, 2019, unless the arrangement is extended at the mutual agreement of the parties. The Brewing Agreement contains specified termination rights, including, among other things, the right of either party to terminate the Brewing Agreement if (i) the other party fails to perform any material obligation under the Brewing Agreement or any other agreement between the parties, subject to certain cure rights, or (ii) the Master Distributor Agreement is terminated.

Transactions with A-B, Ambev, ABWI and ABC consisted of the following (in thousands):

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Gross sales to A-B and Ambev	$ 39,609	$ 37,568
International distribution fee earned from ABWI	812	850
International distribution fee from ABWI, recorded in Deferred revenue	—	650
Contract brewing fee earned from ABC	538	463
Margin fee paid to A-B, classified as a reduction of Sales	541	518
Inventory management and other fees paid to A-B, classified in Cost of sales	90	90

Amounts due to or from A-B and ABWI were as follows (in thousands):

	March 31, 2019	December 31, 2018
Amounts due from A-B related to beer sales pursuant to the A-B distributor agreement	$ 22,275	$ 17,946
Amounts due from ABWI and A-B related to international distribution fee and media reimbursement	—	6,000
Refundable deposits due to A-B	(3,335)	(2,840)
Amounts due to A-B for services rendered	(7,702)	(5,140)
Net amount due from A-B and ABWI	$ 11,238	$ 15,966

Transactions with Wynwood Brewing Co. ("Wynwood")

As of March 31, 2019 and December 31, 2018, Wynwood was a wholly owned subsidiary. During the three month period ended March 31, 2018, we owned a 24.5% interest in Wynwood. The carrying value of our investment was $2.0 million as of March 31, 2018.

Transactions with Wynwood prior to its becoming a wholly owned subsidiary consisted of the following (in thousands):

	Three Months Ended March 31,	
	2019	2018
Master distributor fee earned	$ —	$ 7
Share of loss, classified as a component of Other income (expense), net	—	23
Refund of investment, classified as a reduction in the carrying value of the equity method investment	—	23

Related Party Operating Leases

We lease our headquarters office space, restaurant and storage facilities located in Portland, land and certain equipment from two limited liability companies, both of whose members include our former Board Chair, who is also a significant shareholder, and his brother, who continues to be employed by us. This lease is included in the ROU asset and lease liabilities recorded on our Consolidated Balance Sheets. Lease payments to these lessors were as follows (in thousands):

Three Months Ended March 31,	
2019	2018
$ 41	$ 41

We hold lease and sublease obligations for certain office space and the land underlying the brewery and pub location in Kona, Hawaii, with a company whose owners include a shareholder who owns more than 5% of our common stock. The sublease contracts expire on various dates through 2020, with an extension at our option for two five-year periods. This lease is included in the ROU asset and lease liabilities recorded on our Consolidated Balance Sheets. Lease payments to these lessors were as follows (in thousands):

Three Months Ended March 31,	
2019	2018
$ 168	$ 143

Note 8. Debt

Long-term debt consisted of the following (in thousands):

	March 31, 2019	December 31, 2018
Term loan, due September 30, 2023	$ 8,711	$ 8,823
Line of credit, due September 30, 2023	39,701	37,092
	48,412	45,915
Less current portion, term loan	(444)	(442)
	$ 47,968	$ 45,473

Credit Agreement

On October 10, 2018, we executed a First Amendment (the " First Amendment") to our Amended and Restated Credit Agreement with Bank of America, N.A. ("BofA") dated November 30, 2015 (the "Credit Agreement"). The Credit Agreement as amended by the First Amendment provides for a revolving line of credit (“Line of Credit”), including provisions for cash borrowings and up to $2.5 million notional amount of letters of credit, and a $10.8 million term loan (“Term Loan”). The primary changes effected by the First Amendment were to increase the maximum amount available under the Line of Credit from $40.0 million to $45.0 million and to extend the maturity date of the Line of Credit from November 30, 2020 to September 30, 2023, which is also the maturity date of the Term Loan. The maximum amount of the Line of Credit is subject to loan commitment reductions in the amount of $750,000 each quarter beginning March 31, 2020. The Amendment also increased the limit on the total amount of investments that we may make in other craft brewers, other than the acquisition of all or substantially all of the assets or controlling ownership interests, from $5.0 million to $10.0 million. We may draw upon the Line of Credit for working capital and general corporate purposes.

As of March 31, 2019, we had $5.3 million in funds available to be drawn upon from our Line of Credit and $39.7 million borrowings outstanding. At March 31, 2019, $8.7 million was outstanding under the Term Loan.

Under the Credit Agreement as in effect at March 31, 2019, interest accrues at an annual rate based on the London Inter-Bank Offered Rate (“LIBOR”) Daily Floating Rate plus a marginal rate. The marginal rate varies from 0.75% to 1.75% for the Line of Credit and Term Loan based on our funded debt ratio. At March 31, 2019, our marginal rate was 1.75%, resulting in an annual interest rate of 3.24%.

Accrued interest for the Term Loan is due and payable monthly. Principal payments on the Term Loan are due monthly in accordance with an agreed-upon schedule set forth in the Credit Agreement, with any unpaid principal balance and unpaid accrued interest due and payable on September 30, 2023.

The Credit Agreement authorizes acquisitions within the same line of business as long as we remain in compliance with the financial covenants of the Credit Agreement and there is at least $5.0 million of availability remaining on the Line of Credit following the acquisition.

The Credit Agreement as in effect at March 31, 2019 required us to satisfy the following financial covenants: (i) a Consolidated Leverage Ratio of up to 3.50 to 1.00 and (ii) a Fixed Charge Coverage Ratio of at least 1.20 to 1.00. Failure to maintain compliance with these covenants is an event of default and would give BofA the right to declare the entire outstanding loan balance immediately due and payable.

At March 31, 2019, we were not in compliance with the Consolidated Leverage Ratio (the "Leverage Ratio") covenant for the Credit Agreement, as we did not to meet the required Consolidated Funded Indebtedness to Consolidated EBITDA ("EBITDA") ratio for the trailing twelve months ended March 31, 2019. We executed a Second Amendment to the Credit Agreement with BofA effective May 7, 2019 (the “Second Amendment”) that increased the permitted Leverage Ratio to a maximum of 5.50 to 1.00 for the period from January 1, 2019 through June 30, 2019. Beginning July 1, 2019, and in each fiscal quarter thereafter, the maximum Leverage Ratio will be 3.50 to 1.00 as long as A-B has not made a Qualifying Offer as defined in the International Distributor Agreement with an affiliate of A-B. If A-B makes a Qualifying Offer on or before August 23, 2019, beginning July 1, 2019 through March 31, 2020, the maximum Leverage Ratio will be 4.75 to 1.00; and beginning April 1, 2020, and in each fiscal quarter thereafter, the maximum Leverage Ratio will be 3.50 to 1.00. EBITDA as defined in the Second Amendment is similar to Consolidated EBITDA but includes certain adjustments specified in the Second Amendment.

Note 9. Derivative Financial Instruments

Interest Rate Swap Contracts
Our risk management objectives are to ensure that business and financial exposures to risk that have been identified and measured are minimized using the most effective and efficient methods to reduce, transfer and, when possible, eliminate such exposures. Operating decisions contemplate associated risks and management strives to structure proposed transactions to avoid or reduce risk whenever possible.

We have assessed our vulnerability to certain business and financial risks, including interest rate risk associated with our variable-rate long-term debt. To mitigate this risk, effective January 23, 2014, we entered into an interest rate swap contract with BofA for 75% of the term loan ("Term Loan") balance, to hedge the variability of interest payments associated with our variable-rate borrowings under our Term Loan with BofA. The Term Loan contract and the interest rate swap terminate on September 30, 2023. The Term Loan contract had a total notional value of $6.5 million as of March 31, 2019. Through this swap agreement, we pay interest at a fixed rate of 2.86% and receive interest at a floating-rate of the one-month LIBOR, which was 2.49% at March 31, 2019.

Since the interest rate swap hedges the variability of interest payments on variable rate debt with similar terms, it qualifies for cash flow hedge accounting treatment.

As of March 31, 2019, unrealized net loss of $0.2 million were recorded in Accumulated other comprehensive income (loss) as a result of these hedges. The effective portion of the gain or loss on the derivatives is reclassified into Interest expense in the same period during which we record Interest expense associated with the related debt. There was no hedge ineffectiveness during the first three months of 2019 or 2018.

The fair value of our derivative instruments recorded as a component of Other liabilities on our Consolidated Balance Sheets was as follows (in thousands):

	March 31, 2019	December 31, 2018
Fair value of interest rate swaps - asset (liability)	$ (178)	$ (116)

The effect of our interest rate swap contracts that were accounted for as a derivative instrument on our Consolidated Statements of Operations was as follows (in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in Accumulated OCI (Effective Portion)	Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)
Three Months Ended March 31,			
2019	$ (62)	**Interest expense**	$ 6
2018	$ 112	**Interest expense**	$ 22

See also Note 10.

Note 10. Fair Value Measurements

Factors used in determining the fair value of our financial assets and liabilities are summarized into three broad categories:

- Level 1 – quoted prices in active markets for identical securities as of the reporting date;
- Level 2 – other significant directly or indirectly observable inputs, including quoted prices for similar securities, interest rates, prepayment speeds and credit risk; and
- Level 3 – significant inputs that are generally less observable than objective sources, including our own assumptions in determining fair value.

The factors or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table summarizes liabilities measured at fair value on a recurring basis (in thousands):

Fair Value at March 31, 2019	Level 1	Level 2	Level 3	Total
Interest rate swap	$ —	$ (178)	$ —	$ (178)
Fair Value at December 31, 2018				
Interest rate swaps	$ —	$ (116)	$ —	$ (116)

We did not have any assets measured at fair value on a recurring basis at March 31, 2019 or December 31, 2018.

The fair value of our interest rate swaps was based on quarterly statements from the issuing bank. There were no changes to our valuation techniques during the three months ended March 31, 2019.

We believe the carrying amounts of Cash, cash equivalents and restricted cash, Accounts receivable, Other current assets, Accounts payable, Accrued salaries, wages and payroll taxes, and Other accrued expenses are a reasonable approximation of the fair value of those financial instruments because of the nature of the underlying transactions and the short-term maturities involved.

We had fixed-rate debt outstanding as follows (in thousands):

	March 31, 2019	December 31, 2018
Fixed-rate debt on Consolidated Balance Sheets	$ 1,413	$ 1,577
Estimated fair value of fixed-rate debt	1,421	1,591

We calculate the estimated fair value of our fixed-rate debt using a discounted cash flow methodology. Using estimated current interest rates based on a similar risk profile and duration (Level 2), the fixed cash flows are discounted and summed to compute the fair value of the debt.

Note 11. Revenue Recognition

The following table disaggregates our Sales by major source (in thousands):

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	Beer Related[1]	Brewpubs	Total	Beer Related[1]	Brewpubs	Total
Product sold through distributor agreements[2]	$ 41,128	$ —	$ 41,128	$ 39,667	$ —	$ 39,667
Alternating proprietorship and contract brewing fees[3]	847	—	847	2,710	—	2,710
International distribution fees	812	—	812	850	—	850
Brewpubs[4]	—	6,203	6,203	—	6,011	6,011
Other[5]	778	—	778	847	—	847
	$ 43,565	$ 6,203	$ 49,768	$ 44,074	$ 6,011	$ 50,085

(1) Beer Related sales include sales to A-B subsidiaries including Ambev, ABWI and ABC. Sales to wholesalers through the A-B distributor agreement in the three-month periods ended March 31, 2019 and 2018 represented 81.2% and 76.6% of our Sales, respectively.
(2) Product sold through distributor agreements included domestic and international sales of owned and non-owned brands pursuant to terms in our distributor agreements.
(3) Alternating proprietorship fees ceased in the fourth quarter of 2018.
(4) Brewpub sales include sales of promotional merchandise and sales of beer directly to customers.
(5) Other sales include sales of beer related merchandise, hops, spent grain and an export manager fee.

Revenue is recognized when obligations under the terms of a contract with our customers are satisfied; generally this occurs when the product arrives at distribution centers or when the wholesaler takes possession. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods. We consider customer purchase orders, which in some cases are governed by a master agreement, to be the contracts with a customer. For each contract related to the production of beer, we consider the promise to transfer products, each of which is distinct, to be the identified performance obligation. The transaction price for each performance obligation is specifically identified within the contract with our customer and represents the fair standalone selling price. Discounts are recognized as a reduction to Sales at the time we recognize the revenue. We generally do not grant return privileges, except in limited and specific circumstances.

As of March 31, 2019, we had receivables related to contracts with customers of $27.8 million, net of the allowance for doubtful accounts of $25,000. As of December 31, 2018, we had receivables related to contracts with customers of $30.0 million, net of the allowance for doubtful accounts of $25,000.

As of March 31, 2019 and December 31, 2018, contract liabilities, which consisted of obligations associated with our gift card programs, were $0.2 million and $0.4 million, respectively, were included in Other accrued expenses on the Consolidated Balance Sheets.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of accounting pursuant to ASC 606. In contracts with multiple performance obligations, we identify each performance obligation and evaluate whether the performance obligation is distinct within the context of the contract at contract inception. Performance obligations that are not distinct at contract inception are combined.

We entered into an International Distribution Agreement ("IDA") with A-B for the rights to serve as our exclusive distributor in international territories defined by the IDA for a 10-year period. The IDA represents a single international license to all territories defined in the IDA. Revenue is recognized on a straight-line basis over the 10-year term of the agreement. In accordance with ASC 606, we evaluate the factors used in our estimates of variable consideration to be received under contracts on a quarterly basis. We estimate variable consideration as the most likely amount to which we expect to be entitled. We have evaluated, on a quarterly basis, the qualitative factors, including current market conditions and our relationship with A-B, and we consider receiving $34.0 million over the 10-year term of the IDA the most likely outcome under the IDA. We believe that the possibility of a significant reversal of cumulative revenue recognized from this agreement under this conclusion is remote. Under the IDA, A-B has the right to issue purchase orders to distribute product in international territories defined by the IDA. Each purchase order placed under the IDA is a distinct performance obligation. The transaction price for each performance obligation is a sales-based royalty, which is recognized as revenue in accordance with the sales-based royalty exception. Accordingly, royalty revenue is recognized as the variability associated with the royalty is resolved, which is upon A-B's subsequent sale of our product.

In cases where all conditions to a sale are not met at the time of sale, revenue recognition is deferred until all conditions are met. As of December 31, 2018, Deferred revenue on our Consolidated Balance Sheets included $6.0 million related to the IDA. For the three months ending March 31, 2019, we have recognized $0.8 million as Sales, resulting in Deferred revenue of $5.2 million at March 31, 2019. In the absence of receiving a qualified offer, we expect to earn the right to receive an additional $20.0 million in the remainder of 2019. We expect to recognize an additional $2.4 million of Deferred revenue as Sales in the remainder of 2019, $3.2 million in 2020, and $19.5 million thereafter.

Note 12. Segment Results and Concentrations

Our chief operating decision maker monitors Net sales and gross margins of our Beer Related operations and our Brewpubs operations. Beer Related operations include the brewing operations and related domestic and international beer and cider sales of our Kona, Widmer Brothers, Redhook and Omission beer brands and Square Mile cider brand. Brewpubs operations primarily include our brewpubs, some of which are located adjacent to our Beer Related operations. We do not track operating results beyond the gross margin level or our assets on a segment level.

Net sales, Gross profit and gross margin information by segment was as follows (dollars in thousands):

	Three Months Ended March 31,		
2019	**Beer Related**	**Brewpubs**	**Total**
Net sales	$ 40,789	$ 6,203	$ 46,992
Gross profit	$ 15,508	$ 675	$ 16,183
Gross margin	38.0%	10.9%	34.4%
2018			
Net sales	$ 41,476	$ 6,011	$ 47,487
Gross profit	$ 14,710	$ 361	$ 15,071
Gross margin	35.5%	6.0%	31.7%

The segments use many of the same assets. For internal reporting purposes, we do not allocate assets by segment and, therefore, no asset by segment information is provided to our chief operating decision maker.

In preparing this financial information, certain expenses were allocated between the segments based on management estimates, while others were based on specific factors such as headcount. These factors can have a significant impact on the amount of Gross profit for each segment. While we believe we have applied a reasonable methodology, assignment of other reasonable cost allocations to each segment could result in materially different segment Gross profit.

Sales to wholesalers through the A-B distributor agreement represented the following percentage of our Sales:

Three Months Ended March 31,	
2019	**2018**
81.2%	76.6%

Receivables from A-B and ABWI represented the following percentage of our Accounts receivable balance:

March 31, 2019	December 31, 2018
80.0%	79.8%

Note 13. Significant Stock-Based Plan Activity and Stock-Based Compensation

Stock-Based Compensation
Stock-based compensation expense was recognized in our Consolidated Statements of Operations as follows (in thousands):

	Three Months Ended March 31,	
	2019	2018
Cost of sales	$ 48	$ 52
Selling, general and administrative expense	370	433
Total stock-based compensation expense	$ 418	$ 485

At March 31, 2019, we had total unrecognized stock-based compensation expense of $2.6 million, which will be recognized over the weighted average remaining vesting period of 2.4 years.

Note 14. Earnings Per Share

The reconciliation between the number of shares used for the basic and diluted per share calculations, as well as other related information, is as follows (in thousands):

	Three Months Ended March 31,	
	2019	2018
Weighted average common shares used for basic EPS	19,412	19,310
Dilutive effect of stock-based awards	—	178
Shares used for diluted EPS	19,412	19,488
Stock-based awards not included in diluted per share calculations as they would be antidilutive	42	—

Note 15. Commitments and Contingencies

General
We are subject to various claims and pending or threatened lawsuits in the normal course of business. Although we do not anticipate that the resolution of legal proceedings arising in the normal course of business or the proceeding described below will have a material adverse effect on our financial position, results of operations or cash flows, we cannot predict this with certainty.

Legal
On February 28, 2017 and March 6, 2017, respectively, two lawsuits, Sara Cilloni and Simone Zimmer v. Craft Brew Alliance, Inc., and Theodore Broomfield v. Kona Brewing Co. LLC, Kona Brew Enterprises, LLP, Kona Brewery LLC, and Craft Brew Alliance, Inc., were filed in the United States District Court for the Northern Division of California. On April 7, 2017, the two lawsuits were consolidated into a single complaint under the Broomfield case. The lawsuit alleges that the defendants misled customers regarding the state in which Kona Brewing Company beers are manufactured. On April 28, 2017, we filed a motion to dismiss the complaint, which was granted in part and denied in part on September 1, 2017. On September 26, 2018, the court granted Plaintiffs' motion for class certification, forming a class of persons within the state of California who purchased certain Kona Brewing Company products within the relevant statute of limitations period. Our motion for reconsideration was denied on October 16, 2018. On April 25, 2019, we announced an agreement in principle to settle the litigation. The parties will file a Motion for Preliminary Approval by May 23, 2019, with a hearing on the Motion set for June 13, 2019. We recorded charge of $4.7 million on a pre-tax basis for the quarter ended March 31, 2019, based on our current estimate of the probable costs of settling the litigation. It is reasonably possible that the total cost of settling the litigation will exceed current estimates, especially if the number of class members who submit claims materially exceeds expectations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report on Form 10-Q includes forward-looking statements. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "will," "may," "plan" and similar expressions or their negatives identify forward-looking statements, which generally are not historical in nature. These statements are based upon assumptions and projections that we believe are reasonable, but are by their nature inherently uncertain. Many possible events or factors could affect our future financial results and performance, and could cause actual results or performance to differ materially from those expressed, including those risks and uncertainties described in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 ("2018 Annual Report"), and those described from time to time in our future reports filed with the Securities and Exchange Commission (the "SEC"). Caution should be taken not to place undue reliance on these forward-looking statements, which speak only as of the date of this quarterly report.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto included herein, as well as the audited Consolidated Financial Statements and Notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our 2018 Annual Report. The discussion and analysis includes period-to-period comparisons of our financial results. Although period-to-period comparisons may be helpful in understanding our financial results, we believe that they should not be relied upon as an accurate indicator of future performance.

Overview

Craft Brew Alliance, Inc. ("CBA") is the eighth largest craft brewing company in the U.S. and a leader in brewing, branding, and bringing to market world-class American craft beers.

Our distinctive portfolio combines the power of Kona Brewing Co., one of the top craft beer brands in the world, with strong regional breweries and innovative lifestyle brands, including Appalachian Mountain Brewery, Cisco Brewers, Omission Brewing Co., Redhook Brewery, Square Mile Cider Co., Widmer Brothers Brewing, and Wynwood Brewing Co. We nurture the growth and development of our brands in today's increasingly competitive beer market through our state-of-the-art brewing and distribution capability, integrated sales and marketing infrastructure, and strong focus on innovation, local community and sustainability.

CBA was formed in 2008 through the merger of Redhook Brewery and Widmer Brothers Brewing, the two largest craft brewing pioneers in the Northwest at the time. Following a successful strategic brewing and distribution partnership, Kona Brewing Co. joined CBA in 2010. As part of CBA, Kona has expanded its reach across all 50 U.S. states and approximately 30 countries, while remaining deeply rooted in its home of Hawaii.

As consumers increasingly seek more variety and more local offerings, Craft Brew Alliance has expanded its portfolio and home markets with strong regional craft beer brands in targeted markets. In 2015 and 2016, we formed strategic partnerships with Appalachian Mountain Brewery, based in Boone, North Carolina; Cisco Brewers, based in Nantucket, Massachusetts; and Wynwood Brewing Co., based in the heart of Miami's vibrant multicultural arts district. Building on the success of these partnerships, we acquired all three brands in the fourth quarter of 2018, fundamentally transforming our footprint and paving the way to increase our investments in their growth and drive shareholder value. In 2019, CBA launched The pH Experiment as a separate business unit focused on anticipating drinkers' needs and quickly rolling out new offerings to quench their thirst.

Publicly traded on NASDAQ under the ticker symbol BREW, Craft Brew Alliance is headquartered in Portland, Oregon and operates breweries and brewpubs across the U.S.

We proudly brew and package our craft beers in three company-owned production breweries located in Portland, Oregon; Portsmouth, New Hampshire; and Kailua-Kona, Hawaii. In 2018, we continued to leverage our contract brewing agreement with A-B Commercial Strategies, LLC ("ABCS"), an affiliate of Anheuser-Busch, LLC ("A-B"), through which we brew select CBA brands in A-B's Fort Collins, Colorado brewery. Additionally, we own and operate five innovation breweries in Portland, Oregon; Seattle, Washington; Portsmouth, New Hampshire; Boone, North Carolina; and Miami, Florida, which are primarily used for small-batch production and limited-release beers offered primarily in our brewpubs and brands' home markets.

We distribute our beers to retailers through wholesalers that are aligned with the A-B network. These sales are made pursuant to a Master Distributor Agreement (the "A-B Distributor Agreement") with A-B, which extends through 2028. As a result of this distribution arrangement, we believe that, under alcohol beverage laws in a majority of states, these wholesalers would own the exclusive right to distribute our beers in their respective markets if the A-B Distributor Agreement expires or is terminated. As competition puts increasing pressure on craft brands outside of their home markets, we are continuing our efforts to stabilize and strengthen Widmer Brothers and Redhook in the Pacific Northwest, while expanding distribution of Appalachian Mountain Brewery, Cisco Brewers, and Wynwood Brewing Co. across their respective home markets of North Carolina, New England, and South Miami.

Separate from our A-B wholesalers, we maintain an internal independent sales and marketing organization with resources across the key functions of brand management, field marketing, field sales, and national retail sales.

We operate in two segments: Beer Related operations and Brewpubs operations. Beer Related operations include the brewing, and domestic and international sales, of craft beers and ciders from our breweries. Brewpubs operations primarily include our seven brewpubs, six of which are located adjacent to our Beer Related operations, as well as other merchandise sales, and sales of our beers directly to customers.

Following is a summary of our financial results:

Three Months Ended March 31,	Net sales	Net income (loss)	Number of barrels sold
2019	$47.0 million	$(7.4) million	169,500
2018	$47.5 million	$0.2 million	167,000

Results of Operations

The following table sets forth, for the periods indicated, certain information from our Consolidated Statements of Operations expressed as a percentage of Net sales(1):

	Three Months Ended March 31,	
	2019	2018
Sales	105.9 %	105.5 %
Less excise taxes	(5.9)	(5.5)
Net sales	100.0	100.0
Cost of sales	65.6	68.3
Gross profit	34.4	31.7
Selling, general and administrative expenses	54.4	31.1
Operating income (loss)	(20.0)	0.7
Interest expense	(0.7)	(0.3)
Other income, net	—	0.1
Income (loss) before income taxes	(20.6)	0.5
Income tax provision (benefit)	(4.9)	0.1
Net income (loss)	(15.7)%	0.3 %

(1) Percentages may not add due to rounding.

Segment Information

Net sales, Gross profit and Gross margin information by segment was as follows (dollars in thousands):

	Three Months Ended March 31,		
2019	Beer Related	Brewpubs	Total
Net sales	$ 40,789	$ 6,203	$ 46,992
Gross profit	$ 15,508	$ 675	$ 16,183
Gross margin	38.0%	10.9%	34.4%
2018			
Net sales	$ 41,476	$ 6,011	$ 47,487
Gross profit	$ 14,710	$ 361	$ 15,071
Gross margin	35.5%	6.0%	31.7%

Sales by Category

Sales by category were as follows (dollars in thousands):

Sales by Category	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Dollar Change	% Change
A-B and A-B related[1]	$ 40,418	$ 38,363	$ 2,055	5.4 %
Contract brewing and beer related[2]	3,147	5,711	(2,564)	(44.9)%
Excise taxes	(2,776)	(2,598)	(178)	6.9 %
Net beer related sales	40,789	41,476	(687)	(1.7)%
Brewpubs[3]	6,203	6,011	192	3.2 %
Net sales	$ 46,992	$ 47,487	$ (495)	(1.0)%

(1) A-B and A-B related includes domestic and international sales of our owned brands sold through A-B and Ambev, as well as non-owned brands sold pursuant to master distribution agreements, fees earned pursuant to the Brewing Agreement with ABC and the international distribution fees earned from ABWI.

(2) Beer related includes international sales of our beers, and brands, not sold through A-B or Ambev, as well as fees earned through alternating proprietorship agreements.

(3) Brewpubs sales include sales of promotional merchandise and sales of beer directly to customers.

Shipments by Category

Shipments by category were as follows (in barrels):

Three Months Ended March 31,	2019 Shipments	2018 Shipments	Increase (Decrease)	% Change	Change in Depletions[1]
A-B and A-B related[2]	154,600	146,500	8,100	5.5 %	(5)%
Contract brewing and beer related[3]	13,100	18,700	(5,600)	(29.9)%	
Brewpubs	1,800	1,800	—	— %	
Total	169,500	167,000	2,500	1.5 %	

(1) Change in depletions reflects the year-over-year change in barrel volume sales of beer by wholesalers to retailers.

(2) A-B and A-B related includes domestic and international shipments of our owned brands distributed through A-B and Ambev, as well as non-owned brands distributed pursuant to master distribution agreements and shipments pursuant to the Brewing Agreement with ABC.

(3) Beer related includes international shipments of our beers, and brands, not distributed through A-B or Ambev.

The increase in sales to A-B and A-B related in the three-month period ended March 31, 2019 compared to the same period of 2018 was primarily due to increases in average unit pricing and shipment volume and favorable shifts in package type and geographic mix, partially offset by promotional programming. International distribution fees earned were $0.8 million in the three-month period ended March 31, 2019 and $0.9 million in the same period of 2018.

The decrease in Contract brewing and beer related sales in the three-month period ended March 31, 2019 compared to the same period of 2018 was primarily due to no longer receiving alternating proprietorship fees as a result of the acquisitions of Appalachian Mountain Brewing, Cisco Brewers and Wynwood Brewing, as well as decreases in contract brewing and international shipment volumes, partially offset by the sales of our newly acquired brands not distributed through the A-B distribution network.

Brewpubs sales increased in the three-month period ended March 31, 2019 compared to the same period of 2018, primarily as a result of our newly acquired AMB and Wynwood brewpub operations, partially offset by decreased sales at our Portsmouth brewpub and the closure of the Portland taproom, which occurred at the end of January 2019.

Shipments by Brand
The following table sets forth a comparison of shipments by brand (in barrels):

Three Months Ended March 31,	2019 Shipments	2018 Shipments	Increase (Decrease)	% Change	Change in Depletions
Kona	108,800	99,000	9,800	9.9 %	1 %
Widmer Brothers	21,600	23,300	(1,700)	(7.3)%	(17)%
Redhook	14,800	18,600	(3,800)	(20.4)%	(23)%
Omission	9,100	10,300	(1,200)	(11.7)%	(10)%
All other(1)	10,100	9,400	700	7.4 %	7 %
Total(2)	164,400	160,600	3,800	2.4 %	(5)%

(1) All other includes the shipments and depletions from our Square Mile brand family, as well as the previously non-owned AMB, Cisco Brewers, and Wynwood brand families, shipped by us pursuant to distribution agreements.
(2) Total shipments by brand include international shipments and exclude shipments produced under our contract brewing arrangements.

The increase in our Kona brand shipments in the three-month period ended March 31, 2019 compared to the same period of 2018 was primarily led by continued demand for Big Wave Golden Ale.

The decrease in our Widmer Brothers brand shipments in the three-month period ended March 31, 2019 compared to the same period of 2018 was primarily due to a decrease in Hefeweizen brand shipments.

Redhook brand shipments decreased in the three-month period ended March 31, 2019 compared to the same period of 2018, primarily due to a decrease in Longhammer IPA and ESB brand shipments.

Omission brand shipments decreased in the three-month period ended March 31, 2019 compared to the same period of 2018, primarily due to a decrease in the shipments of Pale Ale and Lager brands.

The increases in All other shipments in the three-month period ended March 31, 2019 compared to the same period of 2018 was primarily due to an increase in our newly acquired AMB and Wynwood brands, partially offset by a decrease in the shipments of Cisco Brewers and Square Mile brands.

Shipments by Package
The following table sets forth a comparison of our shipments by package, excluding shipments produced under our contract brewing arrangements (in barrels):

	Three Months Ended March 31,			
	2019		2018	
	Shipments	% of Total	Shipments	% of Total
Draft	37,500	22.8%	39,200	24.4%
Packaged	126,900	77.2%	121,400	75.6%
Total	164,400	100.0%	160,600	100.0%

The shift in package mix from draft to packaged in the three-month period ended March 31, 2019 compared to the same period of 2018 was primarily due to the continued competition for on-premise draft sales as well as the continued success of our Kona brand family, which is more heavily weighted to packaged sales.

Cost of Sales
Cost of sales includes purchased raw and component materials, direct labor, overhead and shipping costs.

Information regarding Cost of sales was as follows (dollars in thousands):

	Three Months Ended March 31,		Dollar	
	2019	2018	Change	% Change
Beer Related	$ 25,281	$ 26,766	$ (1,485)	(5.5)%
Brewpubs	5,528	5,650	(122)	(2.2)%
Total	$ 30,809	$ 32,416	$ (1,607)	(5.0)%

The decrease in Beer Related Cost of sales in the three-month period ended March 31, 2019 compared to the same period of 2018 was primarily due to a decrease in Beer Related Cost of sales on a per barrel basis. The decrease in our Beer Related Cost of sales on a per barrel basis was primarily due to cost savings related to no longer having alternating proprietorship material costs as a result of the acquisitions of the AMB, Cisco and Wynwood brands, as well as the lower cost of having a portion of our beer produced by A-B in its Fort Collins, Colorado brewery. These decreases were partially offset by increases in brewery costs due to higher fixed overhead related to our newly acquired breweries in Boone, North Carolina and Miami, Florida.

The decrease in Brewpubs Cost of sales in the three-month period ended March 31, 2019 compared to the same period of 2018 was primarily due to the closure of the Portland taproom, partially offset by costs related to our newly acquired AMB and Wynwood brewpub operations.

Capacity Utilization
Capacity utilization is calculated by dividing total shipments by approximate working capacity and was as follows:

	Three Months Ended March 31,	
	2019	2018
Capacity Utilization	47%	52%

Our capacity utilization declined in the three-month period ended March 31, 2019 compared to the same period of 2018 due to a larger percentage our our beer being brewed by ABCS as part of our contract brewing relationship and evolving brewery footprint.

Gross Profit
Information regarding Gross profit was as follows (dollars in thousands):

	Three Months Ended March 31,		Dollar	
	2019	2018	Change	% Change
Beer Related	$ 15,508	$ 14,710	$ 798	5.4%
Brewpubs	675	361	314	87.0%
Total	$ 16,183	$ 15,071	$ 1,112	7.4%

Gross profit as a percentage of Net sales, or gross margin, was as follows:

	Three Months Ended March 31,	
	2019	2018
Beer Related	38.0%	35.5%
Brewpubs	10.9%	6.0%
Overall	34.4%	31.7%

The increases in Beer Related Gross profit and gross margin in the three-month period ended March 31, 2019 compared to the same period of 2018 were primarily due to increases in unit pricing and shipment volume and the lower costs related to having a portion of our beer produced by A-B in Fort Collins, as well as cost savings related to no longer having alternating proprietorship material costs, partially offset by increases in brewery costs due to higher fixed overhead related to our newly acquired breweries in Boone, North Carolina and Miami, Florida.

The increases in Brewpubs Gross profit and gross margin in the three-month period ended March 31, 2019 compared to the same period of 2018 were primarily due to the net results of our newly acquired AMB and Wynwood brewpub operations, partially offset by declines in our Portsmouth brewpub.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") include compensation and related expenses for our sales and marketing activities, management, legal and other professional and administrative support functions.

Information regarding SG&A was as follows (dollars in thousands):

	Three Months Ended March 31,		Dollar	
	2019	2018	Change	% Change
Selling, general and administrative expenses	$ 25,565	$ 14,748	$ 10,817	73.3%
As a % of Net sales	54.4%	31.1%		

The increase in SG&A for the three-month period ended March 31, 2019 compared to the same period of 2018 was primarily due to increases in creative and media spend related to our Kona marketing campaign, including our first national campaign during the NCAA's basketball tournament, March Madness, of $4.6 million, and a $4.7 million charge based on our current estimate of the probable costs of settling the litigation related to the Kona class action lawsuit. See Note 15 of Notes to Consolidated Financial Statements included in Part 1, Item 1 of this report.

Interest Expense

Information regarding Interest expense was as follows (dollars in thousands):

Three Months Ended March 31,		Dollar	
2019	2018	Change	% Change
$ 308	$ 134	$ 174	129.9%

	Three Months Ended March 31,	
	2019	2018
Average debt outstanding	$44,880	$16,554
Average interest rate	2.69%	2.70%

The increase in Interest expense in the three-month period ended March 31, 2019 compared to the same period of 2018 was primarily due to an increase in our average debt outstanding. The increase in our average debt outstanding was due to borrowing on our line of credit to facilitate the acquisitions that were completed in the three-month period ended December 31, 2018.

Income Tax Provision (Benefit)

Our effective income tax rate was 24.0% for the first three months of 2019 and 27.8% in the first three months of 2018. The effective income tax rates reflect the impact of non-deductible expenses (primarily meals and entertainment expenses), state and local taxes and tax credits.

Liquidity and Capital Resources

We have required capital primarily for the construction and development of our production breweries, to support our brewery footprint evolution, and to fund our working capital needs. Historically, we have financed our capital requirements through cash flows from operations, bank borrowings and the sale of common and preferred stock. We anticipate meeting our obligations for the twelve months beginning April 1, 2019 primarily from cash on hand, cash flows generated from operations and borrowing under our line of credit as the need arises. Capital resources available to us at March 31, 2019 included $1.2 million of Cash and cash equivalents and $5.3 million available under our revolving credit facility.

At March 31, 2019 and December 31, 2018, we had $6.1 million and $13.7 million of working capital, respectively, and our debt as a percentage of total capitalization (total debt and common shareholders' equity) was 27.8% and 25.8%, respectively.

A summary of our cash flow information was as follows (in thousands):

	Three Months Ended March 31,	
	2019	2018
Net cash provided by operating activities	$ 3,452	$ 2,741
Net cash provided by (used in) investing activities	(5,157)	21,867
Net cash provided by (used in) financing activities	2,175	(22,373)
Increase in Cash, cash equivalents and restricted cash	$ 470	$ 2,235

Cash provided by operating activities of $3.5 million in the first three months of 2019 resulted from our Net loss of $7.4 million, net non-cash expenses of $0.9 million and changes in our operating assets and liabilities as discussed in more detail below.

Accounts receivable, net, decreased $2.2 million to $27.8 million at March 31, 2019 compared to $30.0 million at December 31, 2018. This decrease was primarily due to a net decrease of $1.7 million in our receivable from A-B and ABWI, which totaled $22.3 million at March 31, 2019. Amounts due from ABWI related to the international distribution fee decreased by $6.0 million, partially offset by an increase of $4.3 million in our receivable from A-B. Historically, we have not had collection problems related to our accounts receivable.

Inventories increased $2.5 million to $19.7 million at March 31, 2019 compared to $17.2 million at December 31, 2018. The increase was primarily due to an increase in finished goods of $2.4 million as a result of the timing of shipments in the fourth quarter of 2018 and first quarter of 2019, seasonality and the forecasted demand for our beer.

Accounts payable increased $5.8 million to $23.4 million at March 31, 2019 compared to $17.6 million at December 31, 2018, primarily due to timing of payments related to our contract brewing relationship with ABCS, raw and component materials, marketing and capital expenditures.

Capital expenditures of $5.2 million in the first three months of 2019 were primarily directed to beer production capacity and efficiency improvements. As of March 31, 2019, we had an additional $1.4 million of expenditures recorded in Accounts payable on our Consolidated Balance Sheets, compared to $3.1 million at December 31, 2018. Beginning in 2015 through expected completion in 2019, we are investing approximately $20 million in a new Kona brewery. We anticipate total capital expenditures of approximately $13.0 million to $17.0 million in 2019 primarily for our new Kona brewery and the addition of a new can line in our Portland brewery to address consumer demand.

Credit Agreement

On October 10, 2018, we executed a First Amendment (the " First Amendment") to our Amended and Restated Credit Agreement with Bank of America, N.A. ("BofA") dated November 30, 2015 (as amended, the "Credit Agreement"). The Credit Agreement as amended by the First Amendment provides for a revolving line of credit (“Line of Credit”), including provisions for cash borrowings and up to $2.5 million notional amount of letters of credit, and a $10.8 million term loan (“Term Loan”). The primary changes effected by the First Amendment were to increase the maximum amount available under the Line of Credit from $40.0 million to $45.0 million and to extend the maturity date of the Line of Credit from November 30, 2020 to September 30, 2023, which is also the maturity date of the Term Loan. The maximum amount of the Line of Credit is subject to loan commitment reductions in the amount of $750,000 each quarter beginning March 31, 2020. The Amendment also increased the limit on the total amount of investments that we may make in other craft brewers, other than the acquisition of all or substantially all of the assets or controlling ownership interests, from $5.0 million to $10.0 million. We may draw upon the Line of Credit for working capital and general corporate purposes.

As of March 31, 2019, we had $5.3 million in funds available to be drawn upon from our Line of Credit and $39.7 million borrowings outstanding. At March 31, 2019, $8.7 million was outstanding under the Term Loan.

Under the Credit Agreement as in effect at March 31, 2019, interest accrues at an annual rate based on the London Inter-Bank Offered Rate (“LIBOR”) Daily Floating Rate plus a marginal rate. The marginal rate varies from 0.75% to 1.75% for the Line of Credit and Term Loan based on our funded debt ratio. At March 31, 2019, our marginal rate was 1.75%, resulting in an annual interest rate of 3.24%.

Accrued interest for the Term Loan is due and payable monthly. Principal payments on the Term Loan are due monthly in accordance with an agreed-upon schedule set forth in the Credit Agreement, with any unpaid principal balance and unpaid accrued interest due and payable on September 30, 2023.

The Credit Agreement authorizes acquisitions within the same line of business as long as we remain in compliance with the financial covenants of the Credit Agreement and there is at least $5.0 million of availability remaining on the Line of Credit following the acquisition.

The Credit Agreement as in effect at March 31, 2019 required us to satisfy the following financial covenants: (i) a Consolidated Leverage Ratio of up to 3.50 to 1.00 and (ii) a Fixed Charge Coverage Ratio of at least 1.20 to 1.00. Failure to maintain compliance with these covenants is an event of default and would give BofA the right to declare the entire outstanding loan balance immediately due and payable.

At March 31, 2019, we were not in compliance with the Consolidated Leverage Ratio covenant for the Credit Agreement, as we did not meet the required Consolidated Funded Indebtedness to Consolidated EBITDA ratio for the trailing twelve months ended March 31, 2019. Consolidated EBITDA is defined as earnings before interest, taxes, depreciation, amortization and certain other adjustments as defined in the Credit Agreement. We executed a Second Amendment to the Credit Agreement with BofA effective May 7, 2019 (the “Second Amendment”). The Second Amendment increases the permitted Leverage Ratio to a maximum of 5.50 to 1.00 for the period from January 1, 2019 through June 30, 2019. Beginning July 1, 2019, and each fiscal quarter thereafter, the maximum Consolidated Leverage Ratio will be 3.50 to 1.00 as long as A-B has not made a Qualifying Offer as defined in the International Distribution Agreement with an affiliate of A-B. If A-B makes a Qualifying Offer on or before August 23, 2019, beginning July 1, 2019 through March 31, 2020, the maximum Consolidated Leverage Ratio will be 4.75 to 1.00; and beginning April 1, 2020, and during each fiscal quarter thereafter, the maximum Leverage Ratio will be 3.50 to 1.00.

See also Note 8 of Notes to Consolidated Financial Statements included in Part 1, Item 1 of this report.

Critical Accounting Policies and Estimates

Our financial statements are based upon the selection and application of significant accounting policies that require management to make significant estimates and assumptions. Judgments and uncertainties affecting the application of these policies may result in materially different amounts being reported under different conditions or using different assumptions. Our estimates are based upon historical experience, market trends and financial forecasts and projections, and upon various other assumptions that management believes to be reasonable under the circumstances at various points in time. Actual results may differ, potentially significantly, from these estimates.

Our critical accounting policies, as described in our 2018 Annual Report on Form 10-K, relate to goodwill, indefinite-lived intangible assets, long-lived assets, refundable deposits on kegs, revenue recognition and deferred taxes. Other than as described in Notes 2 and 5 of Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q regarding accounting for leases, there have been no changes to our critical accounting policies since December 31, 2018.

Seasonality

Our sales generally reflect a degree of seasonality, with the first and fourth quarters historically exhibiting low sales levels compared to the second and third quarters. Accordingly, our results for any particular quarter are not likely to be indicative of the results to be achieved for the full year.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Recent Accounting Pronouncements

See Notes 2 and 5 of Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our reported market risks and risk management policies since the filing of our 2018 Annual Report on Form 10-K, which was filed with the SEC on March 6, 2019.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and our Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) under the Securities Exchange Act of 1934 (“Exchange Act”) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.While reasonable assurance is a high level of assurance, it does not mean absolute assurance. Disclosure controls and internal control over financial reporting cannot prevent or detect all errors, misstatements or fraud. In addition, the design of a control system must recognize that there are resource constraints, and the benefits associated with controls must be proportionate to their costs.

Changes in Internal Control Over Financial Reporting
During the first quarter of 2019, there were no changes in our internal control over financial reporting identified in connection with the above evaluation required by Exchange Act Rule 13a-15 or 15d-15, except those disclosed below, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Beginning January 1, 2019, we implemented ASC 842, Leases. Although the new standard is not expected to have a material impact on our ongoing net income, we implemented changes to our processes related to accounting for leases and the control activities within them. These included reviewing contracts to determine whether they contain express or implied leases and reviewing leases periodically to determine whether reassessments have been triggered and whether lease lives remain appropriate.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note 15 of Notes to Consolidated Financial Statements included in Part 1, Item 1 of this report.

Item 1A. Risk Factors

There have been no changes in our reported risk factors since the filing of our 2018 Annual Report on Form 10-K, which was filed with the SEC on March 6, 2019.

Item 5. Other Information

Effective May 7, 2019, we entered into a Second Amendment to Amended and Restated Credit Agreement (the "Second Amendment") with BofA. The Second Amendment was executed by the parties on May 7, 2019. The material changes effected by the Second Amendment are described in Note 8 of Notes to the Consolidated Financial Statements included in Part I, Item 1 of this report, which description is incorporated herein by reference. Such description is qualified in its entirety by reference to the full text of the Second Amendment, a copy of which is attached to this report as Exhibit 10.2 and incorporated herein by reference.

Item 6. Exhibits

The following exhibits are filed herewith and this list is intended to constitute the exhibit index:

10.1	Employment Agreement between the Registrant and Christine Perich, dated March 26, 2019
10.2	Second Amendment to Amended and Restated Credit Agreement dated May 7, 2019 between Craft Brew Alliance, Inc. and Bank of America, N.A.
31.1	Certification of Chief Executive Officer of Craft Brew Alliance, Inc. pursuant to Exchange Act Rule 13a-14(a)
31.2	Certification of Chief Financial Officer of Craft Brew Alliance, Inc. pursuant to Exchange Act Rule 13a-14(a)
32.1*	Certification pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350
99.1*	Press Release dated May 8, 2019
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Furnished herewith

SIGNATURE

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

CRAFT BREW ALLIANCE, INC.

May 8, 2019

By: /s/ Edwin A. Smith

Edwin A. Smith

Corporate Controller and
Principal Accounting Officer

EXHIBIT 10.1

March 25, 2019

Christine Perich
402 Wood Street
Fort Collins, CO 80524

Re: Employment Agreement

Dear Christine:

This letter constitutes your Employment Agreement (this "Agreement") with Craft Brew Alliance, Inc. (the “Company”), effective April 1, 2019 (the "Effective Date"). You and the Company are collectively referred to in this Agreement as "the Parties" (or individually as a "Party"). This Agreement sets forth the terms and conditions of your employment with the Company as its Chief Financial and Strategy Officer, Executive Vice President, and Treasurer as of the Effective Date. Capitalized terms not otherwise defined in the body of this Agreement have the meanings set forth on Exhibit A.

1. Term

The term of this Agreement shall be 21 months, beginning the Effective Date through December 31, 2020 (the "Contract Term"), subject to Section 3 of this Agreement. In the event of a termination by either Party without Cause or Good Reason on or before the end of the Contract Term, the terminating Party shall provide the other Party with at least 30 days' written notice of termination.

2. Compensation and Benefits

2.1 Base Compensation

As of the Effective Date, your base salary rate for the Contract Term is $290,000.

2.2 Short-Term Incentive Compensation

You will be eligible for short-term incentive ("STI") compensation under the Company's Annual Cash Incentive Plan. Your total STI target amount for the nine months ending December 31, 2019, is $141,375 (65% of base salary rate prorated for nine months). The payout of the STI award will be based on the achievement of corporate performance goals previously established by the Company’s Compensation Committee (“the Committee”) for STI awards for fiscal 2019 (70% of the total), as well as on individual performance goals (“MBOs”) approved by the Committee (30% of the total), with the level of achievement of such goals determined by the Committee by March 15, 2020. Payment of the resulting STI cash incentive amount will be made no later than March 31, 2020, provided that you remain employed through that date. Similarly, your total STI target amount for fiscal 2020 will be 65% of your base salary rate approved by the Committee for 2020. Incentive compensation payable based on achievement of your fiscal 2020 STI performance goals will be paid no later than March 15, 2021, provided that you remain employed through the end of the Contract Term.

2.3 Long-Term Incentive Compensation

You will also be eligible to participate in the Company's 2014 Stock Incentive Plan (or its successor), with awards to be evidenced by award agreements substantially in the applicable form previously approved by the Committee, as follows:

(a) Effective April 1, 2019, you will receive three awards of restricted stock units (“RSUs”). The first award of RSUs will be for a number of shares with a value equal to $16,312.50, based on the closing price of the Company’s common stock on February 21, 2019, and vesting on March 31, 2020. The second award will be for a number of shares with a value equal to $43,500, based on the closing price of the Company’s common stock on February 21, 2019, and vesting on December 31, 2020. The third award will be for a number of shares with a value equal to $65,250, based on the closing price of the Company’s common stock on February 21, 2019, and vesting on March 31, 2022.

(b) Also effective on April 1, 2019, you will receive three awards of performance shares (“PSUs”), as follows:

(i) The first award of PSUs will be for a number of shares with a value of $50,750, based on the closing price of the Company’s common stock on February 21, 2019, and tied to the performance goals and with the terms established by the Committee for performance share awards granted in 2017. To the extent vested, the first award of PSUs will be settled no later than April 30, 2020, provided that you remain employed through that date.

(ii) The second award of PSUs will be for a number of shares with a value of $101,500, based on the closing price of the Company’s common stock on February 21, 2019, and tied to the performance goals and with the terms established by the Committee for performance share awards granted in 2018. To the extent vested, the second award of PSUs will be settled no later than March 15, 2021, provided that you remain employed through the end of the Contract Term.

(iii) The third award of PSUs will be for a number of shares with a value of $152,250, based on the closing price of the Company’s common stock on February 21, 2019, and tied to the performance goals and with the terms established by the Committee for performance share awards granted in 2019. To the extent vested, the third award of PSUs will be settled no later than April 30, 2022, provided that you remain employed through that date.

(c) In the first quarter of 2020, you will receive similar awards of RSUs and PSUs with a total value on the grant date equal to 75% of your base salary approved by the Committee for 2020.

2.4 Employee Benefits

You are eligible to participate in employee benefit programs made available to the Company's executive officers. You will receive paid time off consistent with the policies for executive officers of the Company.

2.5 Payroll Deductions and Tax Withholding

All compensation payable pursuant to this Agreement, whether in cash, shares of the Company’s common stock, or other property, will be subject to required tax withholdings and other payroll deductions.

3. Termination & Severance

3.1 Termination During Contract Term

Except as provided in Section 3.2, in the event that (a) the Company terminates your employment effective on a date prior to or as of the end of the Contract Term for any reason other than Cause or (b) you terminate your employment prior to or as of the end of the Contract Term due to Good Reason, the Company will continue to pay you your then current base salary for 12 months from your termination date (the "Severance Period"). The severance payments under this paragraph shall not exceed two times the lesser of (y) the sum of your annualized compensation based upon your base salary rate in the year preceding the year in which your employment is terminated (adjusted for any increase during that year that was expected to continue indefinitely if your employment had not terminated) and (z) the applicable dollar limit under Section 401(a)(17) of the Internal Revenue Code of 1986, as amended (the "Code"), for the calendar year in which your employment is terminated.

In addition, if you become entitled to severance pay under the first paragraph of this Section 3.1, the Company will also make a lump sum payment to you within 45 days of your termination of employment in an amount equal to the amount necessary to pay your COBRA premiums for continuation of group health insurance coverage during the Severance Period based on such premiums in effect on the date of your termination.

3.2 Termination in Connection with a Change in Control Event.

In the event that (a) the Company experiences a Change in Control Event and (b) either (i) the Company terminates your employment effective on a date prior to the first anniversary of the Change in Control Event for any reason other than Cause or (ii) you terminate your employment prior to the first anniversary of the Change in Control Event due to Good Reason, and (c) in the case of a Change in Control Event described in Paragraph (c) of the definition of Change in Control Event, you represent and warrant that, as of the termination of your employment, you have not entered into any understanding or arrangement with the acquiring individual or entity regarding future employment, the Company will (A) make a lump sum payment to you within 45 days of the termination of your employment equal to the sum of: (1) your then current monthly base salary multiplied by 18; (2) an amount equal to the amount necessary to pay your COBRA premiums for continuation of group health insurance coverage for 18 months based on such premiums in effect on the date of your termination; and (3) your full target STI bonus amount for the year in which your termination of employment occurs and (B) effective immediately prior to your termination of employment: (x) fully vest all Restricted Stock Units; (y) fully vest and cause to become immediately exercisable all outstanding stock options granted to you prior to the Change in Control Event; and (z) pay out, within 45 days following your termination of employment, any applicable outstanding Performance Share Award based, as determined in the reasonable discretion of the Compensation Committee, on the pro rata portion of the performance period that has lapsed and the extent to which progress towards the applicable performance goals has been achieved; provided, however, that each outstanding Performance Share Award shall be treated as earned and vested at no less than 33% of the target amount. The payments and benefits under this Section 3.2 are in lieu of the benefits under Section 3.1, and in no event will you be paid benefits under both Sections 3.1 and 3.2.

Notwithstanding the foregoing, in the event that (A) the Company experiences a Change in Control Event described in Paragraph (c) of the definition of Change in Control Event and (B) prior to the date of payment under this Section 3.2 you accept a position with the acquirer of the Company's assets, which in any other Change in Control Event would not justify a termination for Good Reason under clause (b)(ii) of the preceding paragraph, all benefits under Sections 3.1 and 3.2 will be forfeited.

The Parties agree and acknowledge that their intent is that none of the benefits payable under this Section 3.2 shall constitute an "excess parachute payment" under Section 280G of the Code that would give rise to an excise tax under Section 4999 of the Code or a loss of deduction under Section 280G of the Code. To give effect to that intent, and notwithstanding any other provision of this Agreement to the contrary, the Parties specifically agree that the aggregate amount of the benefits payable to you or for your benefit that constitute "parachute payments" within the meaning of Section 280G(b)(2) of the Code, under this Agreement or any other agreement or arrangement between you and the Company, shall not exceed 2.99 multiplied by your "base amount," as defined in Section 280G(b)(3) of the Code (the "Maximum Benefit Amount"). The Company shall make all calculations and determinations under this Section 3.2 (including application and interpretation of the Code and related regulatory, administrative and judicial authorities) in good faith, which calculations and determinations shall be binding on you absent manifest error. The Company shall provide you with a reasonable opportunity to review and comment on the Company's calculations. If at any time it is determined that the amount paid to you or for your benefit pursuant to this Agreement or any other agreement or arrangement between you and the Company exceeded the Maximum Benefit Amount, you shall immediately repay the excess to the Company, together with interest from the date of original payment to you at the discount rate applicable under Section 280G(d)(4) of the Code.

3.3 Termination at End of Contract Term

At least 60 days prior to expiration of the Contract Term, the parties will meet and discuss whether to continue this Agreement in some form. If the parties have not negotiated a replacement agreement or renewal of this Agreement at expiration of the Contract Term, this Agreement shall terminate (except with respect to any obligations that expressly extend beyond termination, including but not limited to the obligations set forth in Sections 3.1 and 3.2, above).

3.4 Release of Claims

The Company will require you to execute an appropriate general release of all claims that you may have relating to your employment with the Company and termination of your employment as a condition to your receipt of any severance payments or other benefits under this Agreement other than those required by law or provided to employees generally. If such general release of claims is not executed within 30 days following the date your employment with the Company is terminated, all severance payments and other benefits payable after such 30-day period will be forfeited, and you agree to repay any severance payments, and the value of other benefits, paid to you during such period.

4. Nonsolicitation and Confidentiality

You agree to execute and deliver the Employee Confidentiality/Proprietary Information Agreement attached hereto as Exhibit B prior to the Effective Date.

5. Signing and Retention Bonuses

On the Effective Date, you will receive a cash signing bonus of $37,700, plus a one-time award of unrestricted shares of the Company’s Common Stock with a value equal to $65,250, based upon the per share closing price of the Common Stock on the Effective Date. In addition, if you remain employed with the Company under this Agreement through March 31, 2020, you will be entitled to a one-time, lump-sum cash retention bonus on that date equal to 65% of the total STI award **paid** to you under the Company’s Annual Cash Incentive Plan for 2019; provided that such payment will not be more than $91,894 or less than $56,550 (“Retention Bonus”). If you fail, for any reason, to remain employed with the Company through March 31, 2020, you will not be entitled to the Retention Bonus.

6. Code Section 409A

For purposes of this Agreement, a termination of your employment will be deemed to occur only when or if there has been a "separation from service" as such term is defined in Treasury Regulation Section 1.409A-1(h). The severance payments and other benefits under this Agreement are intended to be exempt from the requirements of Section 409A of the Code by reason of all payments under this Agreement being either "short-term deferrals" within the meaning of Treasury Regulation Section 1.409A-1(b)(4) or separation pay due to involuntary separation from service under Treasury Regulation Section 1.409A-1(b)(9)(iii). All provisions of this Agreement shall be interpreted in a manner consistent with preserving these exemptions.

7. Severability

In the event that a court of competent jurisdiction determines that a provision of this Agreement is unenforceable or not fully enforceable, the Parties agree that this Agreement is severable and should be enforced to the full extent allowed by law to best effectuate the intentions of the Parties.

8. Code of Conduct

By your signature below, you agree to comply with the Company's Code of Conduct and Ethics as in effect from time to time, and to be subject to the Company's policies and procedures in effect from time to time for senior executives of the Company.

9. Indemnification

As an officer of the Company, you will be covered by the indemnification obligations to officers of the Company under the Company’s Articles of Incorporation and by the Company’s liability insurance policy covering directors and officers.

We look forward to having you as a member of our team for years to come.

Sincerely,

/s/Andrew J Thomas
Andrew J. Thomas
Chief Executive Officer

Acknowledged and Agreed:

/s/ Christine Perich Date: March 26, 2019
Christine Perich

Attachments: Exhibit A (Definitions)
Exhibit B (Employee Confidentiality/Proprietary Information Agreement)

EXHIBIT A

Definitions

1. "**Cause**" shall mean that (a) you have engaged in conduct which has substantially and adversely impaired the interests of the Company, or would be likely to do so if you were to remain employed by the Company; (b) you have engaged in fraud, dishonesty or self-dealing relating to or arising out of your employment with the Company; (c) you have violated any criminal law relating to your employment or to the Company; (d) you have engaged in conduct which constitutes a material violation of a significant Company policy or the Company's Code of Conduct and Ethics as in effect from time to time, including, without limitation, violation of policies relating to discrimination, harassment, use of drugs and alcohol and workplace violence; or (e) you have repeatedly refused to obey lawful directions of the Board. Any notice of termination for Cause pursuant to subsections (d) or (e) shall be made in writing, which notice shall set forth in detail all acts or omissions upon which the Company is relying for such termination and which shall provide you at least thirty days to cure same.

2. "**Change in Control Event**" shall mean the occurrence of any of the following events:

(a) Any one person or entity, or more than one person or entity acting as a group (as defined in Treasury Regulation Section 1.409A-3), acquires ownership of stock of the Company that, together with stock previously held by the acquirer, constitutes more than 50 percent of the total fair market value or total voting power of the Company's stock. If any one person or entity, or more than one person or entity acting as a group, is considered to own more than 50 percent of the total fair market value or total voting power of the Company's stock, the acquisition of additional stock by the same person or entity or persons or entities acting as a group does not cause a Change in Control Event. An increase in the percentage of stock owned by any one person or entity, or persons or entities acting as a group, as a result of a transaction in which the Company acquires its stock in exchange for property, is treated as an acquisition of stock; or

(b) A majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of appointment or election; or

(c) Any one person or entity, or more than one person or entity acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by that person or entity or persons or entities acting as a group) assets from the Company that have a total gross fair market value equal to at least 75 percent of the total gross fair market value of all the Company's assets immediately prior to the acquisition or acquisitions. Gross fair market value means the value of the Company's assets, or the value of the assets being disposed of, without regard to any liabilities associated with these assets.

In determining whether a Change in Control Event has occurred, the attribution rules under Section 318 of the Code will apply to determine stock ownership. The stock underlying a vested option is treated as owned by the individual who holds the vested option, and the stock underlying an unvested option is not treated as owned by the individual who holds the unvested option.

3. "**Good Reason**" shall mean the occurrence of one or more of the following events without your consent: (a) a material reduction in your base compensation; (b) a material reduction in your authority, duties, or responsibilities as the Company's Chief Financial and Strategy Officer; (c) a material reduction in the authority, duties, or responsibilities of the person or persons to whom you report (including, if applicable, a requirement that you report to a Company officer or employee instead of reporting directly to the Board); (d) the failure of any successor of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; or (e) a material breach of this Agreement by the Company; provided, however, that "Good Reason" shall only be deemed to have occurred if: (i) within 90 days after the initial existence of the circumstances constituting "Good Reason," you provide the Company with a written notice describing such circumstances; (ii) the Company fails to cure the circumstances within 30 days after the Company receives your notice; and (iii) you terminate your employment with the Company within 90 days of the date of your notice.

Exhibit B

Employee Noncompetition and Nonsolicitation Agreement

In consideration of and as a condition of the granting of employment with Craft Brew Alliance, Inc. ("Company"), Employee agrees as follows:

1. Covenant Not To Hire Or Solicit Other Employees. Subject to applicable state law requirements, Employee will not during Employee's employment and for a period of two (2) years after termination of Employee's employment employ in any business competitive with or otherwise similar to that of Company's any current employee of Company or any employee of Company whose employment with Company terminated within the previous thirty (30) days, nor will Employee otherwise solicit or induce or attempt to solicit or induce any current employee of Company to terminate his or her employment with Company for any reason.

2. Confidentiality. Employee agrees, both during Employee's employment and after termination of Employee's employment, to protect and preserve as confidential and to not disclose to any person or entity or use any and all Confidential Information, as defined below, acquired during Employee's employment with Company. "Confidential Information" is defined as: financial information related to the operation of Company's business; all formulas, recipes, and procedures relating to the brewing of Company's beer, ales, and malt beverage products and all information related to such brewing; Company's unique marketing plans; and the preferences of Company's customers, but does not include information considered part of the public domain.

3. No Violation of Other Obligations. Employee certifies that working for Company does not violate any contractual obligations Employee owes to any third party. Employee agrees to not disclose to Company or use during Employee's employment any trade secrets or other confidential information of any third party without that party's consent. Employee acknowledges that Company wishes Employee to abide strictly by the terms of valid and enforceable obligations Employee has to prior employers. Employee agrees to inform Employee's manager/supervisor whenever Employee believes a task Employee is to perform for Company could jeopardize Employee's ability to abide by those obligations.

4. Company Materials. All notes, files, data, disks, tapes, reference items, sketches, drawings, memoranda, records, and other materials in whatever form in any way relating to any of the information referred to in paragraph 2 above or otherwise to Company's business shall belong exclusively to Company. Employee agrees to immediately turn over to Company, without retaining any copies, all such materials in Employee's possession or under Employee's control at any time at the request of Company or, in any event, upon the termination of Employee's employment with Company for any reason.

5. Work Made For Hire. All creative work, including but not limited to computer programs or models, templates, marketing plans, designs, graphics, techniques, processes, documentation, formulae, products, and technical information prepared or originated by Employee for Company at any time during Employee's employment with Company, constitutes work made for hire. All rights to this work, as well as enhancements and modifications to it, are owned by Company; and, in any event, Employee hereby assigns to Company all rights, title, and interest whether by way of copyright, trade secret, or otherwise, in all such work, whether or not subject to protection by copyright laws or other intellectual property laws. Employee shall take all actions reasonably requested by Company to vest ownership of such creative work in Company and to permit Company to obtain copyright, trademark, patent, or similar protection in its name.

6. Accounting for Profits. If Employee violates any of the provisions of this Agreement, Company shall be entitled to an accounting and repayment of all profits, compensation, royalties, commissions, remunerations or benefits which Employee directly or indirectly shall have realized or may realize relating to, growing out of, or in connection with any such violation. Such remedy shall be in addition to and not in lieu of any injunctive relief or other rights or remedies to which Company is or may be entitled at law or in equity or otherwise under this Agreement.

7. Injunctive Relief. Employee understands and agrees that Company shall suffer irreparable harm in the event that Employee breaches any the provisions of this Agreement and that monetary damages shall be inadequate to fully compensate Company for such breach. Accordingly, Employee agrees that, in the event of a breach or threatened breach by Employee of any of the provisions of this Agreement, Company, in addition to and not in lieu of any other rights, remedies or damages available to Company at law or in equity, shall be entitled to a temporary restraining order, preliminary injunction and permanent injunction in order to prevent or restrain any such breach or threatened breach by Employee, or by any or all of

Employee's partners, co-venturers, employers, employees, servants, agents, representatives, and any and all persons directly or indirectly acting for, on behalf of or with Employee.

8. Remedies in General. If Employee fails to abide by this Agreement or any provision of it, Company will be entitled to specific performance, including immediate issuance of a temporary restraining order or preliminary injunction enforcing this Agreement, and to judgment for damages caused by Employee's breach, and to any other remedies provided by applicable law. Subsequent employers shall have this covenant disclosed to them either by Employee or by Company at the discretion of Company. The provisions of this Agreement are in addition to and not in lieu of any rights or obligations of Company or Employee under any applicable statute, regulation, or common law.

9. Attorney Fees. In the event this Agreement is placed in the hands of any attorney or in any action at law or in equity, administrative proceeding, or arbitration instituted to enforce or interpret the terms of this Agreement, including proceedings before any bankruptcy court of the United States, the prevailing party shall be entitled to recover from the other party reasonable attorneys fees, costs, and necessary disbursements at trial and on any appeal there from, in addition to any other relief to which such party may be entitled.

10. Severability. If any provision, or portion thereof, in this Agreement is invalid or legally unenforceable, it shall be enforced to the extent possible, and all other provisions hereof shall remain in full force and effect.

11. Waiver. The waiver by either the Company or Employee of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either party and shall in no way affect the enforcement of all the other provisions of this Agreement.

12. Survival. The terms of this Agreement survive the termination of Employee's employment.

EXHIBIT 10.2

EXECUTION VERSION

SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated as of May 7, 2019, is by and among **CRAFT BREW ALLIANCE, INC.**, a Washington corporation (the "Borrower"), the Guarantors party hereto, and **BANK OF AMERICA, N.A.**, as lender (in such capacity, the "Lender"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

W I T N E S S E T H

WHEREAS, the Borrower, the Subsidiaries of the Borrower from time to time party thereto (the "Guarantors"), and the Lender are parties to that certain Amended and Restated Credit Agreement, dated as of November 30, 2015 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement");

WHEREAS, the Loan Parties have requested that the Lender amend certain provisions of the Credit Agreement; and

WHEREAS, the Lender is willing to make such amendments to the Credit Agreement in accordance with and subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
AMENDMENTS

1.1 New Defined Terms. The following defined terms are hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

"A-B International Distribution Agreement" means that certain International Distribution Agreement dated as of August 23, 2016, by and between the Borrower and Anheuser-Busch Worldwide Investments, LLC, a Delaware limited liability company (as in effect on the Second Amendment Effective Date (without giving effect to any amendment, supplement or other modification thereof)).

"A-B Qualifying Offer" means a "Qualifying Offer" as defined in the A-B International Distribution Agreement.

"Broomfield Class Action Litigation" means the case entitled Cilloni et al. v. Craft Brew Alliance Inc., case number 5:17-cv-01027, filed in the U.S. District Court for the Northern District of California.

"Second Amendment Effective Date" means May 7, 2019.

1.2 Amendment to Defined Terms. The following defined terms set forth in Section 1.01 of the Credit Agreement are hereby amended and restated in their entirety to read as follows:

"Applicable Rate" means, for any day, the rate per annum set forth below opposite the applicable Level then in effect (based on the Consolidated Leverage Ratio):

Applicable Rate					
Level	Consolidated Leverage Ratio	Eurodollar Floating Rate/ Eurodollar Fixed Rate	Base Rate	Commitment Fee	Letter of Credit Fees
1	≥ 3.50:1.00	2.00	1.00	0.40	2.00
2	< 3.50:1.00 but ≥ 3.00:1.00	1.75	0.75	0.30	1.75
3	< 3.00:1.00 but ≥ 2.50:1.00	1.25	0.25	0.20	1.25
4	< 2.50:1.00 but ≥ 2.00:1.00	1.00	0.00	0.15	1.00
5	< 2.00:1.00	0.75	0.00	0.15	0.75

Any increase or decrease in the Applicable Rate resulting from a change in the Consolidated Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(b); provided, however, that if a Compliance Certificate is not delivered when due in accordance with such Section, then, Pricing Level 1 shall apply unless otherwise agreed to by the Lender, in each case as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and in each case shall remain in effect until the first Business Day following the date on which such Compliance Certificate is delivered. In addition, at all times while the Default Rate is in effect, the highest rate set forth in each column of the Applicable Rate shall apply.

Notwithstanding anything to the contrary contained in this definition, the determination of the Applicable Rate for any period shall be subject to the provisions of Section 2.09(b). Any adjustment in the Applicable Rate shall be applicable to all Credit Extensions then existing or subsequently made or issued.

"Consolidated EBITDA" means, for any period, the sum of the following determined on a Consolidated basis, without duplication, for the Borrower and its Subsidiaries in accordance with GAAP, (a) Consolidated Net Income for the most recently completed Measurement Period plus (b) the following to the extent deducted in calculating such Consolidated Net Income (without duplication): (i) Consolidated Interest Charges, (ii) the provision for federal, state, local and foreign income taxes payable, (iii) depreciation and amortization expense, (iv) non-cash charges and losses, (v) during fiscal year ending December 31, 2019, (A) legal fees and expenses paid in cash by the Borrower in respect of the Broomfield Class Action Litigation not to exceed, in the aggregate during such fiscal year, $1,200,000 and (B) to the extent approved in writing by the Lender (in its sole discretion), other charges, fees and expenses paid in cash in connection with the Broomfield Class Action Litigation not to exceed, in the aggregate during such fiscal year, $5,300,000 (or such greater amount as may be agreed by the Lender in its sole discretion), excluding, for the avoidance of doubt, in each case of this cause (v), any such amounts that have been previously added back or accrued as non-cash charges and losses pursuant to clause (iv) above) less (c) without duplication and to the extent reflected as a gain or otherwise included in the calculation of Consolidated Net Income for such period non-cash gains (including the reversal of any accrual by reason of an over-accrual of costs, fees and expenses in respect of the Broomfield Class Action Litigation).

1.3 Amendment to Section 7.11(a). Section 7.11(a) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio,

(i) prior to the occurrence of the A-B Qualifying Offer, at any time during any Measurement Period ending as of the end of any fiscal quarter of the Borrower to be greater than the corresponding ratio set forth below:

Period	
January 1, 2019 through June 30, 2019	5.50 to 1.00
July 1, 2019 and each fiscal quarter thereafter	3.50 to 1.00

(ii) upon the occurrence of the A-B Qualifying Offer, the Consolidated Leverage Ratio at any time during any Measurement Period ending as of the end of any fiscal quarter of the Borrower to be greater than the corresponding ratio set forth below:

Period	
January 1, 2019 through June 30, 2019	5.50 to 1.00
July 1, 2019 through March 31, 2020	4.75 to 1.00
April 1, 2020 and each fiscal quarter thereafter	3.50 to 1.00

ARTICLE II
CONDITIONS TO EFFECTIVENESS

2 . 1 Closing Conditions. This Amendment shall become effective as of the day and year set forth above (the "Amendment Effective Date") upon satisfaction of the following conditions (in each case, in form and substance reasonably acceptable to the Lender):

(a) Executed Amendment. The Lender shall have received a copy of this Amendment duly executed by each of the Loan Parties and the Lender.

(b) Fees and Expenses. The Lender shall have received from the Borrower other fees and expenses that are payable in connection with the consummation of the transactions contemplated hereby and Lender's legal counsel shall have received from the Borrower payment of all outstanding fees and expenses previously incurred and all fees and expenses incurred in connection with this Amendment.

(c) Default. After giving effect to this Amendment, no Default or Event of Default shall exist.

(d) Miscellaneous. All other documents and legal matters in connection with the transactions contemplated by this Amendment shall be reasonably satisfactory in form and substance to the Lender and its counsel.

ARTICLE III
MISCELLANEOUS

3.1 Amended Terms. On and after the Amendment Effective Date, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by this Amendment. Except as specifically amended hereby or otherwise agreed, the Credit Agreement and the other Loan Documents are hereby ratified and confirmed, including the Liens granted thereunder, and shall remain in full force and effect according to its terms.

3.2 Representations and Warranties of Loan Parties. Each of the Loan Parties represents and warrants as follows:

(a) It has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(b) This Amendment has been duly executed and delivered by such Person and constitutes such Person's legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(c) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by such Person of this Amendment.

(d) The representations and warranties of the Borrower and each other Loan Party contained in Article II of the Credit Agreement, Article V of the Credit Agreement or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall (i) with respect to representations and warranties that contain a materiality qualification, be true and correct on and as of the Amendment Effective Date and (ii) with respect to representations and warranties that do not contain a materiality qualification, be true and correct in all material respects on and as of the as of the Amendment Effective Date, and except that the representations and warranties contained in Sections 5.05(a) and (b) of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to Sections 6.01(a) and (b) of the Credit Agreement, respectively.

(e) After giving effect to this Amendment, no event has occurred and is continuing which constitutes a Default or an Event of Default.

(f) The Collateral Documents continue to create a valid security interest in, and Lien upon, the Collateral, in favor of the Lender, for the benefit of the Lender, which security interests and Liens are perfected in accordance with the terms of the Collateral Documents and prior to all Liens other than Permitted Liens.

(g) Except as specifically provided in this Amendment, the Obligations are not reduced or modified by this Amendment and are not subject to any offsets, defenses or counterclaims.

3.3 Reaffirmation of Obligations. Each Loan Party hereby ratifies the Credit Agreement and each other Loan Document to which it is a party and acknowledges and reaffirms (a) that it is bound by all terms of the Credit Agreement and each other Loan Document applicable to it and (b) that it is responsible for the observance and full performance of its respective Obligations.

3.4 Loan Document. This Amendment shall constitute a Loan Document under the terms of the Credit Agreement.

3.5 Expenses. The Borrower agrees to pay all reasonable costs and expenses of the Lender in connection with the preparation, execution and delivery of this Amendment, including without limitation the reasonable fees and expenses of the Lender's legal counsel.

3.6 Further Assurances. The Loan Parties agree to promptly take such action, upon the request of the Lender, as is necessary to carry out the intent of this Amendment.

3.7 Entirety. This Amendment and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral or written, if any, relating to the subject matter hereof.

3.8 Counterparts; Telecopy. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart to this Amendment by telecopy or other electronic means shall be effective as an original and shall constitute a representation that an original will be delivered.

3.9 No Actions, Claims, Etc. As of the date hereof, each of the Loan Parties hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against the Lender or the Lender's respective officers, employees, representatives, agents, counsel or directors arising from any action by such Persons, or failure of such Persons to act under the Credit Agreement on or prior to the date hereof.

3.10 GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OREGON.

3.11 Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.12 Dispute Resolution; Waiver of Jury Trial. The dispute resolution and waiver of jury trial provisions set forth in Section 9.14 of the Credit Agreement are hereby incorporated by reference, *mutatis mutandis*.

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IN WITNESS WHEREOF the parties hereto have caused this Amendment to be duly executed on the date first above written.

BORROWER:

CRAFT BREW ALLIANCE, INC., as the Borrower

By:/s/Andrew J. Thomas
Name:Andrew J. Thomas
Title:Chief Executive Officer

GUARANTORS:

KONA BREWERY LLC, as a Guarantor

By:/s/Andrew J. Thomas
Name:Andrew J. Thomas
Title:Manager

CRAFT VENTURES, LLC, as a Guarantor

By: Craft Brew Alliance, Inc., its Manager

By:/s/Andrew J. Thomas
Name:Andrew J. Thomas
Title:Chief Executive Officer

WYNWOOD BREWING COMPANY LLC, as a Guarantor

By:/s/Andrew J. Thomas
Name:Andrew J. Thomas
Title:Manager

LENDER:

BANK OF AMERICA, N.A., as Lender
By:/s/Michael Snook
Name:Michael Snook
Title:Senior Vice President

EXHIBIT 31.1

CERTIFICATION

I, Andrew J. Thomas, certify that:

1. I have reviewed this quarterly report on Form 10−Q of Craft Brew Alliance, Inc. (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the Registrant and we have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 8, 2019

By: /s/ Andrew J. Thomas

Andrew J. Thomas

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Christine N. Perich, certify that:

1. I have reviewed this quarterly report on Form 10−Q of Craft Brew Alliance, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the Registrant and we have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 8, 2019

By: /s/ Christine N. Perich

Christine N. Perich

Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Craft Brew Alliance, Inc. (the "Registrant") on Form 10-Q for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission on May 8, 2019 (the "Report"), Andrew J. Thomas, the Chief Executive Officer of the Registrant, and Christine N. Perich, the Chief Financial Officer of the Registrant, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to his and her knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 8, 2019

BY: /s/ Andrew J. Thomas
Andrew J. Thomas
Chief Executive Officer
(Principal Executive Officer)

BY: /s/ Christine N. Perich
Christine N. Perich
Chief Financial Officer

EXHIBIT 99.1

FOR IMMEDIATE RELEASE

CRAFT BREW ALLIANCE REPORTS STRONG FIRST QUARTER RESULTS, LED BY 10% SHIPMENT GROWTH FOR KONA AND A 270-BASIS POINT EXPANSION IN TOTAL COMPANY GROSS MARGIN

April performance shows further topline acceleration with total CBA depletions up 8%, driven by 16% depletions growth for Kona following Q1 marketing investment

Building on solid first-quarter results and continued gains in April, CBA reconfirms strong outlook for 2019 despite impact of $4.7 million expense related to settlement of Kona class action lawsuit

Portland, Ore. (May 8, 2019) - Craft Brew Alliance, Inc. ("CBA") (Nasdaq: BREW), a leading craft brewing company, reported strong financial results for the first quarter ended March 31, 2019, including:

- Total shipments grew 1.5% over the first quarter in 2018, which includes a 10% increase in shipments for Kona and a collective 13% increase in total shipments for newly acquired brands Appalachian Mountain Brewery, Cisco Brewers, and Wynwood Brewing.
- Core beer sales increased more than 3%, driven by increased shipment volume and a 1.6% increase in revenue per barrel over the first quarter last year.
- Total company gross margin expanded 270 basis points to 34.4%, driven by increased shipment volume, pricing, and cost efficiencies. Beer gross margin expanded 250 basis points to 38.0%.
- SG&A was $25.6 million for the first quarter, which reflects our largest-ever national marketing investment to fuel Kona's growth in 2019, as well as a one-time event that resulted in the accrual of a pre-tax expense of $4.7 million related to the settlement of the Kona class action lawsuit.
- As a result of the unanticipated $4.7 million expense referenced above, EPS was a loss of $0.38 per share on a GAAP basis. Excluding the expense, EPS was a loss of $0.19 per share on a non-GAAP adjusted basis.

With first quarter performance in line with management's expectations and bolstered by the strong tangible results in April fueled by our largest-ever Kona marketing spend, we are reconfirming a positive outlook for the full year. We are adjusting certain ranges, including SG&A expense and capital expense, to reflect the impact of the $4.7 million settlement expense on our financials and a shift of certain costs related to the new Kona brewery into 2020.

Fueling Kona's growth with largest-ever national marketing campaign

We launched our largest-ever marketing investment in the first quarter, with the intent to build distribution and awareness of Kona. The $4.6 million investment included a nationwide wholesaler distribution drive ahead of our first-ever national Kona TV campaign, which began airing at the end of the first quarter, on March 21 during the NCAA Basket Ball tournament and continued into the first two weeks of April.

Our increased spend behind Kona in the first quarter is already driving a positive trend on Kona and overall CBA depletions for the second quarter. Kona's total depletions grew 16% in April, contributing to an 8% increase in overall CBA depletions for the month compared to the same period last year. As further indication of the campaign, Kona flagship Big Wave Golden Ale depletions grew 37% in April, compared to last year.

Leveraging A-B to drive topline growth, cost savings, and international expansion

In the first quarter we continued to leverage our enhanced commercial and brewing agreements with Anheuser-Busch ("A-B") and made strong progress in advancing our international cooperation with Anheuser-Busch InBev ("ABI"). As part of our work to unlock Kona's potential in Brazil, we completed multiple brewing trials as part of our cross-brewing arrangement with Ambev and continued to expand awareness with local marketing and resources deployed in Rio de Janeiro. We are on track to bring local production of Big Wave online in the second quarter and look forward to expanding Kona's reach in more cities throughout Brazil and leveraging the experience as a model for other key ABI markets.

Improving our core health through operational efficiencies
Our first quarter gross margin expanded 270 basis points to 34.4%, which reflects a 250-basis point improvement in beer gross margin to 38.0% and pub gross margin of 10.9%. Our strong beer gross margin primarily reflects increases in revenue per barrel and shipment volume, as well as ongoing progress in leveraging our evolved brewery footprint to increase operating efficiencies. The brewpub gross margin expansion underscores continued strong results from our two Kona brewpubs, as well as solid performance from our newly acquired Appalachian Mountain Brewery and Wynwood brewpubs and further improvements in operations across our brewpub footprint.

Shaping our tomorrow with the pH Experiment
Building on CBA's innovative test-and-learn platform and vast trove of recently uncovered consumer insights, we launched the pH Experiment as a new business unit dedicated to creating, incubating, and accelerating growth with new products and experiences that put consumers' needs first. The pH Experiment will tap into CBA's resources, distribution capability, and research findings to quickly develop and test new products in market. The first two products are launching in select domestic markets during the second quarter: PRE Aperitivo Spritz and Pacer, a line of low-proof, 50-calorie, zero-sugar seltzers developed based on consumers' preference for drinks that allow them to moderate their alcohol consumption.

"What makes our first quarter results particularly remarkable is that we continued to improve the underlying fundamentals, as evidenced by robust gross margin expansion and healthy revenue per barrel increases, while also making a major investment in Kona's future," said CBA's Chief Executive Officer Andy Thomas. "On the heels of the marketing investment, Kona's 16% depletions growth in April emboldens our outlook for Q2 and beyond."

Select financial results for the first quarter and April 2019

- Total Kona shipments increased by 10% in the first quarter, contributing to a 1.5% increase in total CBA shipments over the first quarter in 2018.
  - Domestic shipment growth of 14% for Kona and 12% for newly acquired brands contributed to a 4.5% increase in domestic CBA owned shipments over the first quarter last year.
- Total Kona depletions increased by 1.4% in the first quarter, while CBA depletions decreased by 4.5%, primarily attributed to Redhook and Widmer Brothers, as well as a timing-related decrease in international depletions.
  - Domestic Kona depletions increased by 5% and 13% for newly acquired brands, while total domestic CBA depletions decreased by 3% compared to the first quarter in 2018.
  - Fueled by our first quarter heavy-up marketing investment, Kona's growth has continued in April, with depletions up 16%, driving a total CBA depletions increase of 8% over the same month last year.
- Our core beer sales increased 3.1% over the same quarter last year. Total net sales of $47 million, a 1% decrease from the first quarter in 2018, reflect a reduction of $1.8 million in alternating proprietorship fees that we received in 2018 but not in 2019 due to the change in ownership structure of AMB, Cisco and Wynwood.
- Total company gross margin expanded by 270 basis points to 34.4%, compared to 31.7% in the first quarter of 2018, reflecting pricing improvements and a 5% decrease in overall cost of goods sold.
  - Beer gross margin expanded by 250 basis points to 38%, compared to 35.5% in the first quarter of 2018, reflecting pricing increases and shipment growth, as well as ongoing improvements in operating efficiency and sourcing.
  - Brewpub gross margin expanded 490 basis points to 10.9%, reflecting continued strong performance from our Kona pubs in Hawaii and the addition of our newly acquired AMB and Wynwood brewpub operations.
- Selling, general and administrative expense ("SG&A") increased by $10.8 million to $25.6 million.
  - The increase is primarily due to the planned $4.6 million investment to launch our largest national marketing campaign behind fueling Kona's growth throughout the spring and summer selling season and the accrual of an unanticipated $4.7 million pre-tax expense related to the class action settlement.
- On a GAAP basis, we recorded a net loss of $7.4 million in the first quarter as a result of the increased SG&A expense.
  - On an adjusted non-GAAP basis and excluding the $4.7 million pre-tax expense related to the one-time event, or $3.6 million after the tax effect of $1.1 million, our first quarter net loss was $3.8 million.
- On a GAAP basis, we recorded a net loss per share of $0.38 in the first quarter as a result of the increased SG&A expense.
  - On an adjusted non-GAAP basis and excluding the $4.7 million pre-tax expense related to the one-time event, our loss per share was $0.19.

“CBA’s strong first quarter results are tangible evidence of both core business health and a clear vision for the future,” said CBA Chief Financial and Strategy Officer Christine Perich. “While we are updating our SG&A to reflect the unanticipated settlement expense, we believe the investments behind Kona and understanding today’s changing consumer landscape will drive meaningful topline growth and remain focused on sustaining CBA’s strong underlying financials.”

Reconfirming and adjusting select financial highlights for 2019:

- Maintaining depletions and shipments each ranging between an increase of 5% to an increase of 8%, reflecting a significant increase in commercial investments and insights from our consumer research.
- Maintaining average price increases of 1% to 2%, reflecting improved revenue management capabilities.
- Maintaining gross margin rate of 34.5% to 36.5%, reflecting increases in net revenue per barrel, continued improvements in brewery operations, lower fixed overhead, and ongoing efforts to stabilize our pub operations.
- Updating SG&A range to between $75 million and $79 million, primarily reflecting the incremental expense related to the Kona settlement.
- Updating capital expenditures range to between $13 million and $17 million, due to a timing shift of certain expenses related to our new Kona brewery, now set to go online the first quarter of 2020.
- Updating effective tax rate of 25%, reflecting the impact of the Kona class action lawsuit settlement.

Forward-Looking Statements

Statements made in this press release that state the Company’s or management’s intentions, hopes, beliefs, expectations or predictions of the future, including depletions and shipments, price increases, and gross margin rate improvement, the level and effect of SG&A expense and business development, anticipated capital spending, effective tax rate, and the benefits or improvements to be realized from marketing campaigns, strategic initiatives, and capital projects, are forward-looking statements. It is important to note that the Company’s actual results may differ materially from those projected in such forward-looking statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in the Company’s SEC filings, including, but not limited to, the Company’s report on Form 10-K for the year ended December 31, 2018. Copies of these documents may be found on the Company’s website, www.craftbrew.com, or obtained by contacting the Company or the SEC.

About Craft Brew Alliance

Craft Brew Alliance (CBA) is a leading craft brewing company that brews, brands, and brings to market world-class American craft beers.

Our distinctive portfolio combines the power of Kona Brewing Company, a dynamic, fast-growing national craft beer brand, with strong regional breweries and innovative lifestyle brands: Appalachian Mountain Brewery, Cisco Brewers, Omission Brewing Co., Redhook Brewery, Square Mile Cider Co., Widmer Brothers Brewing, and Wynwood Brewing Co. CBA nurtures the growth and development of its brands in today’s increasingly competitive beer market through our state-of-the-art brewing and distribution capability, integrated sales and marketing infrastructure, and strong focus on partnerships, local community and sustainability.

Formed in 2008, CBA is headquartered in Portland, Oregon and operates breweries and brewpubs across the U.S. CBA beers are available in all 50 U.S. states and 30 different countries around the world. For more information about CBA and our brands, please visit www.craftbrew.com.

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Craft Brew Alliance, Inc.
Condensed Consolidated Statements of Operations
(Dollars and shares in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Sales	$ 49,768	$ 50,085
Less excise taxes	2,776	2,598
Net sales	46,992	47,487
Cost of sales	30,809	32,416
Gross profit	16,183	15,071
As percentage of net sales	34.4 %	31.7 %
Selling, general and administrative expenses	25,565	14,748
Operating income (loss)	(9,382)	323
Interest expense	(308)	(134)
Other income, net	—	34
Income (loss) before income taxes	(9,690)	223
Income tax provision (benefit)	(2,326)	62
Net income (loss)	$ (7,364)	$ 161
Basic and diluted net income (loss) per share	$ (0.38)	$ 0.01
Weighted average shares outstanding:		
Basic	19,412	19,310
Diluted	19,412	19,488
Total shipments (in barrels):		
Core Brands	164,400	160,600
Contract Brewing	5,100	6,400
Total shipments	169,500	167,000
Change in depletions [(1)]	(5)%	(4)%

(1) Change in depletions reflects the period-over-period change in barrel volume sales of beer by wholesalers to retailers.

Craft Brew Alliance, Inc.
Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	March 31, 2019	March 31, 2018
Current assets:		
Cash, cash equivalents and restricted cash	$ 1,670	$ 2,814
Accounts receivable, net	27,831	28,569
Inventory, net	19,748	15,910
Other current assets	5,310	2,508
Total current assets	54,559	49,801
Property, equipment and leasehold improvements, net	111,602	104,394
Operating lease right-of-use assets	19,390	—
Goodwill	21,935	12,917
Trademarks	44,245	14,415
Intangible and other assets, net	5,999	6,364
Total assets	$ 257,730	$ 187,891
Current liabilities:		
Accounts payable	$ 23,408	$ 15,012
Accrued salaries, wages and payroll taxes	6,379	4,692
Refundable deposits	4,093	4,291
Deferred revenue	5,176	4,035
Other accrued expenses	8,534	3,742
Current portion of long-term debt and finance lease obligations	829	802
Total current liabilities	48,419	32,574
Long-term debt and finance lease obligations, net of current portion	48,996	10,124
Other long-term liabilities	31,030	14,067
Total common shareholders' equity	129,285	131,126
Total liabilities and common shareholders' equity	$ 257,730	$ 187,891

Craft Brew Alliance, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Cash flows from operating activities:		
Net income (loss)	$ (7,364)	$ 161
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,726	2,736
(Gain) loss on sale or disposal of Property, equipment and leasehold improvements	8	(516)
Deferred income taxes	(2,341)	(605)
Other, including stock-based compensation	538	558
Changes in operating assets and liabilities:		
Accounts receivable, net	2,466	(285)
Inventories	(2,531)	(1,791)
Other current assets	(2,406)	1,128
Accounts payable, deferred revenue and other accrued expenses	11,681	3,015
Accrued salaries, wages and payroll taxes	745	(1,185)
Refundable deposits	(70)	(475)
Net cash provided by operating activities	3,452	2,741
Cash flows from investing activities:		
Expenditures for Property, equipment and leasehold improvements	(5,173)	(1,104)
Proceeds from sale of Property, equipment and leasehold improvements	16	22,456
Restricted cash from sale of Property, equipment and leasehold improvements	—	515
Net cash provided by (used in) investing activities	(5,157)	21,867
Cash flows from financing activities:		
Principal payments on debt and finance lease obligations	(277)	(174)
Net borrowings (repayments) under revolving line of credit	2,609	(22,199)
Tax payments related to stock-based awards	(157)	—
Net cash provided by (used in) financing activities	2,175	(22,373)
Increase in Cash, cash equivalents and restricted cash	470	2,235
Cash, cash equivalents and restricted cash, beginning of period	1,200	579
Cash, cash equivalents and restricted cash, end of period	$ 1,670	$ 2,814

Craft Brew Alliance, Inc.
Select Financial Information on a Trailing Twelve-Month Basis
(Dollars in thousands, except per share amounts)
(Unaudited)

	Twelve Months Ended March 31, 2019	Twelve Months Ended March 31, 2018	Change	% Change
Net sales	$ 205,691	$ 210,641	$ (4,950)	(2.3)%
Gross profit	$ 69,435	$ 67,660	$ 1,775	2.6 %
As percentage of net sales	33.8 %	32.1 %	170 bps	
Selling, general and administrative expenses	73,389	59,742	13,647	22.8 %
Operating income	$ (3,954)	$ 7,918	$ (11,872)	(149.9)%
Net income	$ (3,383)	$ 11,471	$ (14,854)	(129.5)%
Income per share:				
Basic	$ (0.17)	$ 0.59	$ (0.76)	(128.8)%
Diluted	$ (0.17)	$ 0.59	$ (0.76)	(128.8)%
Total shipments (in barrels):				
Core Brands	723,200	743,000	(19,800)	(2.7)%
Contract Brewing	26,900	19,500	7,400	37.9 %
Total shipments	750,100	762,500	(12,400)	(1.6)%
Change in depletions (1)	(2)%	(2)%		

(1) Change in depletions reflects the period-over-period change in barrel volume sales of beer by wholesalers to retailers.

Supplemental Disclosures Regarding Non-GAAP Financial Information

Craft Brew Alliance, Inc.
Reconciliation of Adjusted EBITDA to Net income (loss)
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net income (loss)	$ (7,364)	$ 161
Interest expense	308	134
Income tax provision (benefit)	(2,326)	62
Depreciation expense	2,601	2,693
Amortization expense	125	43
Stock-based compensation	418	485
Loss on disposal of assets	8	(516)
Kona class action expense	5,586	—
Adjusted EBITDA	$ (644)	$ 3,062

CBA has presented Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") in these tables to provide investors with additional information to evaluate our operating performance on an ongoing basis using criteria that are used by management. We define Adjusted EBITDA as net income (loss) before interest, income taxes, depreciation and amortization, stock-based compensation and other non-cash charges, including net gain or loss on disposal of property, equipment and leasehold improvements. We use Adjusted EBITDA, among other measures, to evaluate operating performance, to plan and forecast future periods' operating performance, and as an incentive compensation target for certain management personnel.

As Adjusted EBITDA is not a measure of operating performance or liquidity calculated in accordance with generally accepted accounting principles in the United States of America ("GAAP"), this measure should not be considered in isolation of, or as a substitute for, net income (loss) as an indicator of operating performance, or net cash provided by (used in) operating activities as an indicator of liquidity. The use of Adjusted EBITDA instead of net income (loss) has limitations as an analytical tool, including the inability to determine profitability; the exclusion of interest expense and associated cash requirements, given the level of our indebtedness; and the exclusion of depreciation and amortization which represent significant and unavoidable operating costs, given the capital expenditures needed to maintain our operations. We compensate for these limitations by relying on GAAP results. Our computation of Adjusted EBITDA may differ from similarly titled measures used by other companies. As Adjusted EBITDA excludes certain financial information compared with net income (loss) and net cash provided by (used in) operating activities, the most directly comparable GAAP financial measures, users of this financial information should consider the types of events and transactions which are excluded. The table above shows a reconciliation of Adjusted EBITDA to net income (loss).