

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended **September 28, 2002**

**OR**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-14092

**THE BOSTON BEER COMPANY, INC.**

(Exact name of registrant as specified in its charter)

**MASSACHUSETTS**

(State or other jurisdiction of incorporation  
or organization)

**04-3284048**

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

**75 Arlington Street, Boston, Massachusetts**

(Address of principal executive offices)

**02116**

(Zip Code)

**(617) 368-5000**

(Registrant's telephone number, including area code)

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

Yes    X                      No

Number of shares outstanding of each of the issuer's classes of common stock, as of November 8, 2002:

**Class A Common Stock, \$.01 par value**

**11,590,027**

**Class B Common Stock, \$.01 par value**

**4,107,355**

(Title of each class)

(Number of shares)

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**THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES  
FORM 10-Q**

**QUARTERLY REPORT  
SEPTEMBER 28, 2002**

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**THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data)  
(unaudited)

	September 28, 2002	December 29, 2001
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 17,406	\$ 45,838
Short-term investments	31,666	2,031
Accounts receivable, net of the allowance for doubtful accounts of \$741 and \$625 as of September 28, 2002 and December 29, 2001, respectively	19,802	19,219
Inventories	11,666	9,323
Prepaid expenses	888	925
Deferred income taxes	2,074	2,291
Other current assets	1,500	844
Total current assets	85,002	80,471
Property, plant and equipment, net of accumulated depreciation of \$31,424 and \$29,816 as of September 28, 2002 and December 29, 2001, respectively	21,206	23,897
Other assets	1,783	1,750
Goodwill, net of accumulated amortization of \$116 as of September 28, 2002 and December 29, 2001	1,377	1,377
Total assets	109,368	\$ 107,495
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 13,512	\$ 11,201
Accrued expenses	15,609	13,196
Total current liabilities	29,121	24,397
Long-term deferred income taxes	3,746	3,583
Other long-term liabilities	682	1,336
Commitment and Contingencies		
Stockholders' Equity:		
Class A Common Stock, \$.01 par value; 22,700,000 shares authorized; 16,601,974 and 16,544,104 issued and outstanding as of September 28, 2002 and December 29, 2001, respectively	166	165
Class B Common Stock, \$.01 par value; 4,200,000 shares authorized; 4,107,355 issued and outstanding	41	41
Additional paid-in-capital	58,091	57,610
Unearned compensation	(196)	(212)
Other comprehensive income	535	—
Retained earnings	62,131	55,647
Less: Treasury Stock 5,011,947 and 4,328,300 shares as of September 28, 2002 and December 29, 2001, at cost, respectively	(44,949)	(35,072)
Total stockholders' equity	75,819	78,179
Total liabilities and stockholders' equity	\$ 109,368	\$ 107,495

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

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

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

	Three months ended		Nine months ended	
	September 28, 2002	September 29, 2001	September 28, 2002	September 29, 2001
Sales	\$ 62,602	\$ 54,515	\$ 178,298	\$ 154,610
Less excise taxes	6,043	5,410	17,207	15,196
Net sales	56,559	49,105	161,091	139,414
Cost of sales	23,569	20,397	65,450	57,263
Gross profit	32,990	28,708	95,641	82,151
Operating expenses:				
Advertising, promotional and selling expenses	29,366	21,168	75,643	54,744
General and administrative expenses	3,397	3,121	10,745	9,958
Total operating expenses	32,763	24,289	86,388	64,702
Operating income	227	4,419	9,253	17,449
Other income:				
Interest income, net	334	383	731	1,214
Other income (expense), net	13	(26)	1,039	70
Total other income	347	357	1,770	1,284
Income before provision for income taxes	574	4,776	11,023	18,733
Provision for income taxes	212	2,021	4,539	7,813
Net income	\$ 362	\$ 2,755	\$ 6,484	\$ 10,920
Earnings per common share – basic	\$ 0.02	\$ 0.17	\$ 0.40	\$ 0.66
Earnings per common share – diluted	\$ 0.02	\$ 0.17	\$ 0.39	\$ 0.66
Weighted average number of common shares – basic	15,878	16,409	16,196	16,443
Weighted average number of common shares – diluted	16,175	16,568	16,520	16,556

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

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(unaudited)

	Nine months ended	
	September 28, 2002	September 29, 2001
Cash flows from operating activities:		
Net income	\$ 6,484	\$ 10,920
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,497	4,885
Loss (gain) on disposal of fixed assets	206	(46)
Bad debt expense	116	—
Realized gain on sale of marketable equity security	(21)	—
Stock option compensation expense	64	64
Changes in assets and liabilities:		
Accounts receivable	(699)	(3,960)
Inventory	(2,343)	99
Prepaid expenses	38	654
Other current assets	(623)	104
Deferred Taxes	380	—
Other assets	(942)	(51)
Accounts payable	2,311	1,362
Accrued expenses	2,413	1,340
Other long-term liabilities	(286)	(473)
Net cash provided by operating activities	<u>11,595</u>	<u>14,898</u>
Cash flows from investing activities:		
Purchases of available-for-sale investments	(36,130)	(8,000)
Purchases of held-to-maturity investments	(9,027)	(10,214)
Maturities of short-term investments	11,059	12,568
Proceeds from the sale of held-to-maturity investments	5,021	—
Purchases of property, plant and equipment	(1,663)	(2,959)
Proceeds on disposal of fixed assets	202	46
Net cash used in investing activities	<u>(30,538)</u>	<u>(8,559)</u>
Cash flows from financing activities:		
Purchase of treasury stock	(9,877)	(2,974)
Proceeds from exercise of stock options	304	—
Net proceeds from sale of investment shares	84	147
Net cash used in financing activities	<u>(9,489)</u>	<u>(2,827)</u>
Net (decrease) increase in cash and cash equivalents	(28,432)	3,512
Cash and cash equivalents at beginning of period	45,838	25,750
Cash and cash equivalents at end of period	<u>\$ 17,406</u>	<u>\$ 29,262</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ —	11
Income taxes paid	<u>\$ 3,773</u>	<u>\$ 4,110</u>

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

**THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**A. BASIS OF PRESENTATION**

The Boston Beer Company, Inc. and its subsidiaries (the "Company") is engaged in the business of brewing and selling malt beverages and cider products throughout the United States and in selected international markets. The accompanying consolidated statement of financial position as of September 28, 2002 and the statement of consolidated operations and consolidated cash flows for the quarters ended September 28, 2002 and September 29, 2001 have been prepared by the Company, without audit, in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required for complete financial statements by generally accepted accounting principles and should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 29, 2001.

**Management's Opinion**

In the opinion of the Company's management, the Company's unaudited consolidated financial position as of September 28, 2002 and the results of its consolidated operations and consolidated cash flows for the interim periods ended September 28, 2002 and September 29, 2001, reflect all adjustments (consisting only of normal and recurring adjustments) necessary to present fairly the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

**B. SHORT-TERM INVESTMENTS**

Short-term investments held by the Company as of September 28, 2002 were classified as available-for-sale and held-to-maturity, depending upon the nature of the investment. Available-for-sale investments include mutual bond funds comprised of taxable and tax-advantaged securities. The cost of available-for-sale investments were \$31.1 million and \$0, as of September 28, 2002 and December 29, 2001, respectively. Available-for-sale securities are recorded at fair market value, with the change in fair market value during the period excluded from earnings and recorded net of tax as a component of other comprehensive income. Held-to-maturity investments consisted of debt securities, which typically mature in one year or less and are valued at amortized cost, which approximates fair value. The Company has the positive intent and ability to hold these securities until maturity. The aggregate fair value of held-to-maturity securities at September 28, 2002 and December 29, 2001 was \$0 and \$2.0 million, respectively.

The Company recorded unrealized gains of approximately \$535,000 and \$0 on available-for-sale securities as of September 28, 2002 and December 29, 2001, respectively. The Company also recorded realized gains of approximately \$21,000 and \$0 during the period ended September 28, 2002 and September 29, 2001.

**C. INVENTORIES**

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

Inventories consist of the following (in thousands):

	September 28, 2002	December 29, 2001
Raw materials, principally hops	\$ 8,087	\$ 7,605
Work in process	742	773
Finished goods	2,837	945
	<u>\$ 11,666</u>	<u>\$ 9,323</u>

**THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**D. EARNINGS PER SHARE**

The following table sets forth the computation of basic and diluted earnings per share in accordance with Statement of Financial Accounting Standard No. 128 (in thousands, except per share data):

	For the three months ended		For the nine months ended	
	September 28, 2002	September 29, 2001	September 28, 2002	September 29, 2001
Net income	\$ 362	\$ 2,755	\$ 6,484	\$ 10,920
Shares used in earnings per common share — basic	15,878	16,409	16,196	16,443
Dilutive effect of common equivalent shares — stock options	297	159	324	113
	16,175	16,568	16,520	16,556
Earnings per common share — basic	\$ 0.02	\$ 0.17	\$ 0.40	\$ 0.66
Earnings per common share — diluted	\$ 0.02	\$ 0.17	\$ 0.39	\$ 0.66

**E. COMPREHENSIVE INCOME**

Comprehensive income calculated in accordance with Statement of Financial Accounting Standard No. 130 is as follows (in thousands):

	For the three months ended		For the nine months ended	
	September 28, 2002	September 29, 2001	September 28, 2002	September 29, 2001
Net income	\$ 362	\$ 2,755	\$ 6,484	\$ 10,920
Plus: unrealized gain on available-for-sale securities	425	95	535	201
Comprehensive income	\$ 787	\$ 2,850	\$ 7,019	\$ 11,121

Accumulated other comprehensive income calculated in accordance with Statement of Financial Accounting Standard No. 130 is as follows (in thousands):

	For the three months ended		For the nine months ended	
	September 28, 2002	September 29, 2001	September 28, 2002	September 29, 2001
Beginning Balance	\$ 110	\$ 106	\$ —	\$ —
Unrealized gain on available-for-sale securities	425	95	535	201
Ending balance	\$ 535	\$ 201	\$ 535	\$ 201

**F. GOODWILL**

Effective January 1, 2002 the Company adopted Financial Accounting Standards Board Statements of Financial Accounting Standards No. 142 (SFAS 142), Goodwill and other Intangible Assets. Under the new rules, goodwill will no longer be amortized but will be subject to annual impairment tests. SFAS No. 142 requires that purchased goodwill and certain indefinite-lived intangibles no longer be amortized, but instead tested for impairment at least annually.

SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill. The first phase, required to be completed by June 30, 2002, screens for impairment; while the second phase (if necessary), required to be completed by December 31, 2002, measures the impairment. The Company completed its first phase impairment analysis during the second quarter 2002 and found



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no instances of impairment of its recorded goodwill; accordingly, the second testing phase, absent future indicators of impairment, is not necessary during 2002.

The Company recorded approximately \$25,000 and \$75,000 of goodwill amortization during the three and nine months ended September 29, 2001, respectively. In accordance with SFAS No. 142, the Company recorded no amortization related to goodwill during 2002. The pro-forma effect of goodwill amortization is not deemed to be material.

## **G. RECENT ACCOUNTING POUNDNCEMENTS**

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement applies to all entities. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company expects that the initial application of SFAS No. 143 will not have a material impact on its financial statements.

On October 3, 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 144 applies to all long-lived assets (including discontinued operations) and consequently amends Accounting Principles Board Opinion No. 30. SFAS No. 144 develops one accounting model for long-lived assets that are to be disposed of by sale. SFAS No. 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS No. 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS No. 144 is effective for the Company for all financial statements issued in fiscal 2003. The Company expects that the initial application of SFAS No. 144 will not have a material impact on its financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements 4, 44 and 64, Amendment to FASB Statement 13, and Technical Corrections". One of the major changes of this statement is to change the accounting for the classification of gains and losses from the extinguishment of debt. Upon adoption, the Company will follow APB 30, Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions in determining whether such extinguishment of debt may be classified as extraordinary. The provisions of this statement related to the rescission of FASB Statement 4 shall be applied in fiscal years beginning after May 15, 2002 with early application encouraged. The Company believes that the adoption of SFAS No. 145 will not have a material impact on its financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Cost Associated with Exit or Disposal Activities". SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The Company believes that the adoption of SFAS No. 146 will not have a material impact on its financial statements.

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

The following is a discussion of the financial condition and results of operations of the Company for the three and nine-month periods ended September 28, 2002 as compared to the three and nine-month periods ended September 29, 2001. This discussion should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements of the Company and Notes thereto included in the Form 10-K for the fiscal year ended December 29, 2001.

### RESULTS OF OPERATIONS

For purposes of this discussion, Boston Beer's "core brands" include all products sold under the Samuel Adams®, Sam Adams Light®, Oregon Original™, HardCore® and Twisted Tea® trademarks. "Core brands" do not include the products brewed at the Cincinnati Brewery under contract arrangements for third parties. Volume produced under contract arrangements is referred to below as "non-core products". Boston Beer's flagship product is Samuel Adams Boston Lager®.

#### Three Months Ended September 28, 2002 compared to Three Months Ended September 29, 2001

**Net sales.** Net sales increased by \$7.5 million or 15.2% to \$56.6 million for the three months ended September 28, 2002 from \$49.1 million for the three months ended September 29, 2001. The increase is primarily due to an increase in volume of Boston Beer's core brands and an increase in weighted average price.

**Volume.** Total volume increased by 11.6% to 336,000 barrels in the three months ended September 28, 2002 from 301,000 barrels in the three months ended September 29, 2001. Core brands increased by 11.7% to 335,000 barrels for the quarter ended September 28, 2002, from 299,000 barrels for the quarter ended September 29, 2001. The increase in core brands is primarily due to volume contributed from Sam Adams Light®. Sam Adams Light® was initially launched in certain test markets during the second half of 2001. As of September 2002, Sam Adams Light® had been introduced in markets which represented over 85% of the Company's business. The Company plans to have completed its national roll-out by year-end.

**Selling Price.** The selling price per barrel increased approximately 3.2% to \$168.33 per barrel for the quarter ended September 28, 2002. This increase is due to changes in the packaging mix and normal price increases. The ratio of bottles to kegs increased, with bottles representing 74.4% of total shipments in the three months ended September 28, 2002 as compared to 70.5% for the same period last year. The shift in the mix to bottles from kegs increased revenue per barrel, as the selling price per equivalent barrel is higher for bottles than for kegs. This shift is primarily due to the introduction of Sam Adams Light®, as this product is only available in bottles.

**Gross Profit.** Gross profit was 58.3% as a percentage of net sales or \$98.18 per barrel for the quarter ended September 28, 2002, as compared to 58.5% and \$95.38 for the quarter ended September 29, 2001. The increase per barrel was primarily due to packaging mix changes, selling price increases, offset by an increase in cost of goods sold.

Cost of sales increased by \$2.39 per barrel to 41.7% as a percentage of net sales or \$70.15 per barrel for the quarter ended September 28, 2002, as compared to 41.5% as a percentage of net sales or \$67.76 per barrel for the quarter ended September 29, 2001. This is primarily due to packaging mix changes and increases in costs of packaging, glass, and contracting fees.

**Advertising, Promotional and Selling.** As a percentage of net sales, advertising, promotional and selling expenses were 51.9% for the quarter ended September 28, 2002, as compared to 43.1% for the quarter ended September 29, 2001. Advertising, promotional and selling expenses increased by \$8.2 million or 38.7% to \$29.4 million for the three months ended September 28, 2002, compared to \$21.2 million for the three months ended September 29, 2001. This increase is primarily due to the significant investment in brand support for the launch of Sam Adams Light®. The Company plans to continue its roll-out of Sam Adams Light® during the fourth quarter 2002 with similar high investment levels in brand support.

**General and Administrative.** General and administrative expenses increased by 8.8% or \$276,000 to \$3.4 million for the quarter ended September 28, 2002 as compared to the same period last year, primarily due to increases in employee-related costs, rent, and insurance premiums.

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

**Interest income, net.** Interest income decreased by 12.8% to \$334,000 for the quarter ended September 28, 2002 from \$383,000 for the quarter ended September 28, 2001. This decrease is primarily due to a change in investment allocation and declines in interest rates during the quarter ended September 28, 2002, as compared to the same period last year.

**Provision for income taxes.** The Company's effective tax rate decreased to 36.9% for the three months ended September 28, 2002 from 42.3% for the same period last year. This decline is due to the restructuring of certain entities that was completed during the second quarter 2002. The Company anticipates that its effective tax rate for the full year will be approximately the 41% rate recorded for the year ended December 29, 2001.

### Nine Months Ended September 28, 2002 compared to Nine Months Ended September 29, 2001

**Net sales.** Net sales increased by \$21.7 million or 15.5% to \$161.1 million for the nine months ended September 28, 2002 from \$139.4 million for the nine months ended September 29, 2001. The increase is primarily due to an increase in volume of Boston Beer's core brands coupled with increases in selling prices.

**Volume.** Total volume increased by 10.1% to 964,000 barrels in the nine months ended September 28, 2002 from 875,000 barrels in the nine months ended September 29, 2001. Core brands increased by 12.9% to 959,000 barrels for the nine months ended September 28, 2002 as compared to the same period last year. The increase in core brands is primarily due to volume contributed from Sam Adams Light®. Sam Adams Light® was initially launched in certain test markets during the second half of 2001. By the end of the nine months ended September 28, 2002, the Company had launched the new product into markets representing over 85% of the Company's total volume. The Company plans to have completed its national launch by year-end.

Non-core volume decreased by 82.1% to 5,000 barrels for the nine months ended September 28, 2002 from 26,000 barrels for the nine months ended September 29, 2001. As gross profit is significantly lower on non-core products as compared to core brands, the Company does not believe that this change will have a material impact on its financial position, results of operations or cash flows in the short or long-term.

**Selling Price.** The selling price per barrel increased approximately 4.9% to \$167.11 per barrel for the nine months ended September 28, 2002. This increase is due to a decline in non-core volume, changes in packaging mix, and price increases. As net selling price is significantly lower for non-core products as compared to core brands, the decline in non-core products effectively increased the combined net selling price per equivalent barrel. The ratio of bottles to kegs increased, with bottles representing 72.5% of total shipments in the nine months ended September 28, 2002 as compared to 68.8% for the same period last year. The shift in the mix to bottles from kegs effectively increased revenue per barrel, as the selling price per equivalent barrel is higher for bottles than for kegs. This shift is primarily due to the introduction of Sam Adams Light®, as this product is only available in bottles.

**Gross Profit.** Gross profit was 59.4% as a percentage of net sales or \$99.21 per barrel for the nine months ended September 28, 2002, as compared to 58.9% and \$93.89 for the nine months ended September 29, 2001. The increase was primarily due to a decline in non-core products, packaging mix changes and price increases, offset by an increase in cost of goods sold.

Cost of sales increased by \$2.45 per barrel to 40.6% as a percentage of net sales or \$67.89 per barrel for the nine months ended September 28, 2002, as compared to 41.1% as a percentage of net sales or \$65.44 per barrel for the nine months ended September 29, 2001. The increase per barrel is primarily due to packaging mix changes and increases in costs of packaging, glass, and contracting fees.

**Advertising, Promotional and Selling.** As a percentage of net sales, advertising, promotional and selling expenses were 47.0% for the nine months ended September 28, 2002, as compared to 39.3% for the nine months ended September 29, 2001. Advertising, promotional and selling expenses increased by \$20.9 million or 38.2% to \$75.6 million for the nine months ended September 28, 2002, compared to \$54.7 million for the nine months ended September 29, 2001. This increase is primarily due to the investment in brand support for the launch of Sam Adams Light®. The Company plans to continue its roll-out of Sam Adams Light® during the fourth quarter 2002 with similar high investment levels in brand support.

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

**General and Administrative.** General and administrative expenses increased by 7.9% or \$787,000 to \$10.7 million for the nine months ended September 28, 2002 as compared to the same period last year, primarily due to increases in employee-related costs, rent, and insurance premiums.

**Interest income, net.** Interest income decreased by 39.7% to \$731,000 for the nine months ended September 28, 2002 from \$1.2 million for the nine months ended September 28, 2001. This decrease is primarily due to a change in investment allocation and declines in interest rates during the nine months ended September 28, 2002, as compared to the same period last year.

**Other income.** Other income increased by \$969,000 to \$1.0 million for the nine months ended September 28, 2002 from \$70,000 for the nine months ended September 29, 2001. During the second quarter 2002, the Company received shares of stock from the demutualization of a third party insurance provider. The Company recorded the value of this stock receipt of \$1.3 million in the nine months ended September 28, 2002. This gain was partially offset by losses relating to the disposal of assets.

**Provision for income taxes.** The Company's effective tax rate decreased to 36.9% for the three months ended September 28, 2002 from 42.3% for the same period last year. This decline is due to the restructuring of certain entities that was completed during the second quarter 2002. The Company anticipates that its effective tax rate for the full year will be approximately the 41% rate recorded for the year ended December 29, 2001.

### **LIQUIDITY AND CAPITAL RESOURCES**

The company's financial condition continued to be strong during the nine months of 2002. Cash and short-term investments increased to \$49.1 million as of September 28, 2002 from \$47.9 million as of December 29, 2001. For the nine months ended September 28, 2002, cash (excluding short-term investments) provided by operating activities of \$11.6 million was partially offset by cash used in financing activities of \$9.5 million. Cash provided by operating activities during the first nine months of 2002 was lower than operating cash flow for the same period in 2001 due to the higher advertising and promotional expenditures incurred to support the launch of Sam Adams Light®.

During the third quarter, the Company's Board of Directors authorized an additional \$5.0 million, increasing the aggregate expenditure limitation to \$50.0 million, for the Company's Class A Common Stock repurchase program. As of September 28, 2002, the Company had repurchased a total of 5.0 million shares under this program at a cost of \$45.0 million. The Company repurchased 635,000 shares of its outstanding Class A Common Stock during the third quarter of 2002.

The Company utilized \$1.7 million for the purchase of capital equipment during the nine months ended September 28, 2002 as compared to \$3.0 million during the same period last year. Purchases during the first nine months of 2002 primarily consisted of kegs and computer equipment.

With working capital of \$55.9 million and \$45.0 million in unused bank lines of credit as of September 28, 2002, the Company believes that its existing resources should be sufficient to meet the Company's short-term and long-term operating and capital requirements. There were no amounts outstanding under the Company's credit facilities as of September 28, 2002 or as of the date of this filing.

### **THE POTENTIAL IMPACT OF KNOWN FACTS, COMMITMENTS, EVENTS AND UNCERTAINTIES**

#### ***Hops Purchase Commitments***

The Company utilizes several varieties of hops in the production of its products. To ensure adequate supplies of these varieties, the Company enters into advance multi-year purchase commitments based on forecasted future hop requirements among other factors.

During 2001, the Company completed certain hop disposal transactions and cancelled certain hop future contracts. The transactions were deemed necessary in order to bring hop inventory levels and future contracts into balance with the Company's current brewing volume and hop usage, as the Company did not believe that these hop inventories and future hop contracts would be used by the Company within the foreseeable future. During the nine months ending September 28, 2002 and September 29, 2001, the Company did not record significant charges for inventory reserves and cancellation fees associated with excess hops inventories and purchase commitments.

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The computation of the excess inventory and purchase commitment reserve requires management to make certain assumptions regarding future sales growth, product mix, cancellation costs and supply, among others. The Company's accounting policy for hops inventory and purchase commitments is to recognize a loss by establishing a reserve to the extent inventory levels and commitments exceed forecasted needs. The Company continues to manage inventory levels and purchase commitments in an effort to maximize utilization of hops on hand and hops under commitment. The current levels are deemed adequate, based upon foreseeable future brewing requirements. The Company does not anticipate further material losses related to hop inventories or contract commitments within the foreseeable future. However, if actual results differ from management's assumptions or if management assumptions change regarding future sales growth, product mix, and hop market conditions, future material losses could result.

### **Recent Accounting Pronouncements**

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement applies to all entities. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company expects that the initial application of SFAS No. 143 will not have a material impact on its financial statements.

On October 3, 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 144 applies to all long-lived assets (including discontinued operations) and consequently amends Accounting Principles Board Opinion No. 30. SFAS No. 144 develops one accounting model for long-lived assets that are to be disposed of by sale. SFAS No. 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS No. 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS No. 144 is effective for the Company for all financial statements issued in fiscal 2003. The Company expects that the initial application of SFAS No. 144 will not have a material impact on its financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements 4, 44 and 64, Amendment to FASB Statement 13, and Technical Corrections". One of the major changes of this statement is to change the accounting for the classification of gains and losses from the extinguishment of debt. Upon adoption, the Company will follow APB 30, Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions in determining whether such extinguishment of debt may be classified as extraordinary. The provisions of this statement related to the rescission of FASB Statement 4 shall be applied in fiscal years beginning after May 15, 2002 with early application encouraged. The Company believes that the adoption of SFAS No. 145 will not have a material impact on its financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Cost Associated with Exit or Disposal Activities". SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The Company believes that the adoption of SFAS No. 146 will not have a material impact on its financial statements.

### **Critical Accounting Policies**

The Company's financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies for the Company are outlined in the Form 10-K, Footnote B for the fiscal year ended December 29, 2001. Also, refer to *Hops Purchase Commitments* above.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Since December 29, 2001, there have been no significant changes in the Company's exposures to interest rate or foreign currency rate fluctuations. The Company currently does not enter into derivatives or other market risk sensitive instruments for the purpose of hedging or for trading purposes.

#### **FORWARD-LOOKING STATEMENTS**

In this Form 10-Q and in other documents incorporated herein, as well as in oral statements made by the Company, statements that are prefaced with the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," "designed" and similar expressions, are intended to identify forward-looking statements regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, results of operations and financial position. These statements are based on the Company's current expectations and estimates as to prospective events and circumstances about which the Company can give no firm assurance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date factor that may emerge, forward-looking statements should not be relied upon as a prediction of actual future financial condition or results. These forward-looking statements, like any forward-looking statements, involve risks and uncertainties that could cause actual results to differ materially from those projected or unanticipated. Such risks and uncertainties include the factors set forth below in addition to the other information set forth in this Form 10-Q.

#### **Item 4. CONTROLS AND PROCEDURES**

Within the ninety day period prior to the date of this report, the Company conducted an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer (its principal executive officer and principal financial officer, respectively) regarding the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-14 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

**PART II. OTHER INFORMATION**

**Item 1. LEGAL PROCEEDINGS**

The Company is party to certain claims and litigation in the ordinary course of business. The Company does not believe any of these proceedings will, individually or in the aggregate, have a material adverse effect upon its financial condition or results of operations.

**Item 2. CHANGES IN SECURITIES**

Not Applicable

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

Not Applicable

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

Not Applicable

**Item 5. OTHER INFORMATION**

Brewing Strategy

The Company continues to believe that its current strategy of combining brewery ownership with contract brewing, which utilizes the excess capacity of other breweries, provides the Company flexibility as well as quality and cost advantages over its competitors. Consistent with this belief the Company continues to produce its products at its breweries in Cincinnati, Ohio, and Boston, Massachusetts, at Miller Brewing Company facilities in Tumwater, Washington and Eden, North Carolina and at the High Falls Brewing Company, LLC facility in Rochester, New York. Cognizant of changes in the beer industry and the possible impact of brewing capacity of so-called "malternative" beverages, the Company is also pursuing relationships with other third party brewers as possible supplements to or replacements for its existing production facilities. During the quarter ended September 28, 2002, the Company entered into a production agreement with City Brewing Company, LLC of La Crosse, Wisconsin and has recently begun modest levels of production at the La Crosse facility.

The Company's chief executive officer and chief financial officer have furnished to the SEC the certification with respect to this Form 10-Q that is required by Section 906 and Section 302 of the Sarbanes-Oxley Act of 2002.

**Item 6. EXHIBITS AND REPORTS ON FORM 8-K**

**(a) Exhibits**

Exhibit No.	Title
3.1	Amended and Restated By-Laws of the Company, dated June 2, 1998 (incorporated by reference to Exhibit 3.5 to the Company's Form 10-Q filed on August 10, 1998).
3.2	Restated Articles of Organization of the Company, dated July 21, 1998 (incorporated by reference to Exhibit 3.6 to the Company's Form 10-Q filed on August 10, 1998).
4.1	Form of Class A Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement No. 33-96164).

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Exhibit No.	Title
10.1	Revolving Credit Agreement between Fleet Bank of Massachusetts, N.A. and Boston Beer Company Limited Partnership (the "Partnership"), dated as of May 2, 1995 (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement No. 33-96162).
10.2	Loan Security and Trust Agreement, dated October 1, 1987, among Massachusetts Industrial Finance Agency, the Partnership and The First National Bank of Boston, as Trustee, as amended (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement No. 33-96164).
10.3	Deferred Compensation Agreement between the Partnership and Alfred W. Rossow, Jr., effective December 1, 1992 (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement No. 33-96162).
10.4	The Boston Beer Company, Inc. Employee Equity Incentive Plan, as adopted effective November 20, 1995 and amended effective February 23, 1996 (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement No. 333-1798).
10.5	Form of Employment Agreement between the Partnership and employees (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement No. 33-96162).
10.6	Services Agreement between The Boston Beer Company, Inc. and Chemical Mellon Shareholder Services, dated as of October 27, 1995 (incorporated by reference to the Company's Form 10-K, filed on April 1, 1996).
10.7	Form of Indemnification Agreement between the Partnership and certain employees and Advisory Committee members (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement No. 33-96162).
10.8	Stockholder Rights Agreement, dated as of December, 1995, among The Boston Beer Company, Inc. and the initial Stockholders (incorporated by reference to the Company's Form 10-K, filed on April 1, 1996).
+10.9	Agreement between Boston Brewing Company, Inc. and The Stroh Brewery Company, dated as of January 31, 1994 (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement No. 33-96164).
+10.10	Agreement between Boston Brewing Company, Inc. and the Genesee Brewing Company, dated as of July 25, 1995 (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement No. 33-96164).
+10.11	Amended and Restated Agreement between Pittsburgh Brewing Company and Boston Brewing Company, Inc. dated as of February 28, 1989 (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement No. 33-96164).
10.12	Amendment to Amended and Restated Agreement between Pittsburgh Brewing Company, Boston Brewing Company, Inc., and G. Heileman Brewing Company, Inc., dated December 13, 1989 (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement No. 33-96162).
+10.13	Second Amendment to Amended and Restated Agreement between Pittsburgh Brewing Company and Boston Brewing Company, Inc. dated as of August 3, 1992 (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement No. 33-96164).

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Exhibit No.	Title
+10.14	Third Amendment to Amended and Restated Agreement between Pittsburgh Brewing Company and Boston Brewing Company, Inc. dated December 1, 1994 (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement No. 33-96164).
10.15	Fourth Amendment to Amended and Restated Agreement between Pittsburgh Brewing Company and Boston Brewing Company, Inc. dated as of April 7, 1995 (incorporated by reference to Exhibit 10.15 to the Company's Registration Statement No. 33-96162).
+10.16	Letter Agreement between Boston Beer Company Limited Partnership and Joseph E. Seagram & Sons, Inc. (incorporated by reference to Exhibit 10.16 to the Company's Registration Statement No. 33-96162).
10.17	Services Agreement and Fee Schedule of Mellon Bank, N.A. Escrow Agent Services for The Boston Beer Company, Inc. dated as of October 27, 1995 (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement No. 33-96164).
10.18	Amendment to Revolving Credit Agreement between Fleet Bank of Massachusetts, N.A. and the Partnership (incorporated by reference to Exhibit 10.18 to the Company's Registration Statement No. 33-96164).
10.19	1996 Stock Option Plan for Non-Employee Directors (incorporated by reference to the Company's Form 10-K, filed on March 31, 1997).
+10.20	Production Agreement between The Stroh Brewery Company and Boston Beer Company Limited Partnership, dated January 14, 1997 (incorporated by reference to the Company's Form 10-K, filed on March 31, 1997).
+10.21	Letter Agreement between The Stroh Brewery Company and Boston Beer Company Limited Partnership, dated January 14, 1997 (incorporated by reference to the Company's Form 10-K, filed on March 31, 1997).
+10.22	Agreement between Boston Beer Company Limited Partnership and The Schoenling Brewing Company, dated May 22, 1996 (incorporated by reference to the Company's Form 10-K, filed on March 31, 1997).
10.23	Revolving Credit Agreement between Fleet Bank of Massachusetts, N.A. and The Boston Beer Company, Inc., dated as of March 21, 1997 (incorporated by reference to the Company's Form 10-Q, filed on May 12, 1997).
+10.24	Amended and Restated Agreement between Boston Brewing Company, Inc. and the Genesee Brewing Company, Inc. dated April 30, 1997 (incorporated by reference to the Company's Form 10-Q, filed on August 11, 1997).
+10.26	Fifth Amendment, dated December 31, 1997, to Amended and Restated Agreement between Pittsburgh Brewing Company and Boston Brewing Company, Inc. (incorporated by reference to the Company's Form 10-K, filed on March 26, 1998).
10.27	Extension letters, dated August 19, 1997, November 19, 1997, December 19, 1997, January 22, 1998, February 25, 1998 and March 11, 1998 between The Stroh Brewery Company and Boston Brewing Company, Inc. (incorporated by reference to the Company's Form 10-K, filed on March 26, 1998).
+10.28	Employee Equity Incentive Plan, as amended and effective on December 19, 1997 (incorporated by reference to the Company's Form 10-K, filed on March 26, 1998).

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Exhibit No.	Title
+10.29	1996 Stock Option Plan for Non-Employee Directors, as amended and effective on December 19, 1997 (incorporated by reference to the Company's Form 10-K, filed March 26, 1998).
+10.30	Glass Supply Agreement between The Boston Beer Company and Owens' Brockway Glass Container Inc., dated April 30, 1998 (incorporated by reference to the Company's Form 10-Q, filed on August 10, 1998).
10.31	Extension letters, dated April 13, 1998, April 27, 1998, June 11, 1998, June 25, 1998 and July 20, 1998 between The Stroh Brewery Company and Boston Brewing Company, Inc. (incorporated by reference to the Company's Form 10-Q, filed on August 10, 1998).
+10.33	Amended and Restated Production Agreement between The Stroh Brewery Company and Boston Beer Company Limited Partnership, dated November 1, 1998 (incorporated by reference to the Company's Form 10-K, filed on March 25, 1999).
10.34	Agreement between Boston Beer Company Limited Partnership, Pabst Brewing Company and Miller Brewing Company, dated February 5, 1999 (incorporated by reference to the Company's Form 10-K, filed on March 25, 1999).
10.35	Amendment to Revolving Credit Agreement between Fleet Bank of Massachusetts, N.A. and The Boston Beer Company, Inc., dated March 30, 1999 (incorporated by reference to the Company's Form 10-Q, filed on May 10, 1999).
+10.36	Agreement between Boston Beer Company Limited Partnership and Landstar Logistics and Transportation, dated January 9, 1999 (incorporated by reference to the Company's Form 10-Q, filed on May 10, 1999).
+10.37	Consent to Assignment of the Amended and Restated Agreement between Boston Brewing Company, Inc. and the Genesee Brewing Company, Inc. dated April 30, 1997 to Monroe Brewing Co., LLC (now known as High Falls Brewing Company, LLC) dated December 15, 2000 (incorporated by reference to the Company's 10-K, filed on March 30, 2001).
+10.38	Guaranty of The Genesee Brewing Company, Inc. dated December 15, 2000 in favor of Boston Brewing Company, Inc., for itself and as the sole general partner of Boston Beer Company Limited Partnership in connection with the Consent of Assignment of the Amended and Restated Agreement between Boston Brewing Company, Inc. and the Genesee Brewing Company, Inc. dated April 30, 1997 to Monroe Brewing Co., LLC (now known as High Falls Brewing Company, LLC) dated December 15, 2000 (incorporated by reference to the Company's 10-K, filed on March 30, 2001).
+10.39	Second Amended and Restated Agreement between Boston Beer Corporation and High Falls Brewing Company, LLC effective as of April 15, 2002 (incorporated by reference to the Company's 10-Q, filed on August 13, 2002).
+10.40	Guaranty Release Agreement by and between GBC Liquidating Corp., formerly known as The Genesee Brewing Company, Inc., and Boston Beer Corporation, d/b/a The Boston Beer Company dated April 22, 2002 (incorporated by reference to the Company's 10-Q, filed on August 13, 2002).
10.41	Second Amended and Restated Credit Agreement between The Boston Beer Company, Inc. and Boston Beer Corporation, as Borrowers, and Fleet National Bank, effective as of July 1, 2002 (incorporated by reference to the Company's 10-Q, filed on August 13, 2002).
*+10.42	Brewing Services Agreement between Boston Beer Corporation and City Brewing Company, LLC, effective as of July 1, 2002.

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Exhibit No.	Title
*11.1	The information required by exhibit 11 has been included in Note D of the notes to the consolidated financial statements.
21.1	List of subsidiaries of The Boston Beer Company, Inc. (incorporated by reference to the Company's Form 10-K, filed on March 28, 1997).
21.2	List of subsidiaries of The Boston Beer Company, Inc. effective as of December 30, 2000 (incorporated by reference to the Company's Form 10-K, filed on March 30, 2001)
21.3	List of subsidiaries of The Boston Beer Company, Inc. effective as of March 30, 2002 (incorporated by reference to the Company's Form 10-Q, filed on May 14, 2002).
*99.1	Certification of the President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*99.2	Certification of the Chief Financial Officer and Treasurer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*99.3	Certification of the President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*99.4	Certification of the Chief Financial Officer and Treasurer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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\* Filed with this report.

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

**(b) Reports on Form 8-K.**

On August 20, 2002, the Company filed a report under Item 5 on Form 8-K with the Securities and Exchange Commission.

**SIGNATURES**

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

THE BOSTON BEER COMPANY, INC.  
(Registrant)

Date: November 12, 2002

By: /s/ Martin F. Roper

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

Date: November 12, 2002

By: /s/ Richard P. Lindsay

\_\_\_\_\_  
Richard P. Lindsay  
Chief Financial Officer and  
Treasurer (principal accounting  
and financial officer)

BREWING SERVICES AGREEMENT  
BETWEEN  
CITY BREWING COMPANY, LLC  
AND  
BOSTON BEER CORPORATION

AGREEMENT entered into effective as of the 1st day of July, 2002 (the "Effective Date"), by and between CITY BREWING COMPANY, LLC, a Wisconsin limited liability company ("City Brewing"), and BOSTON BEER CORPORATION, a Massachusetts corporation ("Boston Beer"). Boston Beer and City Brewing are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

City Brewing and Boston Beer desire to enter into an agreement pursuant to which Boston Beer's proprietary malt beverages shall be brewed and packaged at City Brewing's facility located in La Crosse, Wisconsin (the "Brewery").

ACCORDINGLY, in consideration of the mutual agreements contained in this Agreement, the Parties, intending to be legally bound, hereby agree, as follows:

1. SCOPE OF AGREEMENT.

(a) During the Term of this Agreement, as defined in Section 5 below, and in accordance with the terms and conditions set forth herein, City Brewing agrees to brew, package and sell to Boston Beer, or, in the event an alternating proprietorship be established (as set forth in Section 10 below), City Brewing shall give Boston Beer access to the Brewery and make available to Boston Beer City Brewing's production personnel to allow Boston Beer to produce Boston Beer's proprietary Beer Products, as defined in Section 1(b) below.

(b) For purposes of this Agreement, Boston Beer's "Beer Products" shall include those products set forth in Exhibit A attached hereto, together with certain specially ordered and seasonal malt beverage products identified as such by Boston Beer ("Special Orders") and such other beer products as Boston Beer may introduce from time to time. Special Orders and other beer products not listed on Exhibit A, as amended from time to time, must be approved by City Brewing prior to the submission by Boston Beer of orders for such products, provided, however, that City Brewing shall not unreasonably withhold or delay such approval. Boston Beer shall periodically provide to City Brewing an updated schedule of all Boston Beer products which Boston Beer deems to be Beer Products, subject to this Agreement.

2. CONTROL OF PRODUCTION OF BEER PRODUCTS; PUBLIC STATEMENTS.

(a) All Beer Products shall be brewed and packaged according to Boston Beer's specifications, including the maintenance of standards and quality control programs. Boston Beer shall have ultimate responsibility and authority over every detail of the production process

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

for Beer Products at the Brewery, with such responsibility and authority as to those parameters affecting beer taste and quality to be the same as if Boston Beer were the owner of the Brewery. Boston Beer shall have the right, at any time, to monitor and review the practices and procedures of City Brewing in the production and packaging of Beer Products and to inspect the Brewery. If a decision made by Boston Beer in the exercise of its authority under this Section 2(a) results in additional costs over and above the costs of the then current operations, City Brewing shall be entitled to be reimbursed by Boston Beer for

such costs. In addition, in the exercise of its authority under this Section 2(a), Boston Beer shall not interfere with City Brewing's production processes for its own proprietary brands or for other brands that it produces under contract with third parties.

(b) Consistent with the provisions of Section 2(a) above, City Brewing and Boston Beer will, in any and all public statements or comments, recognize that Boston Beer controls the ingredients, recipe, brewing processes and procedures and quality and taste parameters for all Beer Products produced at the Brewery and that Boston Beer is the brewer of all such Beer Products. Neither party will make any public statements inconsistent with the foregoing.

(c) Each Party agrees to take all commercially reasonable steps to prevent any of its personnel from making disparaging or otherwise adverse remarks about the products of the other Party.

### 3. COMMITTED CAPACITY; COMMITMENT FEE.

(a) During the Term, City Brewing shall make available to Boston Beer for brewing of Beer Products up to [\*] barrels per month, and up to [\*] barrels per contract year, of production at the Brewery (the "Committed Capacity"). The Committed Capacity is based on anticipated tank usage and availability and shall be increased or decreased in inverse proportion to the extent that actual average tank usage varies from five weeks per storage cycle. Boston Beer will, however, endeavor, to the extent reasonably possible, to provide City Brewing with [\*] ([\*]) days advance written notice of any expected increase or decrease in its expected production requirements which varies more than [\*]% from any previously submitted monthly forecasts for the period in question, in order to allow City Brewing to plan its capacity utilization at any Brewery. Beer Products shall primarily be produced in packaged units described in Section 7 below.

(b) Boston Beer shall pay a commitment fee to City Brewing in the amount of [\*] Dollars (\$[\*]) for any year in which Boston Beer does not purchase at least [\*] barrels of Beer Products from City Brewing under this Agreement, such fee to be due and payable within [\*] ([\*]) days after the end of the applicable contract year.

### 4. PRICE AND MANNER OF PAYMENT.

(a) Boston Beer shall pay City Brewing for Beer Products produced at the Brewery an amount (the "Price") equal to the sum of (i) a processing charge or brewing fee (the "Fixed Charge") as set forth in the Pricing Schedule attached hereto as Exhibit B plus (ii) the net cost

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

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(taking into account purchase discounts but not discounts resulting from credit terms) to City Brewing of all Hops (as defined in Section 8 below), malt, flavorings and Packaging Materials (also as defined in Section 8 below) including actual loss factors, purchased by City Brewing and used directly in the production of Beer Products, plus (iii) deposits for case pallets and kegs at City Brewing's standard rate or as otherwise agreed between the Parties. The Fixed Charge for other packaging units not listed in Exhibit B shall be set by the Parties based on proportionate volume and packaging efficiencies relative to the units described in said Exhibit. City Brewing shall be entitled to increase each Fixed Charge, effective as of January 1 in each year while the Agreement remains in effect (the "inflation adjustment"), with the first such increase pursuant to this Agreement to be effective as of January 1, [\*], at a rate equal to [\*] percent ([\*]%) of the increase in the consumer price index in the preceding twelve (12) months. On the first January 1st after new or extended agreements with the bargaining units at the Brewery covering at least [\*]% of the Brewery workers are completed, and on each subsequent January 1st, if so

decided by City Brewing, in lieu of the "inflation adjustment", the Fixed Charge will be increased by [\*]% of the average percentage increase in the wages of those bargaining units for the preceding 12 months.

(b) The Price is F.O.B. the carrier's trucks at City Brewing's dock (i.e., the Price includes the cost and risk of loading trucks at City Brewing's dock) and includes labor, overhead, profit, and other costs incurred in the production of packaged Beer Products suitable for shipment by truck.

(c) The Price excludes any federal and state excise taxes, which City Brewing may pass along to Boston Beer, if City Brewing pays such taxes in compliance with Federal and state laws. If an alternating proprietorship between Boston Beer and City Brewing with Boston Beer being the brewer of record has been established, Boston Beer is required to submit certain reports to the Federal Alcohol, Tobacco and Firearms Department ("ATF") and to pay the required excise tax, which such tax is based upon the number of barrels, or fraction thereof, that leave the Brewery premises. So that Boston Beer may complete and file the required reports and to pay the excise taxes on such production on a timely basis, City Brewing agrees to provide Boston Beer with the required information within the time periods set forth on Exhibit C attached hereto.

(d) Assuming Boston Beer uses pallets interchangeable with City Brewing, the Price plus deposit also includes any charge for Boston Beer's use of pallets owned by City Brewing.

(e) City Brewing shall provide electronic reports to Boston Beer, in form and content mutually acceptable to the parties, showing the quantity of Beer Products actually produced and shipped on the previous day. City Brewing will invoice Boston Beer electronically on a weekly basis for the Price of Beer Products produced in the previous week and Boston Beer shall pay such invoices within [ \* ] ([ \* ]) business days after receipt of the invoice from City Brewing by wire or other mutually agreed upon method. All other amounts otherwise chargeable to Boston Beer hereunder shall be invoiced by City Brewing reasonably promptly in accordance with normal business practices following the month in which incurred by City Brewing. Such timely invoices shall similarly be paid by Boston Beer within [ \* ] ([\*]) days of receipt. Neither party

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

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shall be liable for any liability if such notification and invoice is issued more than [\*] ([\*]) days following the date on which such expense is incurred.

(f) City Brewing shall have the right to increase the Price to reflect City Brewing's actual incremental cost for any Special Orders which use a more expensive brewing process or longer time frames or which have more expensive packaging processes than used to produce [\*]. Other pricing and payment terms for Special Orders shall be in accordance with the foregoing provisions of this Section 4, including the timely invoicing requirements of paragraph (e) above.

(g) Boston Beer shall also be entitled to a proportional reduction in the Fixed Charge to the extent that City Brewing is able to achieve variable cost savings through changes in production procedures initiated by Boston Beer or arising out of any investment made by Boston Beer in City Brewing facilities, including any investments made prior, and subsequent to, the date of this Agreement.

(h) Volume Rebate: The Fixed Charge will be adjusted for each package based on the following volume reduction schedule, if in any calendar year the volume of Products produced reaches the following volume levels:

[\*] Barrels \$[\*] per barrel reduction on volume over [\*] Barrels  
[\*] Barrels additional \$[\*] per barrel reduction on volume over [\*] Barrels  
[\*] Barrels additional \$[\*] per barrel reduction on volume over [\*] Barrels

(i.e., the Fixed Charge would be reduced by \$[\*] per barrel from the Fixed Charge in Exhibit B for each barrel produced after the first [\*] barrels in any calendar year)

5. TERM.

The term of this Agreement (the "Term") shall commence as of the Effective Date and shall continue until terminated pursuant to Section 6 hereof. The Parties acknowledge that either Party's obligations pursuant to this Agreement to make payments to the other Party and the Parties' respective obligations under Sections 4 and 13, and City Brewing's obligations under Sections 14 and 15 shall survive the termination of this Agreement.

6. TERMINATION.

(a) Either Party may terminate this Agreement for any reason whatsoever on not less than [\*] ([\*]) months' prior written notice to the other Party, effective at any time on or after [\*].

(b) Boston Beer may also terminate this Agreement effectively immediately upon written notice in the event that City Brewing is in default of any of its obligations to brew, package and ship any Beer Products, which default continues for a period of [\*] ([\*]) business days following receipt by City Brewing of written notice from Boston Beer regarding such default

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(each such event is hereinafter referred to as a "City Brewing Production Default".) City Brewing shall not be deemed to be in default of its obligations for purposes of this Section 6(b), if it is in good faith both seeking to correct the circumstances giving rise to its failure to brew, package and ship Beer Products and honoring its obligations under Section 14 hereof, to the extent applicable.

(c) Boston Beer may also terminate this Agreement effective [\*] if (i) all or substantially all of City Brewing's business or assets have been acquired by a third party or (ii) a transaction or series of transactions results in the majority of voting control of City Brewing being acquired by a person or persons not currently holding an equity interest in City Brewery.

(d) City Brewing may terminate this Agreement on [\*] ([\*]) days' prior written notice to Boston Beer in the event that Boston Beer is in arrears in payment of undisputed amounts (i) for the production of Beer Products in excess of [\*] ([\*]) weeks or (ii) for other charges in excess of [\*] ([\*]) days, and such arrearage has remained outstanding for in excess of [\*] ([\*]) weeks after written demand for payment was made by City Brewing.

(e) In the event of bankruptcy by either Party, the non-bankruptcy Party shall have the right to terminate this Agreement.

(f) Upon termination of this Agreement, Boston Beer shall promptly pay to City Brewing all unpaid invoices in full and all unpaid costs incurred by City Brewing pursuant to this Agreement in the brewing, packaging, shipping and

storage of Beer Products, and purchase from City Brewing at City Brewing's cost all City Brewing's inventory of (i) work in process of Beer Products, (ii) ingredients and raw materials unique to the Beer Products, and (iii) Packaging Materials. City Brewing will use all reasonable efforts to minimize such costs upon termination, and Boston Beer will have the right to review documentation evidencing such costs.

7. PACKAGING, DEPOSITS AND MINIMUM ORDERS.

(a) Packaging of Beer Products shall consist of (i) twenty-four 12-ounce bottles, whether packaged as a 24 bottle loose case, a four 6-pack case or a two 12-pack case (each a "12-oz. Case Unit"), (ii) twelve 24-ounce bottles (a "24 oz. Case Unit"), (iii) 5.2 U.S. gallons (a "One-Sixth Barrel"), (iv) 7.75 U.S. gallons (a "Quarter Barrel"), and (v) 15.50 U.S. gallons (a "Half Barrel"), and any other package types or configurations that the parties mutually agree to use for packaging such Products. All kegs used will be Sankey-style kegs. Except for one-way pallets paid for by Boston Beer, a deposit per pallet and per keg as set forth in Section 4(a) hereof shall be charged to Boston Beer with corresponding credit applied upon the safe return in good working order of the pallets or kegs to City Brewing. Boston Beer has the right, subject to the approval of City Brewing, which approval will not be unreasonably withheld, to make changes in the packaging used to produce the Beer Products, including but not limited to, the packaging of the Beer Products in can units. The price for packaging in cans will be adjusted by the difference in City Brewing's costs between packaging in bottles and cans.

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(b) City Brewing shall package Beer Products at least [\*] ([\*]) times a month, if requested by Boston Beer, each packaging spread evenly through the month ([\*]). Boston Beer shall order at any given time not less than one production run (at present equivalent to one brew in the brew house, [\*] Kegs on the racking line and [\*] 12-oz. Case Units and [\*] 24-oz. Case Units in the bottling line). Boston Beer acknowledges and agrees that the minimum order applies to each beer style, individually, rather than in combination; provided, however, that orders for the bottling line may consist of one shift (currently averaging [\*] Case Units) of the Beer Products in combination and any bottling line order shall not be less than [\*] Case Units of each beer style, except that for twenty-four ounce (24 oz.) bottles, an order may be comprised of as many as [\*] styles of at least [\*] cases each.

8. PACKAGING MATERIALS AND HOPS.

Crowns, bottles, labels, six-packs, cases, partitions and other packing materials for Beer products (collectively, "Packaging Materials"), or any applicable federal or state taxes (but specifically excluding any taxes in the nature of a tax on income or profits) are not included in the Fixed Charge and shall be borne directly by Boston Beer. All Packaging Materials and all hops to be used in the brewing of Beer Products ("Hops") shall be (i) purchased directly by Boston Beer at its cost for delivery to City Brewing, (ii) the property solely and exclusively of Boston Beer, and (iii) segregated and identified as such. Boston Beer shall be responsible for the storage of Hops and shall release Hops to City Brewing for production on a bi-weekly basis. City Brewing acknowledges that Boston Beer shall be afforded unrestricted 24-hour access to all Packaging Materials and Hops when under City Brewing control for purposes of removal or otherwise. Delivery of Packaging Materials and Hops (on such bi-weekly basis) to City Brewing shall be coordinated between City Brewing and Boston Beer, provided that City Brewing shall be ultimately responsible for coordinating the timely delivery of Packaging Materials and Hops to the appropriate Breweries and other Breweries. Boston Beer shall invoice City

Brewing for all Hops delivered to City Brewing hereunder upon delivery and all such invoices shall be payable within [\*] ([\*]) days of invoicing or at such time may be offset against amounts owing by Boston Beer to City Brewing. All vendors shall be selected by Boston Beer, in its discretion, subject only to meeting City Brewing's customary quality and performance requirements.

9. RISK OF LOSS.

City Brewing and Boston Beer acknowledge and agree that, consistent with the F.O.B. pricing terms, the risk of loss in loading the carrier's trucks shall be borne by City Brewing. However, the carrier's driver shall have the right to inspect each shipment for damage prior to leaving the loading dock and, accordingly, Boston Beer shall bear the risk of loss on any shipment of Beer Products, once the carrier's truck leaves City Brewing's loading dock.

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10. BREWERY OF RECORD.

(a) City Brewing shall provide all Beer Products brewed hereunder under the name of "The Boston Beer Company" or such other trade name as Boston Beer shall require as the Brewer of Record. City Brewing shall secure any permits, licenses, approvals and the like required by any federal, state or local governmental agency on behalf of Boston Beer. Boston Beer agrees to reimburse City Brewing promptly for any reasonable out-of-pocket costs, including, without limitation, legal expenses, incurred in connection therewith.

(b) To the extent requested by Boston Beer, City Brewing shall, to the extent possible, establish and maintain an alternating proprietorship or multiple alternating proprietorships, if necessary, and, subject to and in compliance with all applicable federal, state or local laws, rules and regulations, identify Boston, Massachusetts (or such other location as may be reasonably requested by Boston Beer), as the sole label source for Beer Products. [\*].

11. STORAGE.

The Price shall include storage of reasonable quantities of packaged Beer Products for up to [\*] ([\*]) days. City Brewing shall be entitled to charge Boston Beer a reasonable fee for the handling and storage of Beer Products beyond [\*] ([\*]) days.

12. FORCE MAJEURE.

(a) If City Brewing is unable, by reason of a labor dispute, governmental action, act of God or the like, to produce Beer Products at the Brewery to the extent contemplated by this Agreement, it shall, in any event, to the extent it is still able to maintain production at such Brewery, continue to produce Beer Products at such Brewery in proportion to the capacity at such Brewery dedicated to Beer Products prior to the occurrence of the event in question.

(b) If Boston Beer is unable, by reason of a labor dispute, governmental action, act of God or the like, to produce Beer Products at any brewery not owned by City Brewing but at which from time to time Boston Beer produces Beer Products, and at that time City Brewing has available production capacity at the Brewery, City Brewing shall make such production capacity available to Boston Beer at a price equal to the then current pricing for comparable products being produced by City Brewing for Boston Beer under this Agreement.

13. CHANGE PARTS AND BREWERY MODIFICATIONS.

Boston Beer will pay for all change parts and Brewery modifications that are unique to running Boston Beer's packaged Beer Products, provided that (i) City Brewing does not have such parts existing at the Brewery in question, and (ii) City Brewing notifies Boston Beer in advance of making any such expenditures. Boston Beer shall be entitled to be reasonably

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compensated for any such investment, whether made prior to or after the date hereof, to the extent that any change parts and/or modifications are used in the production of products other than Beer Products, such compensation to be as agreed from time to time to time by City Brewing and Boston Beer.

#### 14. AGENCY AND INDEMNIFICATION.

City Brewing and Boston Beer understand and agree that neither Party is, by virtue of this Agreement or anything contained herein, including City Brewing affixing to any Product and/or registering the name of "The Boston Beer Company," "Boston Beer Company," or "Twisted Tea Brewing Company" constituted or appointed the agent of the other Party for any purpose whatsoever, nor shall anything herein contained be deemed or construed as granting Boston Beer or City Brewing any right or authority to assume or to create any obligation or responsibility, express or implied, for or on behalf of or in the name of the other, or to bind the other in any manner or way whatsoever. Boston Beer shall indemnify and hold harmless City Brewing from and against any and all claims, expenses, causes of action or liabilities of any nature whatsoever (collectively, "Damages"), to the extent that Damages arise solely from the independent conduct of Boston Beer; provided that Damages shall not include any loss, liability, cost or expense incurred by City Brewing as a consequence of the exercise by Boston Beer of any of its rights under this Agreement.

#### 15. PRODUCT LIABILITY.

(a) City Brewing and Boston Beer shall each maintain product liability insurance of not less than \$[\*] and in the amount of \$[\*] combined single limit in the aggregate relating to the Beer Products produced by City Brewing for Boston Beer.

(b) City Brewing shall indemnify and hold harmless Boston Beer and all of its affiliates from and against any and all loss, liability, cost or expense of any nature whatsoever, including reasonable attorneys' fees (collectively, "Product Liability Damages"), arising out of or associated with all claims made against Boston Beer by any party or parties for personal injury or property damage caused by impurities, defects, or adulteration of any kind in the Beer Products manufactured and/or packaged by City Brewing, regardless of when manufactured or packaged; except to the extent that (i) Product Liability Damages when caused solely by (i) Boston Beer's improper storage, handling, or alteration of the Beer Products in question; (ii) Packaging Materials or ingredients purchased, specified or otherwise approved by Boston Beer subsequent to written notice from City Brewing reasonably advising that such Packaging Materials or ingredients should not be used in the Beer Products for health and safety reasons; or (iii) Product Liability Damages resulting from inherent properties and/or characteristics of the Beer Products, including, by way of example and not of limitation, health and intoxicating effects of the Beer Products.

(c) Boston Beer shall indemnify and hold harmless City Brewing and all of its affiliates from and against any and all Product Liability Damages to the extent arising out of [\*].

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(d) Notwithstanding the provisions of Sections 15(b) and (c) above, in no event shall either Party be liable to indemnify the other Party for consequential damages suffered by the other Party in an amount greater than [\*] ([\*]) times the aggregate Fixed Charge paid by Boston Beer for all Beer Products produced hereunder during the [\*] ([\*]) months preceding the month in which occurred the event giving rise to the claim for indemnification, unless such consequential damages are caused by the negligence or willful misconduct of the other Party.

16. TRADEMARKS.

(a) City Brewing acknowledges that no trademark or trade name rights in any of the trademarks, trade names, service marks, domain names or logos owned by Boston Beer, including specifically but without limitation those identified on the Trademark Schedule attached hereto as Exhibit D (collectively, the "Trademarks") are granted by this Agreement.

(b) Boston Beer hereby represents, warrants and covenants that it has and will maintain the right to use the Trademarks and will indemnify and hold harmless City Brewing from any claim of alleged infringement brought by any party against City Brewing, including, but not limited to, City Brewing's reasonable costs of legal expenses.

17. SUCCESSORS AND ASSIGNS: FUTURE POTENTIAL ACQUISITIONS.

(a) The Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns, but shall not be assigned by either Party without the prior written consent of the other Party, which consent will not be unreasonably withheld. No failure of a Party to consent to a proposed assignment of this Agreement by the other Party shall be deemed unreasonable if such Party believes in good faith that the proposed assignee is not capable of performing the financial or production obligations of the Party proposing to assign this Agreement. Transfer of ownership to a parent, subsidiary or affiliate of a Party shall not be deemed an assignment under this Section 17.

(b) Assignment of this Agreement shall not relieve the assigning Party of its financial obligations hereunder, including its indemnification obligations, if an assignee defaults in the performance of its assigned obligations.

(c) In the event that Boston Beer shall acquire substantially all of the business and assets of another company which produces and/or distributes beer, or, shall acquire all right, title and interest in and to the brands and trademarks of another company (hereinafter the "Acquired"), then, in such event, if the Acquired has products already being produced by City Brewing, then City Brewing agrees to make available to Boston Beer, for the same period of time that City Brewing has pre-existing commitments for the Acquired, such additional capacity which is equivalent to that with the Acquired; provided, however, that the terms and conditions governing production, including pricing, shall be governed by the terms of this Agreement.

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(d) If City Brewing acquires substantially all of the business and assets

of another company which produces beer or acquires an additional brewery facility (hereinafter a "City Brewing Acquired Brewery"), then, in such event, if the City Brewing Acquired Brewery has a pre-existing agreement with Boston Beer for the production of Beer Products, City Brewing agrees to continue to make available to Boston Beer, for the same period of time which existed under the pre-existing agreement between Boston Beer and the City Brewing Acquired Brewery, the same capacity as had been committed to Boston Beer by the City Brewing Acquired Brewery; provided, however, that the terms and conditions governing production, including pricing, shall be governed by the terms of this Agreement.

18. GOVERNING LAW.

This Agreement shall be interpreted and construed in accordance with the laws of the Commonwealth of Massachusetts.

19. ARBITRATION.

Any disagreement, dispute, controversy or claim with respect to the validity of this Agreement or arising out of or in relation to the Agreement, or breach hereof, shall be finally settled by arbitration in a mutually agreeable location other than New York, New York, Boston, Massachusetts or Chicago, Illinois, in accordance with the articles of the American Arbitration Association for Commercial Arbitration. The arbitrators shall have the right to assess costs, including legal expenses, in favor of the prevailing Party, including, if applicable, travel costs. Notwithstanding the foregoing, the Parties may have recourse to the courts of the United States of America for the purpose of obtaining preliminary injunctive relief.

20. EXECUTION IN COUNTERPARTS.

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

21. AMENDMENTS.

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

22. NO THIRD PARTY BENEFICIARIES.

City Brewing and Boston Beer agree that this Agreement is solely for their benefit and does not nor is it intended to create any rights in favor of, or obligations owing to, any person not a party to this Agreement.

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23. MERGER: SEPARABILITY.

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

24. NON-EXCLUSIVE NATURE OF AGREEMENT.

(a) Nothing contained in this Agreement shall require Boston Beer to avail itself of the Committed Capacity or preclude Boston Beer from engaging any other brewer for the purpose of producing and distributing Beer Products.

(b) Boston Beer acknowledges that City Brewing's business includes brewing specialty malt beverage products, including products that may compete directly with, use the same brewing ingredients and formulae as, and/or are of the same style as one or more of the Beer Products. Boston Beer agrees that nothing contained in this Section 24 shall in any manner prevent, limit, restrict or otherwise affect City Brewing's right to continue and expand such aspect of its business, including by introducing new products that compete directly with existing Beer Products, so long as City Brewing does not intentionally (i) copy the identical brewing formulae and ingredients of any Beer Product, (ii) use any proprietary yeast specifically supplied to City Brewing by Boston Beer solely for use in producing Beer Products; or (iii) use labeling or other packaging which infringes any of Boston Beer's Trademarks or copies Boston Beer's marketing position and strategy.

25. YEAST STRAINS.

City Brewing will keep all yeast strains supplied by Boston Beer free of any contamination and will not use such yeast strains to brew any beers other than the Beer Products. The obligations of City Brewing under this Section 25 shall survive any termination of this Agreement. City Brewing shall, upon the request of Boston Beer, return any proprietary yeast strains it may have in its possession or under its control.

26. LABORATORY ANALYSIS; QUALITY ASSURANCE

City Brewing will perform the laboratory analysis and monitor production and packaging of the Beer Products in accordance with standards set forth on Exhibit E attached hereto. Under such procedures, City Brewing will examine samples of each Product prior to and after packaging.

27. CONFIDENTIALITY.

The Parties agree that, except as they shall otherwise mutually determine from time to time, the terms of this Agreement and any notices given hereunder or other communications

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with respect to the substance of the relationship between them shall be maintained in confidence; provided that each Party shall be permitted to make such disclosures of confidential information to such courts and other public or governmental agencies as their counsel shall deem necessary to maintain compliance with and to prevent violation of applicable federal or state laws.

28. NOTICES.

All notices required herein shall be given by certified mail, return receipt requested, or by overnight courier service, to the following addresses (unless change thereof - has previously been given to the party giving notice) and shall be deemed effective when received:

If to Boston Beer:

Martin F. Roper, President and CEO  
Jeffrey D. White, Chief Operating Officer  
Boston Beer Corporation  
75 Arlington Street  
Boston, MA 02116

with a copy to:

Legal Department  
Boston Beer Corporation  
75 Arlington Street  
Boston, MA 02116

If to City Brewing:

Randy Hull, Director of Business Development  
City Brewing Company, LLC  
925 South Third Street  
La Crosse, WI 54601

29. RIGHTS OF OFFSET.

City Brewing and Boston Beer agree that, to the extent that either of them is at any time owed money by the other Party, including on regular invoices sent as provided herein, such Party may set off such amount against any undisputed monies owed by it to such Party from time to time, any such set-off to be accomplished by written notice to the owing Party, effective upon being sent.

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30. DELIVERIES TO JOINT WHOLESALERS.

To the extent permitted by applicable law and at the request of Boston Beer, City Brewing will combine Beer Products and City Brewing products in single truckloads for delivery to "Joint Wholesalers," in which case freight costs shall be pro-rated. For this purpose, a "Joint Wholesaler" is a licensed beer wholesaler that has been duly authorized by both Boston Beer and City Brewing to distribute their respective products. City Brewing and Boston Beer will cooperate with each other in the coordination of order entry so as to facilitate such single truckload deliveries.

31. LIMITATION ON PERIOD OF CLAIMS.

Except as otherwise provided in this Agreement with respect to specific issues, all claims hereunder must be brought no later than [\*] after such claim arose or the Party having such claim shall be deemed to have waived or forever released it; provided that, for purposes of this Section 31, a claim based on a claim by a third party shall be deemed to have arisen at the time that the Party asserting a claim first became aware of it.

IN WITNESS WHEREOF, City Brewing and Boston Beer have executed this Agreement as of the date first above written.

CITY BREWING COMPANY, LLC

By: s/ RANDY J. HULL

-----  
[Title] President

BOSTON BEER CORPORATION

By: s/ MARTIN F. ROPER

-----

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Exhibit A

Beer Products

[\*]

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

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Exhibit B

Pricing Schedule

[\*]

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Exhibit C

Reports under Alternating Proprietorship

City Brewing shall provide to Boston Beer the number of barrels of Beer Products produced by City Brewing and which have left the Brewery ("Production/Tax Data"), on or before the following dates:

(i) With respect to Production/Tax Data during each calendar month, except for September, City Brewing shall provide such information within no more than five calendar days following the fifteenth and last day of each month in order that Boston Beer may submit and pay the applicable excise taxes which are due within fourteen days following the 15th and last day of each month (or which is due on the preceding business day if the fourteenth day, as aforesaid, should fall on a Saturday, Sunday or legal holiday);

(ii) With respect to Production/Tax Data for the month of September in each year, City Brewing agrees to provide Boston Beer with Production/Tax Data for the following periods within the time frames hereinafter set forth: For the period from September 1 through September 15, such Production/Tax Data must be received by Boston Beer no later than September 20; for the period from September 16 through September 26, Production/Tax Data must be received by

Boston Beer no later than September 28; and for the period from September 27 through September 30, City Brewing agrees to provide the Production/Tax Data no later than October 5.

(iii) In the event that the provisions of 27 CFR, Subpart K are amended, Boston Beer shall supply City Brewing with written notice of any changes required in the reporting schedule set forth above.

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Exhibit D

Schedule of Trademarks

TRADEMARK -----	REGISTRATION NO., IF APPLICABLE -----	DATE OF ISSUANCE -----
Sam Adams (R)	1,987,061	July 16, 1996
Sam Adams (R) (Stylized)	2,054,509	April 22, 1997
Samuel Adams (R)	1,987,062	July 16, 1996
Samuel Adams Portrait Logo (R)	2,402,492	November 7, 2000
Samuel Adams Boston Lager (R)	1,522,026	January 24, 1989
Sam Adams Light (TM)	76/254,442	
Twisted Tea (R)	2,574,263	May 28, 2002

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QUALITY ASSURANCE EXHIBIT E

STANDARD ANALYTICAL TESTING SCHEDULE - BREWING - WORT

TYPE OF TEST -----	MINIMUM TEST FREQUENCY -----
pH	Each Brew
Starch Conversion (Brewing Dept.)	Each Brew
Color	As Requested
Dissolved Oxygen	1 Brew Weekly

STANDARD ANALYTICAL TESTING SCHEDULE - BREWING - BEER

TYPE OF TEST -----	MINIMUM TEST FREQUENCY -----
END OF FERMENTATION -----	
Original Gravity	Each Tank
Real Extract	Each Tank
Alcohol	Each Tank
Real Degree of Attenuation	Each Tank
VDK	Each Tank
pH	Each Tank
IBU	As Requested
Color	As Requested

RUH BEER  
-----

Original Gravity	Each Tank
Real Extract	Each Tank
Alcohol	Each Tank
Real Degree of Attenuation	Each Tank
Dissolved Oxygen (Brewing Dept.)	Each Tank
pH	Each Tank
IBU	Each Tank
Color	Each Tank
Sensory Evaluation	Each Tank

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QUALITY ASSURANCE EXHIBIT cont.

STANDARD ANALYTICAL TESTING SCHEDULE - BREWING - BEER

TYPE OF TEST -----	MINIMUM TEST FREQUENCY -----
PACKAGE RELEASE BEER -----	
Original Gravity	Each Tank
Real Extract	Each Tank
Alcohol	Each Tank
Color	Each Tank
pH	Each Tank
Turbidity	Each Tank
Dissolved Oxygen (Brewing Dept.)	Each Tank
CO2 (Brewing Dept.)	Each Tank
Temperature (Brewing Dept.)	Each Tank
Sensory Evaluation	Each Tank

STANDARD ANALYTICAL TESTING SCHEDULE - BREWING - WATER

TYPE OF TEST -----	MINIMUM TEST FREQUENCY -----
RAW WATER -----	
pH	Weekly
Alkalinity	Weekly
Turbidity	Weekly
Sensory Evaluation	Weekly
CARBON TREATED WATER -----	
Carbon	Weekly
BREWING WATER AND R.O. WATER -----	
pH	Daily
Alkalinity	Daily
Conductance	Daily
Turbidity	Daily
Sensory Evaluation	Daily
DILUENT -----	
Dissolved Oxygen (Brewing Dept.)	Each Tank

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QUALITY ASSURANCE EXHIBIT cont.

STANDARD ANALYTICAL TESTING SCHEDULE - PACKAGING - ALL PRODUCTS

TYPE OF TEST - PRODUCT -----	MINIMUM TEST FREQUENCY -----
Package Air (bottles and cans)	3 units/2 hours and Each Tank Change
CO2 (bottles and cans)	3 units/2 hours and Each Tank Change
Fill Volume (bottles and cans)	5 units/2 hours and Each Tank Change
Product Analysis (alcohol, RE, OG)	Start-up and Each Tank Change
NA Beer Analysis (alcohol, RE, OG)	Start and End of Each Run
TYPE OF TEST -PACKAGE -----	
Crown Crimp Check (Packaging Dept.)	2 sets/shift/crowner
Removal Torque	1 set/shift/crowner or capper
Filled Carton Package Evaluation (Packaging Dept.)	48 units/2 times/shift/line
Metal Exposure (cans)	12 units/2 times/shift/line
1st Operation Seam Check	1/week and after seamer maintenance
2nd Operation Seam Check	1/shift/seamer
Can Lubricant Contamination	1/shift/seamer
Seamer Lubricant Check (Packaging Dept.)	2/shift
Can Filtec Rejects Visual (Packaging Dept.)	Every hour/line
Sensory Evaluation	Each Tank Change
PACKAGING LINE EQUIPMENT -----	
Glass Inclusion Monitoring (QA/Packaging)	24 bottles/2 hrs. and 100 bottles@Start-up
Pasteurizer Temperature Monitoring (Packaging Dept.)	Every 2 hours/line
Pasteurizer PU Check	1/week/line and at changeovers
Check (Packaging Dept.)	1/shift/line
Package Filtec Check (Packaging Dept.)	Every 2 hours/line

Full Case Filtec Check (Packaging Dept.)  
Date Coding-cans, bottles, carriers, cartons  
(Packaging)  
Carton Set-up and Gluing (Packaging Dept.)

2/shift/line  
Every 2 hours and line and changeovers  
Every 30 minutes/line

STANDARD ANALYTICAL TESTING SCHEDULE -BREWING -BLENDED PRODUCTS

PRODUCT RELEASE TANKS

TYPE OF TEST -----	MINIMUM TEST FREQUENCY -----
Original Gravity	Each Tank
Specific Gravity	Each Tank

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QUALITY ASSURANCE EXHIBIT cont.

STANDARD ANALYTICAL TESTING SCHEDULE -BREWING -BLENDED PRODUCTS

PRODUCT RELEASE TANKS

TYPE OF TEST -----	MINIMUM TEST FREQUENCY -----
Refractive Index	Each Tank
Real Extract	Each Tank
Alcohol	Each Tank
Color	Each Tank
pH	Each Tank
Turbidity	Each Tank
Degrees Brix	Each Tank
Total Acidity	Each Tank
Dissolved Oxygen (Brewing Dept.)	Each Tank
CO2 (Brewing Dept.)	Each Tank
Temperature (Brewing Dept.)	Each Tank
Sensory Evaluation	Each Tank

STANDARD ANALYTICAL TESTING SCHEDULE -MICROBIOLOGY

TYPE OF TEST -----	MINIMUM TEST FREQUENCY -----
Cooler Wort (aerobes and anaerobes)	1/week
Pitched Wort (aerobes and anaerobes)	Each Fermenter
Pitched Wort Cell Count	1/week

Yeast % Solids (Brewing)	Each Brink
Dead Cell Count	1/day

IN-PROCESS PRODUCT  
-----

Ruh Storage Tanks (aerobes and anaerobes)	Each Tank
Package Release Tanks (aerobes and anaerobes)	Each/1 week
Filter Series (aerobes and anaerobes)	1/week
Extended Age Product >28 days	1/week/tank

PACKAGED PRODUCT  
-----

Bottles and Cans (aerobes and anaerobes)	1/line/week at start-up
Rinse Water	1/line/week
Jetter Water	1/line/week

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QUALITY ASSURANCE EXHIBIT CONT.

STANDARD ANALYTICAL TESTING SCHEDULE - MICROBIOLOGY

TYPE OF TEST	MINIMUM TEST FREQUENCY
-----	-----

WATER  
-----

Well Water (coliforms)	1/month
Raw Water (aerobes)	1/week
Diluent Water (aerobes)	Each/1 week
Brewing Water (aerobes)	Each/1 week

PITCHING YEAST  
-----

Morphology	1/day
Dead Cells	1/day
Aerobes and Anaerobes	1/day
Wild Yeast	1/day

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The Boston Beer Company, Inc.

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

In connection with the Quarterly Report of The Boston Beer Company, Inc. (the "Company") on Form 10-Q for the period ended September 28, 2002 as filed with the Securities and Exchange Commission (the "Report"), I, Martin F. Roper, President and Chief Executive Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2002

/s/ Martin F. Roper

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Martin F. Roper  
President and Chief Executive Officer

The Boston Beer Company, Inc.

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

In connection with the Quarterly Report of The Boston Beer Company, Inc. (the "Company") on Form 10-Q for the period ended September 28, 2002 as filed with the Securities and Exchange Commission (the "Report"), I, Richard P. Lindsay, Chief Financial Officer and Treasurer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2002

/s/ Richard P. Lindsay

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Richard P. Lindsay  
Chief Financial Officer and  
Treasurer

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

1. I have reviewed this quarterly report on Form 10-Q of The Boston Beer Company, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

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



I, Richard P. Lindsay, Chief Financial Officer and Treasurer [Principal Financial Officer] of The Boston Beer Company, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Boston Beer Company, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Richard P. Lindsay

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Richard P. Lindsay, Chief Financial  
Officer and Treasurer  
[Principal Financial Officer]

