

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

FORM 10-K

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

For the fiscal year ended December 28, 1996

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 04-3284048
(State or other jurisdiction (IRS Employer
of incorporation or organization) Identification Number)

75 Arlington Street, Boston, Massachusetts 02116
(Address, including zip code, of Registrant's principal executive office)

(617) 368-5000
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12 (b) OF THE ACT: None

SECURITIES REGISTERED PURSUANT TO SECTION 12 (g) OF THE ACT:
Class A Common Stock

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the Class A Common Stock (\$.01 par value) held by non-affiliates of the Registrant totaled \$98,894,103 (based on the closing price of the Company's Class A Common Stock on the New York Stock Exchange on March 14, 1997). All of the Registrant's Class B Common Stock (\$.01 par value) is held by an affiliate.

As of March 14, 1997 there were 16,019,918 shares outstanding of the Company's Class A Common Stock (\$.01 par value) and 4,107,355 shares outstanding of the Company's Class B Common Stock (\$.01 par value).

DOCUMENTS INCORPORATED BY REFERENCE

Certain parts of the Registrant's Annual Report to Shareholders for the fiscal year ended December 28, 1996 are incorporated by reference into Parts I, II, and IV, of this report.

Certain parts of the Registrant's definitive Proxy Statement for its 1997 Annual Meeting to be held on June 3, 1997 are incorporated by

reference into Part III of this report.

THE BOSTON BEER COMPANY, INC.

PART 1

Item 1. Business

General

Boston Beer is the largest craft brewer by volume in the United States. In fiscal 1996, the Company sold 1,213,000 barrels of beer, which it believes to be more than the next five largest craft brewers combined.

The Company's net sales have grown from \$29.5 million in 1991 to \$191.1 million in fiscal 1996, representing a compounded annual growth rate of 46%. The Company's net sales increased 26% in 1996 from 1995.

In 1996, in addition to its flagship brand, Samuel Adams Boston Lager, the Company brewed seventeen beers under the Boston Beer Company name: Boston Ale, Lightship, Cream Stout, Honey Porter, Scotch Ale, Double Bock, Triple Bock, Octoberfest, Winter Lager, Old Fezziwig, Cherry Wheat, Summer Ale, Cranberry Lambic, Golden Pilsner, and three beers brewed under the LongShot label. The Company also sells beer brewed under the Oregon Original brand name through a separate sales organization and utilizes both separate and shared brewing operations. The Company brews its beer under contract at five breweries located in Pittsburgh, Pennsylvania, Lehigh Valley, Pennsylvania, Portland, Oregon, Rochester, New York, and Cincinnati, Ohio. Effective March 1, 1997, the Company, through an affiliate, Samuel Adams Brewery Company, Ltd., acquired the equipment and other brewery-related personal property of The Schoenling Brewing Company in Cincinnati, Ohio and leased the real estate on which the brewery is located. The Company intends to purchase the real estate of the Cincinnati brewery once certain pre-conditions have been satisfied.

Since its founding in 1984, the Company had operated as Boston Beer Company Limited Partnership, a Massachusetts limited partnership, through its sole partner Boston Brewing Company, Inc., a Massachusetts corporation. Through a Recapitalization effected November 1995, The Boston Beer Company, Inc., a Massachusetts corporation, became the parent corporation of Boston Beer Company Limited Partnership and Boston Brewing Company, Inc. As a result of the Recapitalization, all of the ownership interests in Boston Beer Company Limited Partnership are owned, directly or indirectly, by The Boston Beer Company, Inc.

The Company's principal executive offices are located at 75 Arlington Street, 5th Floor, Boston, Massachusetts 02116, and its telephone number is (617) 368-5000.

Industry Background

The Company is the largest brewer by volume in the craft-brewing/micro-brewing segment of the U.S. brewing industry. The terms craft brewer and micro-brewer are often used interchangeably by consumers and within the industry to mean a small, independent brewer whose predominant product is brewed with only traditional brewing processes and ingredients. Craft brewers include contract brewers, small regional brewers, and brewpubs. Craft beers are full-flavored beers brewed with higher quality hops, malted barley, yeast, and water, and without adjuncts such as rice, corn, or stabilizers, or with water dilution used to lighten beer for mass production and consumption. The Company estimates that in 1996 the craft brew segment accounted for approximately 4.7 million barrels. Over the five-year period ended December 31, 1996, craft beer shipments have grown at a compounded annual rate of approximately 39%, while total U.S. beer industry shipments have remained substantially level.

The primary cause for the rapid growth of craft-brewed beers is consumers' rediscovery of and demand for more traditional, full-flavored beers. Before Prohibition, the U.S. beer industry consisted of hundreds of small breweries that brewed such full-flavored beers. Since the end of Prohibition, U.S. brewers have shifted production to milder, lighter beers, which use lower cost ingredients, and can be mass-produced to take advantage of economies of scale in production and advertising. This shift toward these mass-produced beers has coincided with extreme consolidation in the beer industry. Today, three major brewers control over 75% of all U.S. beer shipments.

Per capita beer consumption in the U.S. has declined from its peak in the early 1980's. As consumers began to drink less beer, they focused their consumption on more flavorful or otherwise distinctive beers. Initially, this demand was met by imported beers from Holland, Germany, Canada, and Mexico. Beginning in the late 1980's, domestic craft brewers began selling heavier, more full-flavored beers, usually in small, local geographic markets, and often through their own brewpubs. When Samuel Adams Boston Lager entered the market in 1985, only a handful of craft breweries existed, virtually none of which distributed outside its immediate geographical area. In response to increased consumer demand for more flavorful beers, the number of craft-brewed beers has increased dramatically. Currently there are more than 500 craft brewers. In addition to the many independent brewers and contract brewers, the three major brewers (Anheuser-Busch, Inc., Miller Brewing Co., and Coors Brewing Co.) have all entered this fast-growing market, either through developing their own specialty beers or by acquiring in whole or part, or forming partnerships with existing craft brewers. It should be noted that in the last four months of 1996, the growth of the craft beer market has slowed materially. This slow down in growth may be accelerating in early 1997.

Business Strategy

The Company's business strategy is to continue to lead the craft-brewed beer market by creating and offering a wide variety of the highest quality full-flavored beers, while increasing sales through new product introductions and substantial trade and consumer awareness programs, supported by a large, well trained and rapidly expanding field sales organization. This strategy is detailed below.

Quality Assurance

The Company employs nine brewmasters and retains a world recognized brewing authority as consulting brewmaster to monitor the Company's contract brewers. Over 125 test, tastings, and evaluations are typically required to ensure that each batch of Samuel Adams conforms to the Company's standards. Its brewing department is supported by a quality control lab at the Company's small brewery in Boston. In order to assure that its customers enjoy only the freshest beer, the Company requires its contract brewers to include a "freshness" date on its bottles of Samuel Adams products. Boston Beer was among the first craft brewers to follow this practice. For Samuel Adams products, the Company uses only higher quality hops grown in Europe and in England.

Product Innovations

The Company is committed to developing new products in order to introduce beer drinkers to different styles of beer and promote the Samuel Adams product line and to remain a leading innovator in the craft beer industry. These new products allow the Samuel Adams drinker to try new styles of beer while remaining loyal to the Samuel Adams brand. New products also help the Company obtain more shelf space in retail stores and increased distributor and retailer focus on Boston Beer products. In 1996, the Company launched a "Homebrew" line of beers, under the LongShot label, based on selected home brewers' recipes. Other beers were developed in 1996 under the Company's joint venture with Joseph E. Seagram & Sons, Inc. ("Seagram"). The Company continues to market its line of Oregon Originals through the Oregon Ale and Beer Company. In 1997, the Company plans to

launch a hard cider line of beverage under the trademark, "HardCore".

Contract Brewing

The Company believes that its strategy of contract brewing, which utilizes the excess capacity of other breweries, gives the Company flexibility as well as quality and cost advantages over its competitors. The Company carefully selects breweries with (i) the capability of utilizing traditional brewing methods, and (ii) first rate quality control capabilities throughout brewing, fermentation, finishing, and packaging. By using the current excess capacity at other breweries, the Company has avoided potential start up problems of bringing a new brewery on line. Furthermore, by brewing in multiple locations, the Company can reduce its distribution costs and deliver fresher beer to its customers than other craft brewers with broad distribution from a single brewery. While the Company currently plans to continue its contract-brewing strategy, it has, as discussed above, acquired an existing brewery in Cincinnati and will also regularly evaluate the economic and quality issues involved with acquiring other breweries, as well as continuing with its contract brewing arrangements. It should be noted that the acquisition of the assets of the Cincinnati brewery and the subsequent ownership of the brewery assets will cause an erosion of the Company's consolidated gross profit margin and that on a line of business basis, the Cincinnati operation is expected to show a loss.

The Company currently has contracts with five brewers, one of whom is an affiliate of the Company, to produce its Samuel Adams lines of beers in the U.S., each of which is described in greater detail below. The Company believes that its current contract brewers have capacity, to which the Company has access, to brew annually approximately one and one half times as much of the Company's beer as the Company sold during 1996.

The Company continues to brew its Samuel Adams Boston Lager at each of its contract brewers but does not brew each of its other products at each contract brewer. Therefore, at any particular time, the Company may be relying on only one supplier for its products other than Samuel Adams Boston Lager.

In the event of a labor dispute, governmental action or other event that causes any of the Company's contract breweries to be unable to produce the Company's beer, the Company believes it would be able to increase production at its other contract breweries so as to meet demand for its beer. In such event, however, the Company may experience temporary shortfalls in production and/or increased production or distribution costs, the combination of which could have a material adverse effect on the Company's results of operations.

Pittsburgh Brewing Company. Pittsburgh Brewing's facilities were used to brew approximately 45% of the Company's beer in 1995 and approximately 22% in 1996. The Company's agreement with Pittsburgh Brewing expires in February 1999, subject to earlier termination as described below. The Company is charged a per unit rate for brewing, fermenting, and packaging, as well as the cost of raw materials. Pittsburgh Brewing has the right of first refusal for all beer requirements for the Samuel Adams family of beers for a specified region if it has the ability to meet the quality standards of the Company and is financially sound. Pittsburgh Brewing is required to maintain product liability insurance coverage for products produced for the Company and has agreed to indemnify the Company and its affiliates for certain losses incurred in connection with the manufacturing or packaging of its products.

Pittsburgh Brewing was formerly owned by Pittsburgh Food & Beverage which filed for Chapter 11 bankruptcy protection on February 24, 1995. In November 1995, the Trustee for Pittsburgh Food & Beverage sold the assets of Pittsburgh Brewing to Keystone Brewers, Inc. ("Keystone"), which assumed the brewing contract with the Company. While the Company believes that Pittsburgh Brewing, under Keystone ownership, will continue as a source of

supply for the Company, no assurance can be given that Keystone will be able to continue the Pittsburgh operations or that it will not encounter financial or operating difficulties, such as labor and other employee relations problems which might disrupt its operations.

The Stroh Brewery Company. In January 1994, the Company entered into a brewing contract with Stroh related to the production of Samuel Adams beer products at Stroh's Allentown (Lehigh Valley), Pennsylvania brewery (the "Lehigh Valley Brewery"). Production from the Lehigh Valley Brewery represented approximately 32% and 29% of the Company's total beer production in 1996 and 1995, respectively.

On or about June 30, 1996, Stroh acquired the Portland, Oregon brewery from G. Heileman Brewing Company ("Heileman") the brewery in Portland, Oregon (the "Portland Brewery") at which the Company had brewed certain of its beers since 1989. As part of such acquisition, Stroh assumed the production agreement entered into between the Company and Heileman in December, 1995 and agreed that the existing arrangements between the Company and Heileman would remain in effect until at least June 30, 1998. Production from the Portland Brewery has been, and is expected to continue to be, the principal source of supply for markets west of and including Denver, Colorado. Production from the Portland Brewery represented approximately 25% and 23% of the Company's beer brewed in 1996 and 1995, respectively.

In January 1997, the Company entered into an amended brewing contract with Stroh, which provides continuing access to the Lehigh Valley Brewery and the Portland Brewery. At the same time, the Company and Stroh also executed a letter agreement setting forth the terms on which the Company may elect to make an investment to facilitate certain expansion efforts at the Lehigh Valley Brewery. If the Company does not make the proposed investment, the contract will expire on June 30, 1998.

Under the amended brewing contract, Stroh has committed access to certain minimum capacity at the Stroh facilities for the Company to brew its Samuel Adams line of products, as well as certain seasonal products. For such access, Stroh will charge the Company a per unit rate for production and the Company will bear the costs of raw materials, excise taxes, deposits for case pallets and kegs, and a case unit charge for using bulk rather than packaged glass. The contract contains provisions relating to the reallocation of access to specific capacity in certain events.

The Genesee Brewing Company. In July, 1995, the Company entered into a brewing contract with Genesee related to the production of Samuel Adams beer products at its Rochester, New York brewery. The Company is charged a per unit rate for the production of beer, as well as the costs of raw materials and excise taxes that Genesee is obligated to pay. This agreement caps the maximum number of barrels that Genesee is obligated to produce for the Company. The Company commenced packaging of products at this brewery during the fourth quarter of 1995. This agreement expires in July 2005. However, Genesee has the right to terminate this agreement upon ten months notice to the Company. The Company has the right to terminate immediately with cause and, subject to the payment of a termination fee to Genesee, without cause.

The Schoenling Brewing Company. The Company commenced brewing arrangements with the Hudepohl-Schoenling Brewery in Cincinnati, Ohio, on a limited basis in the fourth quarter of 1995. In May 1996, the Company entered into a brewing contract with Schoenling Brewing Company ("Schoenling"), which owns the Hudepohl-Schoenling Brewery, related to the production of Samuel Adams beer products at its brewery in Cincinnati, and obtained an option to acquire the brewery assets of the Hudepohl-Schoenling Brewery. The contract provided that the Company pay a per unit rate for the production of the beer, as well as the costs of raw materials and excise taxes that Schoenling was obligated to pay, as well as certain deposit fees. Effective March 1, 1997, the Company acquired all of the equipment and other brewery-related personal property from Schoenling and leased the real estate on which the brewery is situated. In addition, subject to the

satisfaction of certain pre-conditions, the Company has agreed to purchase the real estate on which the brewery is located. Schoenling produces certain Samuel Adams beers and the Company's HardCore hard ciders.

Strong Sales and Distribution Presence

Boston Beer sells its products through a dynamic sales force, which the Company believes is the largest of any craft brewer and one of the largest in the domestic beer industry. The Company sells its beer through wholesale distributors, which then sell to retailers such as pubs, restaurants, grocery chains, package stores, and other retail outlets. The Company's sales force has a high level of product knowledge, and is trained in the details of the brewing process. Its sales force receives selling skills training each year from outside training experts. Sales representatives typically carry hops, barley, and other samples to educate wholesale and retail buyers as to the quality and taste of its beers. The Company has developed strong relationships with its distributors and retailers, many of which have benefited from the Company's premium pricing strategy and rapid growth.

Advertising and Promotion

The Company has historically invested in advertising and promotion. The Company uses radio advertising as well as outdoor advertising and, opportunistically, print media. In the second half of 1996, the Company began testing its television advertising campaign, which is now being evaluated. The Company works closely with its distributors and customers to develop and implement innovative promotions designed to increase consumer awareness and sales. Its on-premise promotions, where legal, include beer tastings and extensive use of user-friendly menu cards. Off-premise promotions include incentive contests, periodic discounts to retailers and other programs which often combine consumer, distributor, and retailer elements.

Products

The Company's product strategy is to create and offer a world class variety of traditional beers and to promote the Samuel Adams product line. At the end of 1996, the Company marketed twelve year-round and 6 seasonal beers under the Samuel Adams and LongShot brand names. These beers and the years in which they were first brewed or introduced are set forth below. The Company's Samuel Adams Boston Lager has historically accounted for the majority of the Company's sales.

Beers

Year First Brewed or Introduced

Year-Round Beers

Samuel Adams Boston Lager	1984
Samuel Adams Boston Ale	1987
Boston Lightship	1987
Samuel Adams Cream Stout	1993
Samuel Adams Honey Porter	1994
Samuel Adams Triple Bock	1994
Samuel Adams Scotch Ale	1995
Samuel Adams Cherry Wheat	1995
Samuel Adams Golden Pilsner	1996
LongShot Black Lager	1996
LongShot Hazelnut	1996
LongShot American Pale Ale	1996

Seasonal Beers

Samuel Adams Double Bock	1988
Samuel Adams Oktoberfest	1989
Samuel Adams Winter Lager	1989
Samuel Adams Cranberry Lambic	1989

Samuel Adams Old Fezziwig
Samuel Adams Summer Ale

1995
1996

The Company uses its Boston brewery to develop new types of innovative and traditional beers and to supply draft beer for the local market. Product development entails researching market needs and competitive products, sample brewing, and market taste testing.

In 1994, the Company formed the Oregon Ale and Beer Company ("Oregon Ale and Beer") to develop and market Pacific Northwest style beers. Oregon Ale and Beer markets its beers under the Oregon Original brand through a sales force separate from that which sells Samuel Adams' styles. Oregon Original ales have been brewed in Oregon at two breweries, one in Lake Oswego and the other in Portland.

On March 19, 1996, the Company entered into an Agreement with Seagram, pursuant to which Seagram sells a line of beers developed jointly by it, the Company and a third party craft brewer, under the "Devil Mountain" name. As of December 28, 1996, the Company had spent approximately \$1,435,000 with respect to this venture. The Company expects to spend up to an additional \$750,000, principally to cover marketing expenses to aid the introduction of these new beers and will, in return, receive royalties commencing on the second anniversary following the date of the first shipment of such products by Seagram. The Company will also provide certain technical assistance. The agreement also sets forth the circumstances in which the relationship can be terminated and the terms on which rights to the product line will revert to the Company or may be acquired by the Company.

Ingredients and Packaging

The Company has been successful to date in obtaining sufficient quantities of the ingredients used in the production of its beers. These ingredients include:

Malt. The Company currently directs the purchase of the malt used in the production of its beer to three suppliers, although it enters into discussions from time to time with other vendors. The two-row varieties of barley used in the Company's malt are grown in the U.S. and Canada.

Hops. The Company currently buys principally Noble hops for its Samuel Adams beers. Noble hops are varieties from specific growing areas usually recognized for superior taste and aroma properties and include Hallertau-Hallertauer, Tettnang-Hallertauer, Tettnang-Tettnauer, and Spolt-Spolter from Germany, and Bohemian Saaz from the Czech Republic. Noble hops are rarer and more expensive than other varieties of hops. Traditional English hops, East Kent Goldings and English Fuggles, are used in the Company's ales. The Company has yet to find alternative hops which duplicate the flavor and aroma of the Noble hops and traditional English ale hops. As a result, the Company must purchase sufficient quantities of these Noble hops to continue to increase production. The Company has been working with its Bavarian hops dealers to increase acreage of the Hallertau-Hallertauer varieties of hops. The Company stores its hops in multiple cold storage warehouses to minimize the impact of a catastrophe at a single site.

The Company purchases its hops from hops dealers, the largest of which (Joh. Barth & Son) has over the past five years accounted for between 30% and 61% of the hops purchased each year by the Company. The Company generally enters into forward contracts to ensure its supply of a portion of its requirements for up to five years.

The Company's hops contracts are denominated in German marks or English pounds, depending on the location of the supplier. Prior to late 1996, the Company has, as a practice, not hedged the foreign currency risk associated with these contracts. Through that date, the Company's gains and losses from exchange rate volatility have not been material. Beginning in late 1996, the Company began to hedge some of its currency risks.

Yeast. The Company maintains a supply of proprietary strains of yeast that it supplies to its contract brewers. Since these yeasts would be impossible to duplicate if destroyed, the Company maintains supplies in several locations. In addition, the Company's contract brewers maintain a supply of these yeasts that are reclaimed from the batches of beer brewed. The contract brewers are obligated by their brewing contracts only to use these yeasts to brew the Company's beers and the Company's yeasts cannot be used without the Company's approval to brew any other beers produced at the respective breweries.

Packaging Materials. The Company maintains multiple competitive sources of supply of packaging materials, such as bottles and shipping cases. Other packaging materials, such as labels, crowns, and six-pack carriers are currently supplied by single sources, although the Company believes that alternative suppliers of these materials are available. In those instances where the Company can negotiate preferential pricing, the Company enters into limited term supply agreements with these vendors. These materials are supplied to or resold to contract brewers depending on the arrangement.

To date, the Company has not experienced material difficulties in obtaining timely delivery from its suppliers. Although the Company believes there are alternate sources available for the ingredients and packaging materials described above, there can be no assurance that the Company would be able to acquire such ingredients or packaging materials from other sources on a timely or cost effective basis in the event current suppliers were unable to supply them on a timely basis. The loss of a supplier could, in the short-term, adversely affect the Company's business until alternative supply arrangements were secured.

Sales and Marketing

The Company's products are sold to independent distributors by a large field sales. With few exceptions, the Company's products are not the primary brands in the distributors portfolio. Thus, the Company, in addition to competing with other beers for a share of the consumer's business, competes with other beers for a share of the distributor's attention, time, and selling efforts. The Company considers its distributors its primary customers and is focused on the relationship it has with its distributors.

In addition to this distributor focus, the Company has set up its sales organization to include on-premise and retail account specialists. This is designed to develop and strengthen relations at the chain headquarter level, and to provide educational and promotional programs aimed at distributors, retailers, and consumers, in each channel of distribution.

The Company has also historically engaged in extensive media campaigns, primarily radio. In addition, its sales force complements these efforts by engaging in sponsorships of cultural and community events, local beer festivals, industry-related trade shows, and promotional events at local establishments for sampling and awareness. All of these efforts are designed to stimulate consumer demand by educating consumers, retailers, and distributors, on the qualities of beer. The Company uses a wide array of point-of-sale items (banners, neons, umbrellas, glassware, display pieces, signs, menu stands, etc.) designed to stimulate impulse sales and continued awareness. It should be noted that this rate of increase in sales versus prior periods is slowing for the Company as well as for the market.

Distribution

The Company distributes its beers in every state in the U.S., as well as the District of Columbia and Puerto Rico. The Company distributes its beer through a network of over 400 distributors. During 1996, the Company's two largest distributors each accounted for approximately 6% of the Company's net sales. No other distributors accounted for more than 3% of

the Company's net sales during 1996. In some states, the terms of the Company's contracts with its distributors may be affected by laws that restrict enforceability of some contract terms, especially those related to the Company's right to terminate the services of its distributors.

The Company also distributes its beers to Canada, Sweden, Germany, Hong Kong and the United Kingdom, along with select Caribbean islands. Exports, however, represented less than 1% of 1996 revenues.

The Company typically receives orders by the tenth of a month with respect to products to be shipped the following month. Products are shipped within days of completion and, accordingly, there has historically not been any significant product order backlog.

Competition

The craft-brewed and high-end segments of the U.S. beer market are highly competitive due to continuing product proliferation from craft brewers and the recent introduction of specialty beers by national brewers. Recent growth in the sales of craft-brewed beers has increased competition and, as a result, the Company's growth rate compared to the preceding years is declining. The Company's products also compete generally with other alcoholic beverages, including other segments of the beer industry and low alcohol products. The Company competes with other beer and beverage companies not only for consumer acceptance and loyalty but also for shelf and tap space in retail establishments and for marketing focus by the Company's distributors and their customers, all of which also distribute and sell other beers and alcoholic beverage products. The principal methods of competition in the craft-brewed segment of the beer industry include product quality and taste, brand advertising, trade and consumer promotions, pricing, packaging, and the development of new products. The competitive position of the Company is enhanced by its uncompromising product quality, its development of new beer styles, innovative point of sale materials, a large motivated sales force, tactical introduction of seasonal beers and pricing strategies generating above-average profits to distributors and retailers.

The Company expects competition with craft brewers to increase as new craft brewers emerge and existing craft brewers expand their capacity and distribution. While some of the smaller micro-brewers and craft brewers have already left the marketplace due to the intense competition in the marketplace which they were unable to withstand with their oftentimes limited resources, new entrants into the market continue and competition, overall, is high. In addition, large brewers have developed or are developing niche brands and are acquiring small brewers to compete in the craft-brewed segment of the domestic beer market. These competitors may have substantially greater financial resources, marketing strength, and distribution networks than the Company.

The Company competes directly with regional specialty brewers such as Sierra Nevada Brewing Company, Pyramid Brewing Company, Anchor Brewing Company, other contract brewers such as Pete's Brewing Company, Massachusetts Bay Brewing, foreign brewers such as Heineken, Molson, Corona, Amstel, and Becks, and other regional craft brewers and brewpubs. Niche beers produced by affiliates of certain major domestic brewers such as Anheuser-Busch, Incorporated, Miller Brewing Co., and Coors Brewing Co., also compete with the Company's products.

The Company believes that with the bulk of its production of beers being produced as a contract brewer, it has competitive advantages over the regional craft brewers because of its higher quality, greater flexibility, and lower initial capital costs. Its use of contract brewing frees up capital for other uses and allows the Company to brew its beer closer to major markets around the country, providing fresher beer to customers and affording lower transportation costs. The Company's recent purchase of a brewery in Cincinnati where it previously contract-brewed its beers, will

continue to provide certain logistical advantages while at the same time providing the Company with added flexibility of production through its ownership which complements its strategy of contract brewing. The Company also believes that its products enjoy competitive advantages over foreign beers, including lower transportation costs, no import charges, and superior product freshness.

Alcoholic Beverage Regulation and Taxation

The manufacture and sale of alcoholic beverages is a highly regulated and taxed business. The Company's operations are subject to more restrictive regulations and increased taxation by federal, state, and local governmental entities than are those of non-alcohol related beverage businesses. Federal, state, and local laws and regulations govern the production and distribution of beer. These laws and regulations govern permitting, licensing, trade practices, labeling, advertising, marketing, distributor relationships, and related matters. Federal, state, and local governmental entities also levy various taxes, license fees, and other similar charges and may require bonds to ensure compliance with applicable laws and regulations. Failure by the Company to comply with applicable federal, state, or local laws and regulations could result in penalties, fees, suspension, or revocation of permits, licenses, or approvals. There can be no assurance that other or more restrictive laws or regulations will not be enacted in the future.

Licenses and Permits

The Company either purchases beer from one or more contract brewers or produces beer itself and sells it to distributors pursuant to a federal wholesaler's basic permit. Brewery and wholesale operations require various federal, state, and local licenses, permits, and approvals. In addition, some states prohibit wholesalers and/or retailers from holding an interest in any supplier, such as the Company. Violation of such regulations can result in the loss or revocation of existing licenses by the wholesaler, retailer, and/or the supplier. The loss or revocation of any existing licenses, permits, or approvals, and/or failure to obtain any additional or new licenses, including those required as a result of the Recapitalization in 1995, could have a material adverse effect on the ability of the Company to conduct its business. On the federal level, brewers are required to file with the Bureau of Alcohol, Tobacco, and Firearms ("ATF") an amended Brewer's Notice every time there is a material change in the brewing process or brewing equipment, change in the brewery's location, change in the brewery's management, or a material change in the brewery's ownership. Brewers must notify ATF within 30 days of any change in the wholesaler's operations, change in the wholesaler's location, change in the wholesaler's management or a material change in the wholesaler's ownership. The Company's operations are subject to audit and inspection by ATF at any time.

On the state and local level, some jurisdictions merely require notice of any material change in the operations, management, or ownership of a permittee or licensee. Some jurisdictions require advance approvals and require that new licenses, permits, or approvals must be applied for and obtained in the event of a change in the management or ownership of the permittee or licensee. State and local laws and regulations governing the sale of beer within a particular state by an out-of-state brewer or wholesaler vary from locale to locale.

ATF permits and brewer's registrations can be suspended, revoked, or otherwise adversely affected for failure to pay tax, to keep proper accounts, to pay fees, to bond premises, to abide by federal alcoholic beverage production and distribution regulations and to notify ATF of any change (as described above), or if holders of 10% or more of the Company's equity securities are found to be of questionable character. Permits, licenses, and approvals from state regulatory agencies can be revoked for many of the same reasons.

Because of the many and various state and federal licensing and

permitting requirements, there is a risk that one or more regulatory authorities could determine that the Company has not complied with applicable licensing or permitting regulations or does not maintain the approvals necessary for it to conduct business within their jurisdictions. There can be no assurance that any such regulatory action would not have a material adverse effect upon the Company or its operating results.

Taxation

The federal government and each of the states levy excise taxes on alcoholic beverages, including beer. For brewers producing no more than 2,000,000 barrels of beer per calendar year, the federal excise tax is \$7.00 per barrel on the first 60,000 barrels of beer removed for consumption or sale during a calendar year, and \$18.00 per barrel for each barrel in excess of 60,000. For brewers producing more than 2,000,000 barrels of beer in a calendar year, the federal excise tax is \$18.00 per barrel. As the brewer of record of its beers, the Company has been able to take advantage of this reduced tax on the first 60,000 barrels of its beers produced. Individual states also impose excise taxes on alcoholic beverages in varying amounts, which have also been subject to change. The state excise taxes are usually paid by the Company's distributors.

Congress and state legislators routinely consider various proposals to impose additional excise taxes on the production and distribution of alcoholic beverages, including beer. Further increases in excise taxes on beer, if enacted, could result in a general reduction of malt beverages sales.

Trademarks

The Company has obtained U.S. Trademark Registrations for the marks Samuel Adams Boston Lager (as well as for its design logo), Boston Ale, Lightship, Winter Lager, and other marks. The Samuel Adams Boston Lager mark and other Company marks are also registered or pending in various foreign countries. The Company regards its Samuel Adams Boston Lager and other trademarks as having substantial value and as being an important factor in the marketing of its products. The Company is not aware of any infringing uses that could materially affect its current business or any prior claim to the trademarks that would prevent the Company from using such trademarks in its business. The Company's policy is to pursue registration of its marks whenever possible and to oppose vigorously any infringements of its marks.

The Company occasionally makes available its trademarks to independent on-premise retailers of its products.

In 1996, the Company entered into a license arrangement with Whitbread PLC, the fourth largest brewery in the United Kingdom, pursuant to which a new hybrid brew was developed and marketed under the trademark, "Boston Beer". The recipe was developed by Whitbread Beer Company, a subsidiary of Whitbread PLC, with assistance from Boston Beer Company's brewers. The Company owns the trademarks for the new product and has granted Whitbread an exclusive license to use that trademark in Great Britain and Ireland. Boston Beer Company receives a royalty from the sale of this new beer.

On March 19, 1996, the Company entered into a Trademark License and Technical Assistance Agreement with Joseph E. Seagram & Sons, Inc. ("Seagram"), pursuant to which the Company licensed the "Devil Mountain" trademarks for use by Seagram on beers which Seagram developed, with technical assistance from the Company. The Agreement provides for stated royalties to commence on the second anniversary following the date of the first shipment of such products by Seagram.

In addition, the Company has licensed its trademark, "Samuel Adams Brew House" to certain entities for purposes of establishing Samuel Adams Brew Houses at airport locations and elsewhere. The Company does not receive a royalty pursuant to these license arrangements.

Environmental Regulations and Operating Considerations

As the owner of a brewery in Boston, Massachusetts and, effective March 1, 1997, of a brewery in Cincinnati, Ohio, the Company's operations are subject to a variety of extensive and changing federal, state, and local environmental laws, regulations, and ordinances that govern activities or operations that may have adverse effects on human health or the environment. Such laws, regulations or ordinances may impose liability for the cost of remediating, and for certain damages resulting from, sites of past releases of hazardous materials. The Company believes that it currently conducts, and in the past has conducted, its activities and operations in substantial compliance with applicable environmental laws, and believes that costs arising from existing environmental laws will not have a material adverse effect on the Company's financial condition or results of operations. There can be no assurance, however, that environmental laws will not become more stringent in the future or that the Company will not incur costs in the future in order to comply with such laws.

The Company's operations are subject to certain hazards and liability risks faced by all brewers, such as potential contamination of ingredients or products by bacteria or other external agents that may be wrongfully or accidentally introduced into products or packaging. While the Company has never experienced a contamination problem in its products, the occurrence of such a problem could result in a costly product recall and serious damage to the Company's reputation for product quality, as well as claims for product liability. The Company and its contract brewers maintain insurance which the Company believes is sufficient to cover any liability claims which might result from a contamination problem in its products.

Employees

The Company employs approximately 350 employees. None of the Company's employees is represented by a labor union, except for 75 of those employees employed at the Company's newly-acquired brewery in Cincinnati, Ohio. The Schoenling Brewing Company, from whom the Company acquired certain brewery assets in Cincinnati, and from whom the Company hired those employees represented by labor unions, has enjoyed a good relationship with those labor unions. The Company has no reason to believe that a good working relationship with those labor unions will not continue. The Company has experienced no work stoppages and believes that its employee relations are good.

Item 2. Properties

The Company maintains its principal corporate offices and a brewery in Boston, Massachusetts. The Company also maintains sales and administrative offices in California, Maryland, and Oregon. The Company leases all of its facilities, but will buy the brewery-related real estate in Cincinnati upon satisfaction of certain pre-conditions. The Company believes that its facilities are adequate for its current needs and that suitable additional space will be available on commercially acceptable terms as required.

Item 3. Legal Proceedings

In early 1996, Boston Brewing Company, Inc. ("Boston Brewing"), an affiliate of both Boston Beer Company Limited Partnership and The Boston Beer Company, Inc., had an action filed against it by its distributor, Premier Worldwide Beers PLC ("Premier"), such action having been filed in a court in England. Premier's action contains a claim to damages for alleged breach of a Distributorship Agreement between Boston Brewing and Premier. The action is being vigorously defended and at present is in the discovery stage.

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 result, individually or in the aggregate, in a material adverse effect upon its financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter ended December 28, 1996.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Class A Common Stock is listed for trading on the New York Stock Exchange. The Company's NYSE symbol is SAM. For the fiscal periods indicated, the high and low sales price for Boston Beer Company, Inc. Class A Common Stock as reported on the New York Stock Exchange-Composite Transaction Reporting System were as follows:

Fiscal 1996	High	Low
First Quarter	\$24.750	\$18.375
Second Quarter	\$24.000	\$18.250
Third Quarter	\$23.750	\$19.000
Fourth Quarter	\$20.375	\$10.000

Fiscal 1995	High	Low
First Quarter	Not applicable	Not applicable
Second Quarter	Not applicable	Not applicable
Third Quarter	Not applicable	Not applicable
Fourth Quarter	\$33.00	\$21.50

There were 19,051 holders of record of the Company's Class A Common Stock as of March 14, 1997. Included in the number of stockholders of record are stockholders who hold shares in "nominee" or "street" name. The closing price per share of the Company's Class A Common Stock as of March 14, 1997, as reported under the New York Stock Exchange-Composite Transaction Reporting System, was \$8.625.

The Company's Class B Common Stock is not listed for trading. However, each share of Class B Common Stock is convertible, at any time, at the option of the holder thereof, into one share of Class A Common Stock.

As of March 14, 1997, there was one holder of record of the Company's Class B Common Stock.

The holders of the Class A and Class B Common Stock are entitled to dividends, on a share-for-share basis, only when and if declared by the Board of Directors of the Company out of funds legally available for payment thereof. The Company does not anticipate paying dividends on the Class A and Class B Common Stock in the foreseeable future. It should be further noted that under the terms of the Revolving Credit Agreement, the Company is prohibited from paying dividends.

Item 6. Selected Financial Data

THE BOSTON BEER COMPANY, INC.
SELECTED FINANCIAL DATA

Year Ended					
Dec. 28	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
1996	1995	1994	1993	1992	1991
(in thousands, except per share, per barrel and employee data)					

Income Statement Data:

Sales	\$213,879	\$169,362	\$128,077	\$85,758	\$53,343	\$32,302
Less excise taxes	22,763	18,049	13,244	8,607	5,165	2,845
Net sales	191,116	151,313	114,833	77,151	48,178	29,457
Cost of Sales	95,786	73,847	52,851	35,481	22,028	13,039
Gross Profit	95,330	77,466	61,982	41,670	26,150	16,418
Advertising, promotional, and selling expenses	70,131	60,461	46,503	32,669	21,075	12,105
General and administrative	12,042	7,585	6,593	4,105	3,306	2,247
Total operating expenses	82,173	68,046	53,096	36,774	24,381	14,352
Operating income	13,157	9,420	8,886	4,896	1,769	2,066
Other income (expense), net	1,714	959	199	(2)	(124)	23
Income before income taxes	14,871	10,379	9,085	4,894	1,645	2,089
Provision (benefit) for income taxes <F1>	6,486	(2,195)	-	-	-	-
Net income	\$8,385	\$12,574	\$9,085	\$4,894	\$1,645	\$2,089
Income before income taxes		\$10,379	\$9,085	\$4,894	\$1,645	\$2,089
Pro forma income taxes (unaudited) <F2>	-	4,483	3,765	2,040	691	859
Pro forma net income (unaudited) <F2>		\$5,896	\$5,320	\$2,854	\$954	\$1,230
Earnings per share	\$0.41					
Pro forma earnings per share (unaudited) <F2>		\$0.33	\$0.29			
Weighted average shares outstanding <F3>	20,296	17,949	18,171			

Statistical Data:

Barrels sold	1,213	961	714	475	294	174
Net sales per barrel	\$158	\$158	\$161	\$162	\$164	\$169
Employees	253	196	138	110	87	69
Net sales per employee	\$755	\$772	\$832	\$701	\$554	\$427

Balance Sheet Data at
period end:

Working capital	\$47,769	\$45,266	\$3,996	\$8,173	\$6,169	\$6,053
Total assets	\$96,553	\$76,690	\$31,776	\$24,054	\$15,780	\$11,981
Total long term debt	\$1,800	\$1,875	\$1,950	\$2,000	\$2,050	\$2,100
Total partners/ stockholders' equity	\$64,831	\$54,798	\$6,600	\$8,854	\$6,434	\$5,954
Dividends	-	-	-	-	-	-

<FN>

<F1> In 1995, the Company recorded a one-time tax benefit of \$1,960,000 upon

change in tax status of the entity, and a tax benefit of \$235,000 for the period November 21, 1995 to December 31, 1995.

</FN>

<FN>

<F2> Reflects pro forma provisions for income taxes using statutory federal and state corporate income tax rates that would have been applied had the Company been required to file income tax returns during the indicated period. See Note B of notes to the consolidated financial statements.

</FN>

<FN>

<F3> Reflects weighted average number of common and common equivalent shares of the Class A and Class B Common Stock assumed to be outstanding during the respective periods. For the years ended December 31, 1995 and December 31, 1994, shares reflect pro forma weighted average numbers. See Note B of notes to the consolidated financial statements.

</FN>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Effective in fiscal 1996, the Company changed its fiscal year to end on the last Saturday in December. The impact on the current year of two fewer days of operations was not material.

The Company's profitability has been affected principally by sales volume, slow erosion of gross profit margin, the number of sales people employed, and advertising expenses. As indicated in the table below under "Quarterly Results", although the Company has historically experienced higher sales and higher advertising expenses as a percent of sales in the second through fourth quarters of each year compared to the first quarter of each year, which has resulted in a higher level of profit in the first quarter.

The Company prices its beers at a level higher than domestic mass-produced beers but at a level consistent with other craft beers. The Company believes that this pricing is appropriate given the quality and reputation of its products. The Company expects that its pricing may become subject to downward pressure as sales volume and competition increase; however, such expectations have not yet been realized in a material way. In 1996, the Company instituted various modest price increases which to date have had a favorable impact on the Company's revenue per barrel.

The Company's gross profit may be affected by the Company's product mix. Seasonal beers tend to be more expensive to produce and the additional expenses may not be fully offset by increased pricing. Increases in sales of seasonal beers, therefore, may reduce the Company's gross profit per barrel in certain quarters. Although the Company sells its products in bottles and kegs, the annualized mix of the two has remained relatively constant. A shift toward a higher proportion of keg sales versus bottle sales may not have a negative impact on profit due to the fact that while kegs generate lower revenue per barrel, there is generally a corresponding reduction in the cost of producing keg products, with the exception of the aforementioned seasonal beers.

The financial statements of the Company for the periods prior to the Recapitalization do not include a provision for income taxes. Prior to the Recapitalization, the Company operated solely as Boston Beer Company Limited Partnership. As a partnership, the income of the Company was included in the income tax returns of the Partnership's partners. For information purposes, the statements of income include a pro forma income tax provision on taxable income for financial statement purposes using the effective federal and state rates that would have resulted if the Partnership had filed corporate tax returns during those periods. The Company had historically distributed between 40% and 50% of pre-tax income to its partners for the purpose of funding their tax obligations. Tax

payments by the Company following the Recapitalization, therefore, have not caused a material change to the Company's cash flow or liquidity.

Quarterly Results

The Company has historically experienced, and expects to continue experiencing quarterly fluctuations in its sales, operating, and net income. Historically, the Company's sales tend to be lower in the first quarter of each year. Sales tend to increase in the third and fourth quarters, while decreasing in the month of December. The Company has also historically expended less on advertising, promotion, and selling expenses in the first quarter. It should be noted that sales from distributors to retailers are increasing, but at a decreasing rate.

Quarterly sales and quarterly spending on advertising, promotion, and selling expenses are shown in the following table which sets forth certain unaudited quarterly results of operations for each of the twelve quarters ended December 28, 1996. In management's opinion, this unaudited information includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the information for the quarters presented. The operating results for any quarter are not necessarily indicative of results for any future quarters.

The following is a summary of selected unaudited quarterly financial data:

	Quarters Ended							
	March 30, 1996	June 29, 1996	Sept. 28, 1996	Dec. 28, 1996	March 31, 1995	June 30, 1995	Sept. 30, 1995	Dec. 31, 1995
Barrels Sold	275	343	294	301	197	245	246	273
Sales	\$48,276	\$60,583	\$51,598	\$53,422	\$34,498	\$42,885	\$44,512	\$47,467
Less excise taxes	5,147	6,512	5,486	5,618	3,724	4,564	4,702	5,059
Net sales	43,129	54,071	46,112	47,804	30,774	38,321	39,810	42,408
Cost of sales	21,865	27,065	22,901	23,955	15,154	18,212	19,249	21,232
Gross profit	21,264	27,006	23,211	23,849	15,620	20,109	20,561	21,176
Advertising, promotional, and selling expenses	14,029	20,340	17,118	18,644	10,814	16,358	16,483	16,806
General and administrative expenses	2,983	2,867	2,402	3,790	1,632	1,906	1,670	2,377
Total operating expenses	17,012	23,207	19,520	22,434	12,446	18,264	18,153	19,183
Operating income	4,252	3,799	3,691	1,415	3,174	1,845	2,408	1,993
Other income expenses, net	434	370	437	473	49	(19)	804	125
Income before income taxes	4,686	4,169	4,128	1,888	3,223	1,826	3,212	2,118
Provision (benefit) for income taxes	2,046	1,808	1,832	800	-	-	-	(2,195)
Net income	\$2,640	\$2,361	\$2,296	\$1,088	\$3,223	\$1,826	\$3,212	\$4,313
Pro forma data:								
Income before income taxes					\$3,223	\$1,826	\$3,212	\$2,118
Pro forma income tax					1,387	788	1,384	924
Pro forma net income					\$1,836	\$1,038	\$1,828	\$1,194
Effective tax rate	43.7%	43.4%	44.4%	42.4%	43.0%	43.2%	43.1%	43.6%

Period to Period Comparison of Results

The following table sets forth certain items included in the Company's consolidated statements of income as a percentage of net sales:

Percentage of Net Sales

Years Ended	12/28/96	12/31/95	12/31/94
-------------	----------	----------	----------

Sales	111.9%	111.9%	111.5%
Less Excise Taxes	11.9%	11.9%	11.5%
	-----	-----	-----
Net Sales	100.0%	100.0%	100.0%
Cost of Sales	50.1%	48.8%	46.0%
	-----	-----	-----
Gross Profit	49.9%	51.2%	54.0%
Advertising, promotional, and selling expense	36.7%	40.0%	40.5%
General and administrative expenses	6.3%	5.0%	5.7%
	-----	-----	-----
Total operating expenses	43.0%	45.0%	46.2%
	-----	-----	-----
Operating income	6.9%	6.2%	7.7%
Income before income taxes	7.8%	8.3%	7.9%
	-----	-----	-----
Net income	4.4%	3.9% <F1>	4.6% <F1>
	-----	-----	-----

<FN>

<F1> Pro forma unaudited see Note B.

</FN>

Years Ended December 28, 1996 and December 31, 1995.

Sales. Volume increased by 26.2% from 961,000 barrels in 1995 to 1,213,000 barrels in 1996. Net sales increased by 26.3% from \$151,313,000 in 1995 to \$191,116,000 in 1996. Sales volume reflected continued growth in Sam Adams Boston Lager, increases in the volume of seasonal beers, increases in the Oregon Original beers, and the introduction of Golden Pilsner, and the LongShot line of beers. The average net sales price per barrel increased \$.10 due primarily to an increase in selling prices offset by increases in quality assurance and in customer discounts.

Gross Profit. Gross profit increased by 23.1% from \$77,466,000 in 1995 to \$95,330,000 in 1996. Cost of sales per barrel increased to 50.1% of net sales in 1996 from 48.8% of net sales in 1995. This increase was due principally to the following: increased obsolescence expense (consisting primarily of reserves for re-used glass and work-in-process) higher depreciation (principally on kegs) and a reduction in re-used glass savings, offset by a net decrease in raw material cost and packaging costs.

Advertising, Promotional, and Selling. Advertising, promotional, and selling expenses increased by 16.0% from \$60,461,000 in 1995 to \$70,131,000 in 1996. The per barrel expense actually decreased by \$5.09 from \$62.91 in 1995 to \$57.82 in 1996. As a percentage of net sales, advertising, promotional, and selling expenses decreased from 40.0% in 1995 to 36.7% in 1996. The aggregate dollar increase in advertising, promotional, and selling expenses reflected increases in purchases of point of sales materials, advertising, and promotional expenses, freight, and salaries and related employee benefits. These expenses include expenditures for advertising, promotions, and selling expenses for new product introductions not related to the Samuel Adams product line.

General and Administrative. General and administrative expenses increased by 58.8% from \$7,585,000 in 1995 to \$12,042,000 in 1996. This increase of \$4,457,000 was primarily caused by an increase of \$1,722,000 in bad debt expense, which are both customer specific and general in nature, and increases in personnel and salaries and related employee benefits, additional

leased space at the executive office, and additional costs related to the Company becoming a public entity.

Other Income (Expense), Net. Other income, net, increased by 78.7% from \$959,000 in 1995 to \$1,714,000 in 1996. This increase of \$755,000 reflects \$1,480,000 increase in interest income on the proceeds of the November, 1995 stock offering, offset by the \$807,000 one-time gain on the sale of distribution rights sold in 1995. Interest expense remained relatively stable from 1995 to 1996. It should be noted that the interest income earned during 1995 on the proceeds from the stock offering in November, 1995 reflects a period of approximately one and one half months versus an entire year during 1996.

Net Income. Net income decreased by 33.3% to \$8,385,000 in 1996 from \$12,574,000 in 1995. The decrease is due to an income tax expense of \$6,486,000 in 1996 versus an income tax benefit of \$2,195,000 in 1995. This decrease is offset by an increase in other income of \$755,000 and an increase in operating income of \$3,737,000 as discussed above.

Pro Forma Net Income. Net income increased by 42.2% to \$8,385,000 in 1996 from a pro forma net income of \$5,896,000 in 1995. The increase in net income is comprised of a net increase in other income of \$755,000 and a net increase in operating income of \$3,737,000, as discussed above. This increase is somewhat offset by a \$2,003,000 increase in state and federal income taxes (reflecting the higher graduated tax brackets applicable to the higher income before tax).

Years Ended December 31, 1995 and 1994.

Sales. Volume increased by 34.6% from 714,000 barrels in 1994 to 961,000 in 1995. Net sales increased by 31.8% from \$114,833,000 in 1994 to \$151,313,000 in 1995. Sales volume reflected continued growth in Samuel Adams Boston Lager, Honey Porter, and seasonal beers, and the introduction of Scotch Ale. The average net sales price per barrel decreased \$3.38 due primarily to an increase in customer discounts, product mix, and expanded sales in geographic areas where beer prices are slightly lower than in the Company's original markets.

Gross Profit. Gross profit increased by 25.0% from \$61,982,000 in 1994 to \$77,466,000 in 1995. Cost of sales increased \$2.82 per barrel to 48.8% of net sales in 1995 from 46.0% of net sales in 1994. This increase was due principally to increased raw material costs, particularly malt; package design for new products; logistical expenses related to the increase in sales volume and seasonal products; abnormally high disposal of obsolete packaging materials; and higher keg depreciation, due to the volume increase in kegs. The per barrel increases were partially offset by reductions in other areas, particularly glass packaging costs.

Advertising, Promotional, and Selling. Advertising, promotional, and selling expenses increased by 30.0% from \$46,503,000 in 1994 to \$60,461,000 in 1995. The per barrel expense actually decreased by \$2.22 from \$65.13 in 1994 to \$62.91 in 1995. As a percentage of net sales, advertising, promotional, and selling expenses decreased from 40.5% in 1994 to 40.0% in 1995. The aggregate dollar increase in advertising, promotional, and selling expenses reflected increases in purchase of point of sale materials, advertising expenditures, promotional programs, and salaries and related employee benefits. These expenses include expenditures for advertising, promotions, and selling expenses for new product introductions not related to the Samuel Adams product line.

General and Administrative. General and administrative expenses increased by 15.0% from \$6,593,000 in 1994 to \$7,585,000 in 1995. This increase of \$992,000 was primarily caused by increases in personnel and salaries and related employee benefits, increases in legal, insurance, and depreciation and computer services due to the purchase and installation of new computer equipment and software. These increases were partially offset by reductions in other areas. As a percentage of net sales, general and administrative expenses decreased from 5.7% in 1994 to 5.0% in 1995.

Other Income (Expense), Net. In 1995, the Company recorded a nonrecurring \$807,000 gain related to the sale of certain distribution rights in a major metropolitan area. Interest income and income expense remained relatively stable from 1994 to 1995. It should be noted that the interest income earned during 1995 on the proceeds from the stock offering in November, 1995 reflects a period of approximately one and one half months.

Net Income. Net income increased by 38.4% to \$12,574,000 in 1995 from \$9,085,000 in 1994. The increase includes a one-time tax benefit of \$1,960,000 recorded upon the change in tax status of the entity as required by SFAS 109, and a tax benefit of \$235,000 for the period from November 21 to December 31, 1995. The balance of the increase in net income is comprised of a net increase in other income of \$760,000 and a net increase in operating income of \$534,000, as discussed above.

Pro Forma Net Income. Pro forma net income increased by 10.8% from \$5,320,000 in 1994 to \$5,896,000 in 1995, due to the factors described above. Operating income was adversely affected by net marketing investment (advertising, promotional, and other selling expenses in excess of gross profit generated) in the amount of \$2,800,000 from two new product initiatives not related to the Samuel Adams product line. Management estimated that cash flows and net income would be adversely affected by approximately \$750,000 during 1996 in a transaction with Joseph E. Seagram & Sons, Inc. The actual amount of the 1996 expense associated with the Joseph E. Seagram & Sons, Inc. transaction was \$885,000. The Company does not expect this transaction to generate royalties until 1998. The pro forma effective tax rate increased from 41.4% in 1994 to 43.2% in 1995. This increase was primarily due to an increase in meals and entertainment expenses, which are only 50% tax deductible.

Operating income increased 6.0% from \$8,886,000 in 1994 to \$9,420,000 in 1995. This increase was the result of an increase in gross profit of 25.0%, offset by increases in operating expenses of 28.2%.

Liquidity and Capital Resources

The Company's financial condition continued to be strong in 1996 due primarily to the net proceeds raised by its initial public offering. The Company is currently negotiating two unsecured bank lines of credit which will provide for borrowings of up to \$15,000,000 on one line of credit, which is an increase of \$1,000,000 on the existing \$14,000,000 line of credit, and up to \$30,000,000 on the other line of credit. In addition, the Company has obtained a \$9,000,000 foreign exchange credit line. With a substantial amount of highly liquid assets and working capital of \$47,769,000 at December 28, 1996, capital resources in conjunction with existing lines of credit should be sufficient to meet the Company's operating, capital, and debt service requirements over the next year.

The Company has outstanding borrowings of \$1,875,000 which mature in 2007. The Company plans to make approximately \$21,000,000 of total capital expenditures in 1997, principally related to the purchase of packaging and brewing equipment for its contract breweries and the purchase of the Schoenling assets.

Operating activities provided cash of \$15,763,000 in 1996 compared to \$2,440,000 in 1995. The primary cause of the improvement was the increase in accounts payable, principally due to the timing of the receipt of hops, offset somewhat by increases in inventory and other current assets, principally due to the Company's investment in The Schoenling Brewery Company prior to the exercise of the purchase option. Cash used in investment activities decreased by \$18,245,000, primarily due to increased capital spending. Cash provided by financing activities primarily reflects the tax benefit related to the exercise of employee stock options.

Assuming there is no significant change in the Company's business, the Company believes that the existing cash and short term investments as well as cash flows from operations and the existing lines of credit will be sufficient to meet its working capital requirements for at least the next

twelve months.

Recent Accounting Pronouncements

In February, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128), which is effective for fiscal years that end after December 15, 1997, including interim periods. Earlier application is not permitted. However, an entity is permitted to disclose pro forma earnings per share amounts computed using SFAS 128 in the notes to financial statements in periods prior to adoption. The Statement requires restatement of all prior-period earnings per share data presented after the effective date. SFAS 128 specifies the computation, presentation, and disclosure requirements for earnings per share and is substantially similar to the standard recently issued by the International Accounting Standards Committee entitled International Accounting Standards, "Earnings Per Share" (IAS 33). The Company plans to adopt SFAS 128 in 1997 and has not yet determined the impact.

Certain Factors Affecting Future Operating Results

Statements made or incorporated in this Form 10-K include a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, without limitation, statements containing the words "anticipates", "believes", "expects", "intends", "future" and words of similar import which express management's belief, expectations, or intentions regarding the Company's future performance. The Company's actual results could differ materially from those set forth in the forward-looking statements.

The Company may experience significant fluctuations in future operating results, which may be caused by many factors, including, but not limited to (1) further slowing of the growth rate of the craft brewing segment; (2) share-of-market erosion due to increased competition; (3) increased promotional expenditures versus historical spending and versus the 1997 operating plan; (4) higher-than-planned costs of operating the Samuel Adams brewery in Cincinnati; (5) an unexpected increase in raw material or packaging costs which cannot be passed along through increased prices; (6) slower-than-planned acceptance of Hard Core cider by the trade and consumer; (7) inability of Oregon Original beers and other Samuel Adams styles to maintain historic growth rates.

Item 8. Financial Statements and Supplementary Data

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Financial Statement Schedules for the years ended December 28, 1996,
December 31, 1995, and December 31, 1994

All schedules are omitted because the required information is
shown in the financial statements or the notes thereto.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
The Boston Beer Company, Inc.

We have audited the accompanying consolidated balance sheets of The Boston Beer Company, Inc. (formerly Boston Beer Company Limited Partnership) as of December 28, 1996 and December 31, 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 28, 1996, December 31, 1995, and December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Boston Beer Company, Inc. as of December 28, 1996 and December 31, 1995, and December 31, 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 28, 1996, December 31, 1995, and December 31, 1994, in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Boston, Massachusetts
February 21, 1997, except for Note O,
as to which the date is March 1, 1997.

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

	December 28, 1996	December 31, 1995
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 5,060	\$ 1,877

Short term investments	35,926	34,730
Accounts receivable	18,109	16,265
Allowance for doubtful accounts	(1,930)	(175)
Inventories	13,002	9,280
Prepaid expenses	674	437
Deferred income taxes	2,968	1,011
Other current assets	3,882	1,858
	-----	-----
Total current assets	77,691	65,283
Restricted investments	611	602
Equipment and leasehold improvements, at cost	21,043	9,690
Accumulated depreciation	(6,412)	(3,531)
Deferred income taxes	151	1,777
Other assets	3,469	2,869
	-----	-----
Total assets	\$ 96,553	\$ 76,690
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 17,783	\$ 9,793
Accrued expenses	12,064	10,149
Current maturities of long-term debt	75	75
	-----	-----
Total current liabilities	29,922	20,017
Long-term debt, less current maturities	1,800	1,875
Commitments and Contingencies (Note I)	-	-
Stockholders' Equity:		
Class A Common Stock, \$.01 par value; 20,300,000 shares authorized; 15,972,058, and 15,643,664 issued and outstanding as of December 28, 1996 and December 31, 1995, respectively	160	156
Class B Common Stock, \$.01 par value; 4,200,000 shares authorized; 4,107,355 issued and outstanding as of December 28, 1996 and December 31, 1995, respectively	41	41
Additional paid-in-capital	55,391	53,482
Unearned compensation	(363)	(509)
Unrealized loss on investments in marketable securities	(442)	-
Unrealized gain on forward exchange contract	31	-
Retained earnings	10,013	1,628
	-----	-----
Total stockholders' equity	64,831	54,798
	-----	-----
Total liabilities and stockholders' equity	\$ 96,553	\$ 76,690
	=====	=====

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

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THE BOSTON BEER COMPANY, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	December 28, 1996	December 31, 1995	For the Years Ended December 31, 1994
Sales	\$ 213,879	\$ 169,362	\$ 128,077
Less excise taxes	22,763	18,049	13,244
	-----	-----	-----
Net sales	191,116	151,313	114,833

Cost of sales	95,786	73,847	52,851
	-----	-----	-----
Gross profit	95,330	77,466	61,982
Operating expenses:			
Advertising, promotional and selling expenses	70,131	60,461	46,503
General and administra- tive expenses	12,042	7,585	6,593
	-----	-----	-----
Total operating expenses	82,173	68,046	53,096
	-----	-----	-----
Operating income	13,157	9,420	8,886
Other income (expense):			
Interest income	1,932	452	429
Interest expense	(236)	(250)	(233)
Other income, net	18	757	3
	-----	-----	-----
Total other income	1,714	959	199
Income before income taxes	14,871	10,379	9,085
Provision (benefit) for income taxes	6,486	(2,195)	-
	-----	-----	-----
Net income	\$ 8,385	\$ 12,574	\$ 9,085
	=====	=====	=====

Pro forma data (unaudited) (Note B):

Income before pro forma income taxes		10,379	9,085
Pro forma income tax expense		4,483	3,765
		-----	-----
Pro forma net income		\$ 5,896	\$ 5,320
		=====	=====

Net income per common and
common equivalent
share

\$ 0.41	\$ 0.33 <F1>	\$ 0.29 <F1>
=====	=====	=====

Weighted average num-
ber of common and
common equivalent
shares

20,352	17,949 <F1>	18,171 <F1>
=====	=====	=====

<FN>

<F1> Pro forma, see Note B.

</FN>

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

	General Partner	Limited Partners	Compensation	Partners' Equity
Balance December 31, 1993	\$ 803	\$ 8,051		\$ 8,854
Net income	2,242	6,843		9,085
Compensation associated with stock options	-	280		280
Partner distributions	(2,813)	(8,806)		(11,619)

Balance December 31, 1994	232	6,368		6,600
Net income: January 1 through November 20, 1995 allocated to the Partnership; thereafter to the Company	2,694	8,252		10,946
Partner distributions	(4,712)	(14,343)		(19,055)
Conversion of incentive/investment stock plans to stock option/purchase plans		4,763	(618)	4,145
Stock options issued of unearned compensation expense		141	(141)	-
			250	250
Contributed capital upon realization	1,786	(5,181)	509	(2,886)

Balance December 31, 1995	-	-	-	-
=====				

	Class A Common Stock	Class B Common Stock	Add'l Paid in Capital	Unearned Compensation	Unrealized Gains/Losses	Retained Earnings	Total Stockholders' Equity
Net income of the Company November 21, 1995 to December 31, 1995						\$ 1,628	\$ 1,628
Contributed capital upon recapitalization	\$ 125	\$ 41	\$ 3,822	\$ (509)			3,479
Common stock							

issued	31		49,660			49,691
	156	41	53,482	(509)	1,628	54,798
Net income					8,385	8,385
Unearned compensation on stock options granted			157	(157)		-
Forfeiture of unvested stock options			(144)	144		-
Stock options exercised	4		556			560
Tax benefit related to exercise of employee stock options			1,376			1,376
Proceeds from sale under stock purchase plan			40			40
Repurchase of shares under employee investment and incentive share plans			(103)			(103)
Amortization of unearned compensation expense			27	159		186
Unrealized loss on short term investments					(442)	(442)
Unrealized gain on forward exchange contract					31	31
Balance December 28, 1996	\$ 160	\$ 41	\$55,391	\$ (363)	\$ (411)	\$ 10,013
						\$ 64,831

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

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

For the Years Ended

	December 28, 1996	December 31, 1995	December 31, 1994
Cash flows from operating activities:			
Net income	\$ 8,385	\$ 12,574 <F1>	\$ 9,085 <F1>
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and			

amortization	3,030	1,565	925
(Gain) loss on disposal of fixed asset	(4)	38	21
Bad debt expense	1,832	(557)	391
Stock option compensation expense	186	250	280
Changes in assets & liabilities:			
Accounts receivable	(1,921)	(5,473)	(2,339)
Inventory	(3,722)	(1,525)	(4,049)
Prepays expense	(237)	64	(285)
Other current assets	(1,993)	(753)	(593)
Deferred taxes	(331)	(2,195)	-
Other assets	(743)	(2,459)	(172)
Accounts payable	7,990	(494)	6,353
Accrued expenses	3,291	1,405	3,673
	-----	-----	-----
Total adjustments	7,378	(10,134)	4,205
	-----	-----	-----
Net cash provided by operating activities:	15,763	2,440	13,290
	-----	-----	-----
Cash flows for investing activities:			
Purchases of fixed assets	(11,359)	(4,268)	(2,621)
Proceeds on disposal of fixed assets	4	45	-
(Purchases) maturities of government securities	2,648	(27,027)	(2,624)
Purchase of marketable securities	(4,286)	-	-
Purchase of restricted investments	(1,225)	(612)	(1,171)
Maturities of restricted investments	1,216	615	1,145
	-----	-----	-----
Net cash used in investing	(13,002)	(31,247)	(5,271)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of common stock	-	49,691	-
Proceeds from exercise of stock option plans	560	-	-
Proceeds from sale under stock purchase plan	40	-	-
Repurchase of shares under employee investment and incentive share plans	(103)	-	-
Principal payments on long-term debt	(75)	(50)	(50)
Partners' distributions	-	(19,055)	(11,619)
	-----	-----	-----
Net cash provided by (used for) financing activities	422	30,586	11,669
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	3,183	1,779	(3,650)

Cash and cash equivalents at beginning of period	1,877	98	3,748
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 5,060	\$ 1,877	\$ 98
	=====	=====	=====
Supplemental disclosure of cash flow information:			
Interest paid	\$ 224	\$ 252	\$ 236
Taxes paid	\$ 5,992	-	-
	=====	=====	=====

<FN>

<F1> Net income for the fiscal year ended December 31, 1995 is before pro forma income taxes. See Note B.

</FN>

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

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

A. Basis of Presentation:

The Boston Beer Company, Inc. (the "Company"), is engaged in the business of marketing and selling beer and ale products throughout the United States and in select international markets. On November 20, 1995, in connection with the initial public offering of the Company's stock effected that date, the non-corporate limited partners transferred their respective partnership interests to the Company and the owners of the general partner and corporate limited partners transferred their respective ownership interests in such entities to the Company. In exchange, the transferors received an aggregate of 16,641,740 shares of the Company's common stock on a pro rata basis, based on their then respective percentage equity interests in the Partnership. The aforementioned transactions are collectively referred to hereinafter as the "Recapitalization."

B. Summary of Significant Accounting Policies:

Fiscal Year

Effective in fiscal 1996, the Company changed its fiscal year to end on the last Saturday in December. The impact on the current year of two fewer days of operations was not material.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries, and the Partnership. All intercompany accounts and transactions have been eliminated.

Revenue Recognition

Revenue is recognized when goods are shipped to customers. Accounts receivable balances are reflected net of an allowance for uncollectible accounts of approximately \$1,930,000 and \$175,000 at December 28, 1996 and December 31, 1995, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and short-term, highly liquid investments with original maturities of three months or less at the time of purchase.

Short Term Investments and Restricted Investments

Short term investments consist primarily of U.S. Government securities and marketable equity securities with original maturities beyond three months and less than twelve months. All short term investments have been

classified as available-for-sale and are reported at fair value with unrealized gains and losses included in stockholders' equity. Fair value is based on quoted market prices as of December 28, 1996.

Restricted investments consist solely of the unexpended proceeds from the debt as discussed in Note G. These investments, consisting of treasury notes which mature within one year, are expected to be held to maturity and accordingly are valued at amortized cost, which approximates fair value.

Inventories

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

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affected the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

B. Summary of Significant Accounting Policies (Continued):

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash, short-term investments, and trade receivables. The Company places its temporary cash and short-term investments with high credit quality financial institutions. The Company sells primarily to independent beer and ale distributors across the United States. Receivables arising from these sales are not collateralized; however, credit risk is minimized as a result of the large and diverse nature of the Company's customer base. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost. Expenditures for maintenance, repairs, and renewals are charged to expense; major improvements are capitalized. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the determination of net income. Provision for depreciation is computed on the straight-line method based upon the estimated useful lives of the underlying assets as follows:

Kegs and equipment	3 to 10 years
Office equipment and furniture	3 to 5 years
Leasehold improvements	5 years, or the life of the lease, whichever is shorter

Deposits

The Company recognizes a liability for estimated refundable deposits in kegs and for unclaimed deposits on bottles which are subject to state regulations. A liability for refundable deposits (redemptions) on reusable bottles in 1995 was not recorded, nor was there an offsetting adjustment to inventory. As of December 28, 1996, the Company recorded an estimated liability of \$587,000, with an offsetting adjustment to cost of goods sold for re-used glass which had not been redeemed as of the end of the year. The Company recorded this liability to recognize that the re-used glass may not be placed back into production in the future. Total redemptions associated with reusable bottles during the years ended December 28, 1996, December 31, 1995, and 1994 were \$3,053,000, \$1,441,000, and \$1,402,000 respectively.

Fair Value of Financial Instruments

The carrying amount of the Company's long term debt, including current maturities, approximates fair value because the interest rates on these instruments change with market interest rates. The carrying amounts for accounts receivable and accounts payable approximate their fair values due to the short term maturity of these instruments.

Advertising and Sales Promotions

Advertising and sales promotional programs are charged to expense during the period in which they are incurred. Total advertising and sales promotional expense for the years ended December 28, 1996, December 31, 1995, and 1994, were \$35,730,000, \$35,039,000, and \$27,598,000 respectively.

Purchase Commitments

The Company recognizes losses on hops purchase commitments when amounts from the sale price of the related product are expected to be less than the cost of the product. The Company has not historically experienced any losses related to hops purchase commitments.

Forward Exchange Contracts

Unrealized gains and losses on contracts designated as hedges of existing assets and liabilities are accrued as exchange rates change and are recorded as a component of Stockholders' Equity. Realized gains and losses are recognized in income as contracts expire.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"), requires the Company to either elect expense recognition or the disclosure-only alternative for stock-based employee compensation. SFAS 123 has been adopted in the Company's 1996 financial statements with comparable disclosures for the prior year. The Company has reviewed the adoption and impact of SFAS 123, and has elected to adopt the disclosure-only alternative and accordingly this standard has no impact on the Company's results of operations or its financial position.

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

B. Summary of Significant Accounting Policies (Continued):

Income Taxes

The Company records income taxes under the liability method whereby deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured by applying enacted tax rates for the taxable years in which those differences are expected to reverse.

Pro Forma Income Taxes (unaudited)

The financial statements of the Company for the periods prior to the Recapitalization do not include a provision for income taxes because the taxable income of the Company, up until the effective date of the Recapitalization, is included in the income tax returns of the Partnership's partners and former Subchapter S corporation's shareholder. The statements of income include a pro forma income tax provision on taxable income for financial statement purposes using an estimated effective federal and state income tax rate which would have resulted if the Partnership and Subchapter S corporation had filed a corporate income tax return during those periods.

Earnings Per Share

Earnings per share is based on the weighted average number of shares outstanding during the period after consideration of the dilutive effect, if any, for stock options. Fully diluted net income per share has not been presented as the amount would not differ significantly from those presented.

Pro Forma Earnings Per Share (unaudited)

Pro forma earnings per share is based on the weighted average number of common and common equivalent shares outstanding during the respective periods (assuming a conversion of partnership units for the periods prior to the Recapitalization), and an additional 3,109,279 shares issued during November 1995 in connection with the Company's initial public offering. In addition, pursuant to the rules of the Securities and Exchange Commission, approximately 273,000 shares and 965,000 shares in 1995 and 1994, respectively, have been included in the share calculation representing distributions in excess of net income and, in 1994, distributions expected to be funded by debt repaid with the proceeds from the offering. The calculations include 686,000 and 564,000 common equivalent shares for the years ended December 31, 1995 and 1994, respectively, using the treasury stock method. Fully diluted earnings per share is not materially different from primary earnings per share.

New Accounting Pronouncements

In February, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128), which is effective for fiscal years that end after December 15, 1997, including interim periods. Earlier application is not permitted. However, an entity is permitted to disclose pro forma earnings per share amounts computed using SFAS 128 in the notes to financial statements in periods prior to adoption. The Statement requires restatement of all prior-period earnings per share data presented after the effective date. SFAS 128 specifies the computation, presentation, and disclosure requirements for earnings per share and is substantially similar to the standard recently issued by the International Accounting Standards Committee entitled International Accounting Standards, "Earnings Per Share" (IAS 33). The Company plans to adopt SFAS 128 in 1997 and has not yet determined the impact.

Reclassifications

Beginning in 1996, certain expenses which were previously classified as general and administrative expenses were reclassified as advertising, promotional, and selling expenses. All financial information has been restated to conform with this year's presentation. Certain other prior year amounts have also been reclassified to conform with the current year's presentation.

C. Short Term Investments:

Short term investments consist of marketable equity securities having a cost of \$4,286,000 and a market value of \$3,844,000, which resulted in an unrealized loss of \$442,000 at December 28, 1996. The Company did not have any investments in marketable equity securities as of December 31, 1995. In addition, the Company has investments in U.S. Government securities having a cost of \$32,082,000 and \$34,730,000 at December 28, 1996 and December 31, 1995, respectively, which approximates fair value.

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

D. Inventories:

	December 28, 1996	December 31, 1995
	(in thousands)	
Raw material, principally hops	\$ 12,677	\$ 8,543
Work in process	-	518
Finished goods	325	219
	-----	-----
	\$ 13,002	\$ 9,280
	=====	=====

E. Equipment and Leasehold Improvements:

	December 28, 1996	December 31, 1995
	(in thousands)	
Kegs and equipment	\$ 16,457	\$ 7,012
Office equipment and furniture	3,527	1,623
Leasehold improvements	1,059	1,055
	-----	-----
	\$ 21,043	\$ 9,690
Less accumulated depreciation	6,412	3,531
	-----	-----
	\$ 14,631	\$ 6,159
	=====	=====

The Company recorded depreciation expense related to these assets of \$2,886,000, \$1,565,000, and \$925,000 for the years ended December 28, 1996, December 31, 1995, and December 31, 1994, respectively.

F. Accrued Expenses:

	December 28, 1996	December 31, 1995
	(in thousands)	
Advertising	\$ 4,019	\$ 4,451
Keg deposits	1,813	1,276
Employee wages and reimbursements	1,906	1,586
Point of sale related accruals	1,288	1,000
Other accrued liabilities	3,038	1,836
	-----	-----
	\$ 12,064	\$ 10,149
	=====	=====

For the year ended December 28, 1996, the Company included \$1,117,000 of accrued freight costs in accounts payable. For the year ended December 31, 1995, \$1,189,000 of freight costs previously recognized as a component of accrued expenses were reclassified to accounts payable.

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

G. Long-Term Debt and Line of Credit:

Long-Term Debt

During 1988, the Company entered into a \$2,200,000 loan with the Massachusetts Industrial Finance Authority ("MIFA"), which matures July 15, 2007. As of December 28, 1996, the loan requires scheduled annual principal payments as follows:

	(in thousands)
1997	\$ 75
1998	75
1999	100
2000	100
2001	100
Thereafter	1,425

	1,875
Less: current portion	75

Total long-term debt	\$ 1,800
	=====

Interest accrues at 11.5 % and is paid semiannually. The proceeds from the MIFA loan were used to fund approximately \$1,500,000 of engineering and design efforts, which were subsequently abandoned in 1989, and to acquire approximately \$200,000 of various assets for the brewery. The unexpended proceeds referenced in Note B were restricted to the further development of the Company's Boston brewery, a leased facility. All assets acquired with the proceeds of the loan are reflected as equipment or leasehold improvements. The loan is collateralized by the related fixed assets and any unexpended proceeds which approximated, including interest, \$611,000 and \$602,000 at December 28, 1996 and December 31, 1995, respectively.

The loan agreement contains various covenants, the most restrictive of which is that the Company's equity may not be less than \$700,000 as of the end of each fiscal year, and the debt to equity ratio of the Company may not exceed 4 to 1 at the end of any fiscal year. As of December 28, 1996, the Company's equity was \$65,000,000 and the debt to equity ratio was .03 to 1.

Line of Credit

On May 2, 1995, the Company entered into an unsecured Revolving Line of Credit Agreement (the "Agreement") with a bank providing for borrowings of up to \$14,000,000 at either the bank's prime rate (8.25% at December 28, 1996) or the applicable Libor Rate plus .50% for terms of 30, 60, or 90 days. The Company pays a commitment fee of .15% of the unused portion of the line. The Agreement, which expires on May 1, 1997, requires the Company to maintain certain financial ratios related to tangible net worth, interest coverage, and profits, and restricts the Company's ability to incur additional indebtedness, incur certain liens and encumbrances, make investments in other persons, engage in a new business, or enter into sale and leaseback transactions. The Agreement also contains certain events of default, including the failure of the Company's president to control and be actively engaged on a full-time basis in the business of the Company. As of December 28, 1996 and December 31, 1995, no borrowings were outstanding thereunder.

H. Income Taxes:

Income Taxes

Effective with the Recapitalization described in Note A, the Company became subject to federal and state income taxes. The historical income tax benefit reflects the recording of a one-time tax benefit of \$1,960,000 upon the change in tax status of the entity as required by SFAS 109, and a tax benefit of \$235,000 for the period from November 21 to December 31, 1995.

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

H. Income Taxes (continued):

Significant components of the Company's deferred tax assets and liabilities as of December 28, 1996 and December 31, 1995 are as follows:

	(in thousands)					
	1996			1995		
	Curr- ent	Long- Term	Total	Curr- ent	Long- term	Total
Deferred Tax Assets:						
Incentive/invest- ment unit and option plans	\$ 11	\$ 1,052	\$ 1,063	\$ 21	\$ 1,856	\$ 1,877
Accrued expenses not currently deductible	943	-	943	467	-	467

Reserves	1,828	-	1,828	88	-	88
Deferred Compensation	-	90	90	-	65	65
Net operating loss	-	-	-	334	-	334
Other	250	(2)	248	101	-	101
	-----	-----	-----	-----	-----	-----
Total deferred tax assets	3,032	1,140	4,172	1,011	1,921	2,932
Deferred tax liabilities:						
Depreciation	-	(814)	(814)	-	(144)	(144)
Tax installment sale	(64)	(175)	(239)	-	-	-
	-----	-----	-----	-----	-----	-----
Net deferred tax assets	\$2,968	\$ 151	\$3,119	\$1,011	\$ 1,777	\$ 2,788
	=====	=====	=====	=====	=====	=====

The deferred tax asset balance at December 31, 1995 includes a \$593,000 net deferred tax asset of the corporate limited partners recorded upon the Recapitalization.

Based upon prior earnings history and expected future taxable income, the Company does not believe that a valuation allowance is required for the net deferred tax asset.

Significant components of the income tax provision (benefit) for income taxes for the years ended December 28, 1996 and December 31, 1995 are as follows:

	(in thousands)	
	1996	1995
Current:		
Federal	\$ 5,261	-
State	1,556	-
	-----	-----
Total current	6,817	-
Deferred:		
Federal	(251)	\$ (1,667)
State	(80)	(528)
	-----	-----
Total deferred	\$ (331)	\$ (2,195)
	-----	-----
Total income tax expense (benefit)	\$ 6,486	\$ (2,195)
	=====	=====

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

H. Income Taxes (continued):

The reconciliation of income tax computed at statutory rates to actual income tax expense for the years ended December 28, 1996 and December 31, 1995, are as follows:

	1996	1995
Statutory rate	35.0%	35.0%
State income tax, net of federal benefit	6.5	(1.8)
Permanent differences	1.2	0.3
Income for the period prior to the Recapitalization not subject to tax	-	(36.9)
Deferred tax asset resulting from change in tax status	-	(15.9)

Other	0.9	(1.8)
	-----	-----
	43.6%	(21.1%)
	=====	=====

At December 31, 1995, the Company had a tax net operating loss carryforward of approximately \$765,000, which arose during the period from November 21 to December 31, 1995, which was fully utilized in 1996.

I. Commitments and Contingencies:

Purchase Commitments

In the normal course of business, the Company has entered into various supply agreements with brewing companies. These agreements are cancelable by the Company and by the brewing companies with advanced written notice. Title to beer products brewed under these arrangements remains with the brewing company until shipped by it and accordingly, the liquid is not reflected as inventory by the Company in the accompanying financial statements. The Company is required to reimburse the supplier for all unused material and beer products on termination of the agreements and under certain conditions to purchase excess materials. At December 28, 1996, there was approximately \$4,468,000 of material and beer products in process at the brewing companies which had not yet been transferred to the Company. Purchases under these agreements for the years ended December 28, 1996, December 31, 1995, and 1994 were approximately \$57,766,000, \$41,199,000, and \$28,808,000, respectively.

The Company has entered into contracts for the supply of a portion of its hops requirements. These purchase contracts, which expire at various dates through 2003, specify both the quantities and prices the Company is committed to. The prices are denominated in foreign currencies and the Company does not hedge these commitments in French francs, but does in German marks and English pound sterling. The amount of these commitments outstanding at December 28, 1996 in U.S. dollars, is \$52,530,000. Purchases under these contracts for the years ended December 28, 1996, December 31, 1995, and 1994 were approximately \$10,000,000, \$5,924,000, and \$6,061,000 respectively. The performance of the dealers under such contracts may be materially affected by factors such as adverse weather, the imposition of export restrictions and changes in currency exchange rates resulting in increased prices.

At December 28, 1996, the Company had outstanding purchase commitments of approximately \$8,000,000 principally related to capital expenditures, including the initial payment for the purchase of the Schoenling brewery, and advertising expenditures through December 1997. There is a possibility the Company could expend additional capital investments at the brewing locations in the approximate range of \$5,000,000 to \$20,000,000 during 1997. It should be noted, that at this point in time, there is no commitment to expend this additional investment.

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

I. Commitments and Contingencies (continued):

Lease Commitments

The Company has various operating lease agreements primarily involving real estate. Terms of the leases include purchase options, renewals, and maintenance costs, and vary by lease. These lease obligations expire at various dates through 2001.

Minimum annual rental payments under these agreements are as follows:
(in thousands)

1997	\$	802
1998		673
1999		668
2000		565
2001		565
Thereafter		-

	\$	3,273
	=====	

Rent expense for the years ended December 28, 1996, December 31, 1995, and 1994 was approximately \$512,000, \$340,000, and \$276,000 respectively.

Distribution

The Company's two largest distributors each accounted for approximately 6% of the Company's net sales.

License Agreement

The Company signed a contract in March, 1996, with a major beverage company with respect to a transaction in which that company will license and sell a new craft brew beer whose trademark and trade names are owned by the Company. The Company is expected to expense up to \$750,000 in 1997 and 1998, principally to cover marketing expenses to aid the introduction of this new beer and will, in return, receive a royalty on sales after a certain period of time. The Company will also provide certain technical assistance. The agreement also sets forth the circumstances in which the relationship can be terminated and the terms on which rights to the product will revert to the Company or may be reacquired by the Company. There can be no assurance that any contemplated royalty will be earned by the Company.

Litigation

In early 1996, Boston Brewing Company, Inc. ("Boston Brewing"), an affiliate of both Boston Beer Company Limited Partnership and The Boston Beer Company, Inc., had an action filed against it by one of its distributors, such action having been filed in a court in England. The action contains a claim for damages of an alleged breach of a Distributorship Agreement between Boston Brewing and the plaintiff. The action is being vigorously defended by the Company and at present is in the discovery stage.

In addition, the Company is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Company.

J. Common Stock:

Initial Public Offering

On November 20, 1995, the Company completed an initial public offering and sold an aggregate of 3,109,279 shares of Common Stock, of which 990,000 shares were sold for \$15.00 per share in a best efforts offering and 2,119,279 shares were sold for \$20.00 in an underwritten offering, resulting in net proceeds, after deducting underwriting discounts and expenses, of \$49,691,000. In addition, as described in Note A, upon Recapitalization the owners of the general and corporate limited partners transferred their respective ownership interests to the Company. In exchange, the transferors received an aggregate of 16,641,740 shares of the Company's common stock on a pro rata basis based on their then respective equity interest in the Partnership. The total number of shares of Class A and Class B Common Stock outstanding after completion of the offering was 19,751,019.

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

J. Common Stock (continued):

Initial Public Offering (continued):

Upon Recapitalization, the Company recognized no gain or loss upon receipt of the units of the Partnership from individual partners, and no gain or loss upon receipt of stock in the corporate partners from the stockholders of the corporate partners in exchange for the Company's stock based upon an opinion from the Company's legal counsel interpreting the Internal Revenue Code of 1986, as amended (the "Code"), the regulations of the Treasury Department (the "Regulations"), and judicial opinions interpreting the Code. The opinion is qualified by detailed and material limitations set forth in the opinion concerning, among other things, the possibility of Regulations being adopted with a retroactive effect. Any new legislation, changes to and clarifications of the administrative positions of the IRS, including by way of amendments to existing Regulations or adoption of new Regulations, and subsequent judicial decisions including any retroactive effects could have a material consequence to the Company.

Stock Compensation Plan

The Company's Employee Equity Incentive Plan (the "Equity Plan") was adopted effective November 20, 1995 as the successor to the Partnership's 1995 Management Option Plan, which was, in turn, the successor to a series of the Partnership's Incentive Share Plans. In connection with the Recapitalization, the grants under the Partnership's Incentive Share Plans, as adjusted for the one and one half conversion of partnerships units, became grants to acquire Class A Common Stock.

The Plan permits the grant of management options, discretionary options, and investment shares. The Plan is administered by the Compensation Committee of the Board of Directors which consists of non-employee directors. Management options are granted to selected management optionees to acquire shares of the Company's Class A Common Stock at an exercise price of \$.01 per share. The number of shares subject to each option shall be determined by the Committee based on the salary of each elected management optionee, taking into consideration job performance criteria, divided by the fair market value of shares of Class A Common Stock as of January 1 of each year. Vesting shall be over a five year period.

The Committee may also grant to eligible employees discretionary options to acquire shares of Class A Common Stock upon such terms and conditions, including exercise price, as the Committee shall determine.

Information related to the options granted under the Equity Plan is as follows:

	Shares	Option Price	Weighted Average Exercise Price
Outstanding at December 31, 1994	-	-	-
Granted upon conversion of incentive plans to Class A Common Stock options	310,871	\$.01	\$.01
Granted upon conversion of Class B partnership unit options to Class A Common Stock options	682,383 <F1>	\$ 2.00-14.00	\$ 6.47
Granted	10,422	\$.01	\$.01
Canceled (999)	(999)	\$.01	\$.01
Exercised	-	-	-
Outstanding at December 31, 1995	1,002,677	\$.01-14.00	\$ 4.40

Granted	403,729	\$.01-25.56	\$13.15
Canceled	(10,749)	\$.01-20.00	\$ 2.19
Exercised	(264,530)	\$.01-20.00	\$ 2.45
	-----	-----	-----
Outstanding at			
December 28, 1996	1,131,127	\$.01-25.56	\$ 8.00

<FN>

<F1> This amount represents options to purchase partnership units which were outstanding prior to the Recapitalization of the Company in November 1995. Compensation expense on these partnership units would have been reflected in fiscal 1994 and as result, there is no pro forma compensation expense recognized in fiscal 1995 related to these shares.

</FN>

As of December 28, 1996, 579,341 stock options were exercisable.

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

J. Common Stock (continued):

Stock Compensation Plan (continued):

The Equity Plan also permits Company employees who have been with the Company for at least one year to invest up to ten percent of their annual earnings in Class A Common Stock ("Investment Shares"). The price at which Investment Shares are issued to participating employees is at a discount from current market value of from 0% to 40% based on the employee's tenure with the Company. These shares vest ratably over a five year period. At December 28, 1996 and December 31, 1995, there were 66,249 and 67,731 investment shares issued and outstanding, of which 55,269 and 40,134 shares were vested.

Prior to the Recapitalization, the Partnership had various other employee investment unit plans in which eligible employees could purchase the economic equivalent of partnership units at not less than 60% of the unit value. The total expense recognized for the years ended December 31, 1995 and 1994, approximated \$20,000 representing all discount amortized over the related vesting period.

Upon Recapitalization, the investment units were replaced with 67,731 investment shares. Effective with the issuance of the shares, approximately \$411,000 of the investment unit plan accrued liability recorded was reclassified as equity in consideration of the stock issued.

The Company has reserved 235,594 and 1,687,500 shares of Class A Common Stock for issuance pursuant to the Equity Plan as December 28, 1996 and December 31, 1995, respectively.

In October 1995, the FASB issued SFAS 123, "Accounting for Stock-Based Compensation." SFAS is effective for periods beginning after December 15, 1995. The Company adopted the disclosure provisions of SFAS 123 in 1996 and has applied APB Opinion 25 and related Interpretations for its stock option plan. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates as calculated in accordance with SFAS 123, the Company's net income and earnings per share for the years ended December 28, 1996 and December 31, 1995 would have been reduced to the pro forma amounts indicated below:

(in thousands, except per share amounts)

1996		1995	
Net Income	Earnings Per Share	Net Income	Earnings Per Share

As Reported	\$ 8,385	\$ 0.41	\$ 5,896 <F1>	\$ 0.33
Pro forma	\$ 8,305	\$ 0.41	\$ 5,896	\$ 0.33

<FN>

<F1> Pro forma, see Note B.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: an expected life of from 5.5 years to 6.5 years for stock options, expected volatility of 45%, a dividend yield of 0%, and a risk-free interest rate that ranges from 5.43% to 7.79%, depending upon the term of the respective stock options. The weighted average fair value of stock options granted in 1996 and 1995 was \$7.06 and \$19.80, respectively.

Because some options vest over several years and additional awards may be made each year, the pro-forma amounts above may not be representative of the effects on net income for future years.

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

J. Common Stock (continued):

Stock-Based Compensation (continued):

In 1996, there 10,000 options granted with an exercise price that exceeded fair value. The weighted average of these grants was \$25.56. In 1996, net of forfeitures, there were 8,729 options granted with an exercise price of less than fair value, and the weighted average exercise price of these grants was \$4.82. In 1995, there were 321,293 options granted with an exercise price less than fair value, and the weighted average exercise price of these grants was \$.01.

The following table summarizes information about stock options outstanding at December 28, 1996:

Range of Exercise Prices	Options Outstanding		Options Exercisable		
	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise-Price	Number Exercisable	Weighted-Average Exercise Price
\$.01-\$ 2.00	485,744	5 years	\$ 1.01	439,043	\$.59
\$ 9.00-\$14.00	590,383	11 years	\$ 12.41	148,472	\$11.51
\$18.00-\$26.00	55,000	9 years	\$ 21.16	16,666	\$19.41
Total	1,131,127			604,181	

Under the restricted stock plan, grants were made during 1996 and 1995. The shares granted for these years were 2,577 and 34,658, respectively. The weighted average grant prices for grants made in 1996 and 1995 were \$15.26 and \$8.90, respectively. As of December 28, 1996 and December 31, 1995, the number of restricted shares was 16,399 and 26,584, respectively.

The Company recognized compensation expense of \$186,000 and \$250,000 under the described programs for the years ending December 28, 1996 and December 31, 1995, respectively.

K. Financial Instruments

During 1996, the Company entered into a forward exchange contract to reduce exposure to currency movements affecting existing foreign currency denominated assets, liabilities, and firm commitments. The contract duration matches the duration of the currency position. The future value of the contract and the related currency position is subject to offsetting market risk resulting from foreign currency exchange rate volatility. The

carrying amounts of the contract and the unrealized gain recognized as a component of Stockholders' Equity totaled \$1,195,000 and \$31,070, respectively, at December 28, 1996. There were no realized gains or losses on the contract as of December 28, 1996.

L. Related Party Transactions:

At December 31, 1995, borrowings of \$150,000 under a recourse note due on December 31, 1997 from the Company's Chief Operating Officer were outstanding. The note bears interest based on the applicable federal rate. This note was repaid in its entirety during 1996.

The Company has a deferred compensation agreement with its Chief Operating Officer which calls for specific payments upon retirement on or after April 1, 2000 with pro-rated annual payments called for upon early retirement. The Company has expensed approximately \$59,000, \$56,000, and \$49,000 for the three years ended December 28, 1996, December 31, 1995 and 1994, respectively.

THE BOSTON BEER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):

M. 401 (k) Savings Plan:

During 1993, the Company established the Boston Beer Company 401(k) Savings Plan (the "Plan"). The Plan is a defined contribution plan which covers substantially all of the Company's employees. Participants may make voluntary contributions of their annual compensation.

The Company made contributions to the Plan in each of the three years ended December 28, 1996, December 31, 1995, and 1994 of \$280,000, \$175,000, and \$142,000 respectively.

N. Sale of Distribution Rights:

In September 1995, the Company sold its distribution rights to a major metropolitan area and associated receivables and inventories for approximately \$1,200,000 and the assumption of certain deposit liabilities and truck leases. On closing approximately \$420,000 was paid in cash with the remainder in the form of a note which is payable in equal monthly installments of \$13,000 plus interest at 10% per annum. This transaction resulted in a gain to the Company of approximately \$807,000 and is included in other income. The sale of the distribution rights is not expected to result in any significant change in future operations of the Company when compared to historical results.

O. Subsequent Event

Effective March 1, 1997, the Company acquired all of the equipment and other brewery-related personal property from the Schoenling Brewing Company and leased the real estate on which the brewery is situated. In addition, subject to the satisfaction of certain pre-conditions, the Company has agreed to purchase the real estate on which the brewery is located. The acquisition of the brewery assets and real estate will be accounted for under the purchase method of accounting. The purchase price allocation has not yet been determined.

P. Valuation and Qualifying Accounts:

The information required to be included in Schedule II, Valuation and Qualifying Accounts, for the years ended December 31, 1994, 1995, and December 28, 1996 is as follows:

	Balance at	Additions	Net	Balance
	Beginning	Charged to	Additions	At End
		Costs and		

	of Period	Expenses	(Deductions)	of Period
	(in thousands)			
Allowance for Doubtful Accounts				
1994	\$ 146	47	(11)	182
1995	182	107	(114)	175
1996	175	1,832	(77)	1,930
Inventory Reserves				
1994	\$ 457	381	(590)	248
1995	248	782	(1,014)	16
1996	16	2,860	(386)	2,490

Deductions from allowance for doubtful accounts represent the write-off of uncollectible balances whereas deductions from inventory reserves represent inventory destroyed in the normal course of business.

Item 9. Changes in and Disagreements with Accountants on Financial Disclosures

None.

PART III

Item 10. Director and Executive Officers of the Registrant

The information required by Item 10 is hereby incorporated by reference from the Registrant's definitive Proxy Statement for the 1997 Annual Meeting to be held on June 3, 1997.

Item 11. Executive Compensation

The information required by Item 11 is hereby incorporated by reference from the Registrant's definitive Proxy Statement for the 1997 Annual Meeting to be held on June 3, 1997.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by Item 12 is hereby incorporated by reference from the Registrant's definitive Proxy Statement for the 1997 Annual Meeting to be held on June 3, 1997.

Item 13. Certain Relationships and Related Transactions

The information required by Item 13 is hereby incorporated by reference from the Registrant's definitive Proxy Statement for the 1997 Annual Meeting to be held on June 3, 1997.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) (1) Consolidated Financial Statements

The following consolidated financial statements of The Boston Beer Company, Inc. are included in Item 8 of Part II of this report:

Report of Independent Accountants on page 19 of this report

Consolidated Balance Sheets at December 28, 1996 and December 31, 1995 on page 20 of this report

Consolidated Statements of Income for the Years Ended

December 28, 1996, December 31, 1995, and December 31, 1994 on page 21 of this report

Consolidated Statements of Stockholders' Equity for the Years Ended December 28, 1996, December 31, 1995, and December 31, 1994 on page 22 of this report

Consolidated Statements of Cash Flows for the Years Ended December 28, 1996, December 31, 1995, and December 31, 1994 on page 23 of this report

Notes to Consolidated Financial Statements on pages 24 to 36 of this report

(a) (2) Financial Statement Schedule

The following financial statement schedule is included in page 36 of this report

Schedule II -- Valuation and Qualifying Accounts

The Report of Independent Accountants is included on page 19 of this report.

All other schedules for which provision is made in Regulation S-X of the Securities and Exchange Commission, are not required under the related instructions or are not applicable and, therefore, have been omitted.

(a) (3) Exhibits

The following is a list of exhibits filed as part of this report:

Exhibit No.	Title
3.1	Articles of Organization (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement No. 33-96162).
3.2	By-Laws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement No. 33-96162).
3.3	Restated Articles of Organization of the Company.
3.4	Amended and Restated By-Laws of the Company.
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).
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 10.2 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.
- 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.
- +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 10.13 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).
- +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 10.16 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 10.17 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).
- 10.18 Amendment to Revolving Credit Agreement between Fleet Bank of Massachusetts, N.A. and the Partnership (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement No. 33-96164).
- *10.19 1996 Stock Option Plan for Non-Employee Directors.
- *+10.20 Production Agreement between The Stroh Brewery Company and Boston Beer Company Limited Partnership, dated January 14, 1997.
- *+10.21 Letter Agreement between The Stroh Brewery Company and Boston Beer Company Limited Partnership, dated January 14, 1997.
- *+10.22 Agreement between Boston Beer Company Limited Partnership and The Schoenling Brewing Company, dated May 22, 1996.
- 11 Schedule of Computation of Pro Forma Earnings Per Share.
- *21.1 List of subsidiaries of The Boston Beer Company, Inc.
- 23.1 Consent of Coopers and Lybrand L.L.P., independent accountants with respect to the Partnership, as Exhibit 24 to this report).

* 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

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

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities and
Exchange Act of 1934

Date of Report December 24, 1996

THE BOSTON BEER COMPANY, INC.
(Exact name of registrant as specified in its charter)

Massachusetts	01-14092	04-3284048
(State or other	(Commission File	(I.R.S. Employer
Jurisdiction of	Number)	Identification Number)
Incorporation)		

75 Arlington Street, Boston Massachusetts 02116
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (617) 368-5000

Item 8. Change in Fiscal Year

On December 20, 1996, the Registrant's Board of Directors formally approved a change in Registrant's fiscal year, commencing with fiscal year 1996, such that Registrant's fiscal year shall henceforth end on the Saturday of the last full calendar week in December in each year, rather than on December 31, and shall consist of 52 weeks, except that in every fifth year the fiscal year shall consist of 53 weeks. No transition period will result from the change.

SIGNATURES

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

THE BOSTON BEER COMPANY, INC.
(Registrant)

Date: December 24, 1996 /s/ ALFRED W. ROSSOW, JR.
Chief Operating Officer, Treasurer,
Chief Financial Officer (principal financial
and accounting officer) and Director

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 27th of March, 1997.

THE BOSTON BEER COMPANY, INC.

/s/ C. JAMES KOCH

C. James Koch
President

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ C. JAMES KOCH	President, Chief Executive Officer, Clerk and Director (principal executive officer)	
/s/ ALFRED W. ROSSOW, JR.	Chief Operating Officer, Treasurer, Chief Financial Officer (principal financial and accounting officer) and Director	
/s/ RHONDA L. KALLMAN	Director	
/s/ CHARLES JOSEPH KOCH	Director	
/s/ PEARSON C. CUMMIN, III	Director	
James C. Kautz	Director	
/s/ JOHN B. WING	Director	

THE BOSTON BEER COMPANY, INC.

1996 STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS

1. PURPOSE

The purpose of The Boston Beer Company, Inc. 1996 Stock Option Plan for Non-Employee Directors (the "Plan") is to attract and retain the services of experienced and knowledgeable independent Directors who are not employees ("Non-Employee Directors") of The Boston Beer Company, Inc. ("Boston Beer") for the benefit of Boston Beer and its stockholders and to provide additional incentive for Non-Employee Directors to continue to work in the best interests of Boston Beer and its stockholders through continuing ownership of Boston Beer common stock.

2. SHARES SUBJECT TO THE PLAN

The total number of shares of Class A Common Stock, par value \$.01 per share ("Shares"), of Boston Beer for which options may be granted under the Plan shall not exceed 100,000 in the aggregate, subject to adjustment in accordance with Section 9 hereof.

3. ELIGIBILITY; GRANT OF OPTION

Each of Pearson C. Cummin III, James C. Kautz, Charles Joseph Koch and John B. Wing, who are the four current members of the Board of Directors of Boston Beer (the "Board") who are not otherwise employees of Boston Beer or any subsidiary and who were reelected as Directors at the Boston Beer Annual Meeting held on May 21, 1996, shall be granted an option to acquire two thousand five hundred (2,500) Shares under the Plan upon the adoption of the Plan by the Board and shall be granted a further option for two thousand five hundred (2,500) Shares upon each subsequent reelection to the Board. All new Non-Employee Directors duly elected in the ten year period commencing on the date of the adoption of the Plan, shall be granted an option to

acquire two thousand five hundred (2,500) Shares under the Plan upon their election to the Board and upon each subsequent reelection. The date of grant for such options granted to the four current Non-Employee Directors named above shall be the date of adoption of the Plan by the Board, but such options shall become effective as of such date of grant only upon approval of the Plan by the holders of Boston Beer's issued and outstanding Class B Common Stock in accordance with Section 13 hereof. The date of the first grant for each subsequently elected Non-Employee Director shall be the date of election. The options shall be non-qualified options not intended to meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

4. OPTION AGREEMENT

Each option granted under the Plan shall be evidenced by an option agreement (the "Agreement") duly executed on behalf of Boston Beer and by the Non-Employee Director to whom such option is granted. Each Agreement shall (i) comply with and be subject to the terms and conditions of the Plan, (ii) provide that the optionee agrees to continue to serve as a Director of Boston Beer during the term for which he or she was elected and (iii) contain such other provisions not inconsistent with the provisions of the Plan, including with respect to obligations of each Non-Employee Director not to compete with Boston Beer, as the Board may determine.

5. OPTION EXERCISE PRICE

Subject to the provisions of Section 9 hereof, the option exercise price for options granted under the Plan shall be the fair market value of the Shares covered by the option on the date of grant of the option. For the purposes hereof and of Section 6(b), the fair market value of Shares shall be the mean between the high and low sales prices of

the Class A Common Stock of Boston Beer on the New York Stock Exchange as reported in the Wall Street Journal for the date of grant, provided that if the Class A Common Stock of Boston Beer is not listed on or actually trading on the New York Stock Exchange, fair market value shall be determined in good faith by the Board.

6. TIME AND MANNER OF EXERCISE OF OPTION

(a) Options granted under the Plan shall, subject to the provisions of Section 7, be immediately exercisable in full; provided, however, that no option granted under the Plan may be exercised prior to approval of the Plan by the holders of Boston Beer's issued and outstanding Class B Common Stock, as required by Section 13.

(b) The option may be exercised in full at one time or in part from time to time by giving written notice to Boston Beer, signed by the person or persons exercising the option, stating the number of Shares with respect to which the option is being exercised, accompanied by payment in full for such Shares, which payment may be in cash or in whole or in part in Shares of the Class A Common Stock of Boston Beer already owned for a period of at least six months by the person or persons exercising the option, valued at fair market value, as determined under Section 5 hereof, on the date of exercise; provided, however, that there shall be no such exercise at any one time as to fewer than two hundred fifty (250) Shares or all of the remaining Shares then purchasable by the person or persons exercising the option, if fewer than two hundred fifty (250) Shares. Upon such exercise, delivery of a certificate for paid-up non-assessable Shares shall be made at the principal Massachusetts office of Boston Beer to the person or persons exercising the option at such time, during ordinary business hours, not more than thirty (30) days from the date of receipt of the notice by Boston Beer, as shall be

designated in such notice, or at such time, place and manner as may be agreed upon by Boston Beer and the person or persons exercising the option.

7. TERM OF OPTIONS

(a) Each option shall expire ten (10) years from the date of the granting thereof, but shall be subject to earlier termination as herein provided.

(b) In the event of the death of an optionee, the option granted to such optionee may be exercised by the estate of such optionee or by any person or persons who acquired the right to exercise such option by bequest or inheritance or otherwise by reason of the death of such optionee. Such option may be exercised at any time within one (1) year after the date of death of such optionee, at which time the option shall terminate, or prior to the date on which the option otherwise expires by its terms, whichever is earlier.

(c) In the event that an optionee ceases to be a Director of Boston Beer the option granted to such optionee may be exercised by him or her, any time within three (3) months after the date such optionee ceases to be a Director of Boston Beer, at which time the option shall terminate, but in any event prior to the date on which the option expires by its terms, whichever is earlier, unless termination as a Director (i) was by Boston Beer for cause, in which case the option shall terminate immediately at the time the optionee ceases to be a Director of Boston Beer, (ii) was because the optionee has become disabled (within the meaning of Section 22(e)(3) of the Code), or (iii) was by reason of the death of the optionee. In the case of death, see Section 7(b) above. In the case of disability, the option may be exercised at any time within one (1) year after the date of termination of the optionee's directorship with Boston Beer, at which time the option shall terminate,

but in any event prior to the date on which the option otherwise expires by its terms, whichever is earlier.

8. OPTIONS NOT TRANSFERABLE

The right of any optionee to exercise an option granted to him or her under the Plan shall not be assignable or transferable by such optionee otherwise than by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder. Any option granted under the Plan shall be exercisable during the lifetime of such optionee only by him or her. Any option granted under the Plan shall be null and void and without effect upon the bankruptcy of the optionee, or upon any attempted assignment or transfer, except as herein provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition, attachment, trustee process or similar process, whether legal or equitable, upon such option.

9. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

In the event that the outstanding shares of the Class A Common Stock of Boston Beer are changed into or exchanged for a different number or kind of shares or other securities of Boston Beer or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination of shares or dividends payable in capital stock, appropriate adjustment shall be made in the number and kind of shares as to which outstanding options, or portions thereof then unexercised, shall be exercisable, to the end that the proportionate interest of the optionee shall be maintained as before the occurrence of such event, and such adjustment in outstanding options shall be made without change in the total price applicable to the unexercised portion of such options and

with a corresponding adjustment in the option price per share.

10. RESTRICTIONS ON ISSUE OF SHARES

Notwithstanding the provisions of Section 6 hereof, Boston Beer may delay the issuance of Shares covered by the exercise of any option granted under the Plan and the delivery of a certificate for such Shares until one of the following conditions shall be satisfied:

(i) the Shares with respect to which an option has been exercised are at the time of the issue of such Shares effectively registered under applicable Federal and state securities acts now in force or hereafter amended; or

(ii) counsel for Boston Beer shall have given an opinion, which opinion shall not be unreasonably conditioned or withheld, that such Shares are exempt from registration under applicable Federal and state securities acts now in force or hereafter amended.

It is intended that all exercises of options granted under the Plan shall be effective. Accordingly, Boston Beer shall use its best efforts to bring about compliance with the above conditions within a reasonable time, except that Boston Beer shall be under no obligation to cause a registration statement or a post-effective amendment to any registration statement to be prepared at its expense solely for the purpose of covering the issue of Shares in respect of which any option may be exercised, except as otherwise agreed to by Boston Beer in writing.

11. RIGHTS OF HOLDER ON PURCHASE FOR INVESTMENT;
SUBSEQUENT REGISTRATION

Unless the Shares to be issued upon exercise of an option granted under the Plan have been effectively registered under the Securities Act of 1933 (the "1933 Act"), as now in force or hereafter amended, Boston Beer shall be under no obligation to issue any Shares

covered by any option unless the person who exercises such option, in whole or in part, shall give a written representation and undertaking to Boston Beer which is satisfactory in form and scope to counsel to Boston Beer and upon which, in the opinion of such counsel, Boston Beer may reasonably rely, that he or she is acquiring the Shares issued to him pursuant to such exercise of the option for his or her own account as an investment and not with a view to, or for sale in connection with, the distribution of any such Shares, and that he or she will make no transfer of the same except in compliance with any rules and regulations in force at the time of such transfer under the 1933 Act, or any other applicable law, and that if Shares are issued without such registration a legend to this effect may be endorsed upon the securities so issued. In the event that Boston Beer shall, nevertheless, deem it necessary or desirable to register under the 1933 Act or other applicable statutes any Shares with respect to which an option shall have been exercised, or to qualify any such Shares for exemption from the 1933 Act or other applicable statutes, then Boston Beer shall take such action at its own expense and may require from each optionee such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for such purpose and may require reasonable indemnity to Boston Beer and its Officers and Directors from such holder against all losses, claims, damages and liabilities arising from such use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made.

12. LOANS PROHIBITED

Boston Beer shall not, directly or indirectly, lend money to an optionee or to any person or persons entitled to exercise an option by reason of the death of an optionee for the purpose of assisting any of them in the acquisition of Shares covered by an option granted under the Plan.

13. APPROVAL OF STOCKHOLDERS

The Plan shall be subject to approval by the affirmative vote of the holders of a majority of the issued and outstanding shares of the Class B Common Stock of Boston Beer present or represented and entitled to vote at a duly held stockholders' meeting, or by written consent of all of the holders of such Class B Common Stock, and shall take effect immediately as of its date of adoption upon such approval.

14. EXPENSES OF THE PLAN

All costs and expenses of the adoption and administration of the Plan shall be borne by Boston Beer, and none of such expenses shall be charged to any optionee.

15. TERMINATION AND AMENDMENT OF PLAN

Unless sooner terminated as herein provided, the Plan shall terminate ten (10) years from the date upon which the Plan was duly approved by the holders of Boston Beer's issued and outstanding Class B Common Stock. The Board may at any time terminate the Plan or make such modification or amendment thereof as it deems advisable; provided, however, that, except as provided in Section 9 hereof, no modification or amendment to the provisions of the Plan may be made more than once every six (6) months other than to comport with changes in the Code, the Employee Retirement Income Security Act, or the rules thereunder, if the effect of such amendment or modification would be to change (i) the requirements for eligibility under the Plan, (ii) the timing of the grants of options to be granted under the Plan or the exercise price thereof, or (iii) the number of Shares

subject to options to be granted under the Plan either in the aggregate or to one Director. Any amendment to the provisions of the Plan which (i) materially increases the number of Shares which may be subject to options granted under the Plan, (ii) materially increases the benefits accruing to Non-Employee Directors under the Plan, or (iii) materially modifies the requirement for eligibility to participate in the Plan, shall be subject to approval by the holders of Boston Beer's Class B Common Stock obtained in the manner stated in Section 13 hereof. Termination or any modification or amendment of the Plan shall not, without the consent of an optionee, affect his or her rights under an option previously granted to him or her.

16. LIMITATION OF RIGHTS IN THE OPTION SHARES

An optionee shall not be deemed for any purpose to be a stockholder of Boston Beer with respect to any of the options except to the extent that the option shall have been exercised with respect thereto and, in addition, a certificate shall have been issued theretofore and delivered to the optionee.

17. NOTICES

Any communication or notice required or permitted to be given under the Plan shall be in writing, and mailed by registered or certified mail or delivered by hand, if to Boston Beer, to its principal place of business, Attention: President, and, if to an optionee, to the address as appearing on the records of Boston Beer.

18. COMPLIANCE WITH RULE 16b-3.

It is the intention of Boston Beer that the Plan comply in all respects with Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934 (the "1934 Act") and that Participants remain disinterested persons for purposes of administering other employee benefit plans of Boston Beer and having transactions under such

other plans be exempt from Section 16(b) of the 1934 Act. Therefore, if any Plan provision is found not to be in compliance with Rule 16b-3 or if any Plan provisions would disqualify Participants from remaining disinterested persons, that provisions shall be deemed null and void, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3.

ADOPTED BY THE BOARD OF DIRECTORS ON MAY 21, 1996
APPROVED BY THE SOLE HOLDER OF THE CLASS B COMMON STOCK ON
MAY 21, 1996.
67334-1

information

PRODUCTION AGREEMENT
BETWEEN
THE STROH BREWERY COMPANY
AND
BOSTON BEER COMPANY LIMITED PARTNERSHIP

AGREEMENT entered into this 14th day of January, 1997, by and between THE STROH BREWERY COMPANY, an Arizona corporation ("Stroh"), and BOSTON BEER COMPANY, LIMITED PARTNERSHIP, a Massachusetts limited partnership ("Boston Beer"). Boston Beer and Stroh are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

Stroh and Boston Beer are currently parties to an Agreement dated as of January 31, 1994, as amended, pursuant to which Stroh has agreed to brew, package and sell certain Boston Beer products to Boston Beer at Stroh's Allentown (Lehigh Valley), Pennsylvania brewery. Stroh also produces products for Boston Beer at the Portland, Oregon brewery acquired by Stroh from G.Heileman Brewing Company ("Heileman") on or about June 30, 1996, pursuant to the December, 1995 agreement between Boston Beer and Heileman which was assumed by Stroh. Stroh has further agreed that these existing production arrangements shall remain in effect until at least June 30, 1998. Stroh and Boston Beer now desire to enter into a new production agreement, effective as of January 1, 1997, to supersede the existing arrangements, and which will govern the production of products by Stroh for Boston Beer, provide Boston Beer with greater control over the production process, and give Boston Beer access to * , which are the principal focus of this Agreement, are sometimes referred to herein individually as a "Brewery" and collectively as the "Breweries" and other breweries owned by Stroh at which Beer Products may from time to time be produced are sometimes referred to individually as an "Other Brewery" and collectively as "Other Breweries".] Production under this Agreement shall be deemed to take effect on the Effective Date, as defined in Section 12.

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.

During the Term, as defined in Section 5, and in accordance with the terms and conditions set forth herein, Stroh shall give Boston Beer access to Stroh's production facilities and make available to Boston Beer Stroh's production personnel to allow Boston Beer to produce Boston Beer's proprietary Beer Products. For purposes of this Agreement, Boston Beer's "Beer Products" shall include Samuel Adams Boston Lager ("Samuel Adams Lager"); Boston Lightship Lager ("Lightship Lager"); Samuel Adams Cream Stout ("Samuel Adams Stout"); and Samuel Adams Boston Ale ("Samuel Adams Ale"), other products introduced under the "Samuel Adams" line, all products produced and sold under the "Oregon Original" line, certain specially ordered and seasonal malt beverage products identified as such by Boston Beer ("Special Orders and Seasonals") and such other beer products as Boston Beer may introduce from time to time. Boston Beer shall periodically provide to Stroh an updated schedule of all Boston Beer products which Boston Beer deems to be Beer Products, subject to this Agreement. [Boston Beer agrees, however, that Stroh need not permit in excess of * wort streams at

the * Brewery, * wort streams at the *
 Brewery, and * wort streams at the * Brewery,
 except as the Parties may subsequently agree.]

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 for Beer Products at each of the Breweries, 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 Stroh in the production and packaging of Beer Products and inspect each of the Breweries and any Other Brewery at which it is proposed that Beer Products be produced. If a decision made by Boston Beer in the exercise of its authority under this Section 2(a) results in unavoidable incremental costs to Stroh not envisioned by the Parties in the negotiations of the pricing provisions contained in Section 4, Stroh shall be entitled to be reimbursed by Boston Beer for such incremental costs. In addition, in the exercise of its authority under this Section 2(a), Boston Beer shall not interfere with Stroh's production processes for its own proprietary brands.

(b) Consistent with the provisions of paragraph (a), Stroh and Boston Beer will, * .

3. Committed Capacity.

(a) Production. During the Term, Stroh shall, except as otherwise provided herein, make the following minimum production capacities available to Boston Beer for the production of Beer Products

Brewery	*	*	Committed Capacity
			barrels per month
		-2	
month through	*	up to	* barrels per
barrels		*	and up to *
			per month thereafter
month	*	up to	* barrels per

The Committed Capacity at each Brewery 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 four and one-half weeks per storage cycle. Boston Beer shall be under no obligation to avail itself fully of the Committed Capacity at each Brewery in any month. Boston Beer will, however, provide Stroh with fifty (50) 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 Stroh to plan its capacity utilization at any Brewery. Beer Products shall primarily be produced in units consisting of (i) twenty-four 12-ounce bottles (a "12-oz. Case Unit"), (ii) twelve 22-ounce bottles (a "22-oz. Case Unit"), (iii) 7.75 U.S. Gallons (a "Half-Keg"), and (iv) 15.50 U.S. gallons (a "Keg").

(b) Packaging. Stroh shall use all commercially reasonable efforts to accommodate Boston Beer's requested use of Stroh's * packaging facilities at the * Brewery for up to * cases of one or more beer styles per month through * , for which Stroh shall be entitled to be paid * per case.

(c) Reallocation of Capacity. Stroh may elect to close one or more of the Breweries and thereafter satisfy its obligations under paragraph (a), above, by * .

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(d) * and Other Non-Stroh Breweries. Boston Beer anticipates entering into production arrangements for the production of Beer Products at the brewery (the " * Brewery") in * owned by * . Stroh hereby agrees that, (i) if the * Brewery is closed or sold and the buyer is unwilling to continue production arrangements with Boston Beer on terms that are acceptable to Boston Beer, Stroh will make a like amount of production capacity available to Boston Beer at an Other Brewery located in * (a " * Brewery"), to the extent that Stroh has capacity then available in its Brewery system for Stroh's own proprietary brands which would be displaced from a * Brewery, on the same terms and conditions as otherwise then apply hereunder; provided that * , incurred by Stroh directly as a result of relocating the production of Stroh products from the * Brewery in question, to the extent then mutually agreed by the Parties, and (ii) in the event that Stroh acquires the * Brewery, it shall assume all then existing obligations of * (or any successor in interest) to Boston Beer with respect to the production of Beer Products at the * Brewery. Similarly, Stroh hereby agrees that it will assume all production obligations to Boston Beer, if any, of any other breweries hereafter acquired by Stroh. Notwithstanding the foregoing, Stroh shall be relieved of its obligations under clause (i) of this paragraph (d) to the extent that compliance in full would require it to keep in operation any brewery that it would otherwise in the normal course of managing its business elect to close.

4. Price and Manner of Payment.

(a) Boston Beer shall pay Stroh for Beer Products an amount (the "Price") equal to the sum of (i) a processing charge (the "Fixed Charge") of * .

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

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(c) The Price excludes any federal and state excise taxes, which Stroh may pass along to Boston Beer, if Stroh pays such taxes in compliance with Federal and state laws. In addition, Stroh shall be entitled to * , at a rate equal to * .

(d) The Price also excludes any charge for Boston Beer's use of pallets owned by Stroh. Stroh shall invoice Boston Beer on a quarterly basis within thirty (30) days after the end of each calendar quarter for Boston Beer's proportionate share based on pallets shipped) of the cost of pallets incurred at each Brewery

during such prior calendar quarter. Such invoices shall be paid by Boston Beer promptly in the ordinary course.

(e) Stroh will invoice Boston Beer daily for the Price of Beer Products shipped on the previous day and Boston Beer shall pay such invoices on Friday of each week for the prior week's invoices by wire or other mutually agreed upon method. All other amounts otherwise chargeable to Boston Beer hereunder shall be invoiced by Stroh reasonably promptly in accordance with normal business practices following the month in which incurred by Stroh. Such timely invoices shall similarly be paid by Boston Beer promptly in the ordinary course in accordance with normal business practices.

(f) Stroh shall have the right to * . Other pricing and payment terms for Special Orders or Seasonals shall be in accordance with the foregoing provisions of this Section 4, including the timely invoicing requirements of paragraph (e).

(g) Boston Beer shall be entitled to * .

(h) Boston Beer shall also be entitled to a * contemplated by Section 12 hereof, if made by Boston Beer.

5. Term.

The term of this Agreement (the "Term") shall commence on January 1, 1997 and 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 6(c), 13 and 14, and Stroh's obligations under Sections 12 and 28 shall survive the termination of this Agreement.

6. Termination.

(a) Except as the Parties may then otherwise agree, the Term shall expire on June 30, 1998 in the event that Boston Beer elects not to make the Investment.

(b) Either Party may terminate this Agreement for any reason whatsoever on not less than twenty-four (24) months' prior written notice to the other Party, effective at any time on or after * .

(c) Boston Beer may also terminate this Agreement effective immediately upon written notice in the event that Stroh is in default of any of its obligations to brew, package and ship any Beer Products, which default continues for a period of ten (10) business days following receipt by Stroh of written notice from Boston Beer regarding such default. [Such a default is hereinafter referred to as a "Stroh Production Default".] Stroh shall not be deemed to be in default of its obligations for purposes of this Section 6(c), 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 13 hereof, to the extent applicable.

(d) Stroh may terminate this Agreement on thirty (30) days prior written notice to Boston Beer, in the event that Boston Beer is in arrears in payment of undisputed amounts representing in excess of one (1) month's production and such arrearage has remained outstanding for in excess of one (1) month after written demand for payment was made by Stroh. Normal credit terms are as

defined in Section 4(e).

(e) Stroh may also terminate this Agreement on thirty-six (36) months' prior written notice, in the event of * .

(f) Upon termination of this Agreement, Boston Beer shall (i) promptly pay to Stroh all unpaid invoices in full and all unpaid costs incurred by Stroh pursuant to this Agreement in the brewing, packaging, shipping and storage of Beer Products, and (ii) purchase from Stroh at Stroh's cost all Stroh's inventory of (i) work in process of Beer Products, (ii) ingredients and raw materials unique to the Beer Products, and (iii) Packaging Materials. Stroh will use all reasonable efforts to minimize such costs upon termination and Boston Beer will have the right to review documentation evidencing such costs.

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7. Packaging. Deposits. and Minimum Orders.

(a) Packaging of Beer Products shall consist of twelve ounce (12 oz.) bottles, twenty-two ounce (22 oz.) bottles, Half-Kegs and Kegs, and such other units as Boston Beer may from time to time require, exclusive of any units which are proprietary to Stroh and which are not then being produced for Boston Beer by Boston Beer or any third party. In that regard, Stroh agrees that Boston Beer may make use of * . 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 Stroh. Boston Beer shall also, at Stroh's request, * to the extent necessary as a result of Stroh shipping Beer Products to the * from the * Brewery. Boston Beer has the right, subject to the approval of Stroh, which approval will not be unreasonably withheld, to make changes in the packaging used to produce the Beer Products or the Seasonals, including but not limited to the packaging of the Beer Products or Seasonals in can units. The price for * will be adjusted by the difference in costs between * .

(b) Boston Beer shall order at any given time not less than one production run (at present *). Boston Beer acknowledges and agrees that the minimum order applies to * ; provided, however, that orders for the * of the Beer Products * , except that for * bottles, an order may be comprised of as many as * .

8. Packaging Material 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 Stroh, (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 Stroh for production on a bi-weekly basis. Stroh acknowledges that Boston Beer shall be afforded unrestricted 24-hour access to all Packaging Materials and Hops when under Stroh control for purposes of removal or otherwise. Delivery of Packaging Materials and Hops (on such bi-weekly basis) to Stroh shall be coordinated between Stroh and Boston Beer, provided that Stroh 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 Stroh for all Hops delivered to Stroh hereunder upon delivery and all such invoices shall be payable withi thirty (30) days of invoicing. All vendors shall be selected by Boston Beer in its discretion, subject only to meeting Stroh's customary quality and performance requirements.

9. Risk of Loss

Stroh 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 Stroh. 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 Stroh's loading dock.

10. Brewery of Record.

(a) To the extent requested by Boston Beer and consistent with applicable laws and regulations, Stroh shall provide all Beer Products brewed hereunder under the name of "The Boston Beer Company" as the Brewer of Record. Stroh shall, to the fullest extent permissible, secure any permits, licenses, approvals and the like related to the production of beer, required by any federal, state or local governmental agency on behalf of Boston Beer. Boston Beer agrees to reimburse Stroh promptly for any out-of-pocket costs, including, without limitation, legal expenses and increased clerical costs, incurred in connection therewith.

(b) To the extent requested by Boston Beer, Stroh shall use all commercially reasonable efforts to establish an alternating proprietorship at each of the Breweries and at such Other Breweries to which production of Beer Products has been transferred, if necessary, and, subject to and in compliance with all applicable federal, state, or local laws, rules and regulations, to identify Boston, Massachusetts, as the sole label source for Beer Products. Boston Beer agrees to reimburse Stroh for its out-of-pocket costs, including, without limitation, legal expenses and increased clerical costs, incurred in connection therewith.

11. * .

The Price shall include * .

12. * .

*

13. Force Majeure.

(a) If Stroh is unable, by reason of a labor dispute, governmental action, act of God or the like, to produce Beer Products at any 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. In addition, Stroh shall advise Boston Beer of the terms on which Stroh is then willing to produce Beer Products at Other Breweries while the reduction in capacity at the affected Brewery continues.

(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 Stroh but at which from time to time Boston Beer produces Beer Products, and at that time Stroh has available production capacity at any of its Breweries, Stroh shall make such production capacity available to Boston Beer at a price equal to Stroh's * under this Agreement for such production.

14. * .

*

15. Agency and Indemnification.

Stroh and Boston Beer understand and agree that each party is not, by this Agreement or anything herein contained, including Stroh's affixing to Beer Products or Seasonals and/or registering the name of "The Boston Beer Company" or "Boston Beer Company", constituted or appointed the agent of each other for any purpose whatsoever, nor shall anything herein contained be deemed or construed as granting Boston Beer or Stroh any right or authority to assume or to operate 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 Stroh 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 from the independent conduct of Boston Beer; provided that Damages shall not include any loss, liability, cost or expense incurred by Stroh as a consequence of an exercise by Boston Beer of any of its rights under this Agreement.

16. Product Liability".

(a) Stroh 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 Stroh for Boston Beer.

(b) Stroh 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 attorney's 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 packaged by Stroh, regardless of when manufactured or packaged; except that Stroh shall have no such indemnification obligations with respect to (i) Product Liability Damages were caused by (i) Boston Beer's improper storage, handling, or alteration of the Beer Products in question or (ii) Packaging Materials or ingredients purchased, specified or otherwise approved by Boston Beer subsequent to written notice from Stroh reasonably advising that such Packaging Materials or ingredients should not be used in the Beer Products for health and safety reasons, it being understood that Stroh's sole obligation with respect to providing any such notice shall be to inform Boston Beer of matters which come to Stroh's attention and Stroh shall have no independent duty to analyze any Boston Beer Packaging Materials, ingredients or specifications, and (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 Stroh and all of its affiliates harmless from and against any and all Product Liability Damages to the extent arising out of the courses excepted from Stroh's indemnification obligations under paragraph (b), above.

(d) Notwithstanding the provisions of subparagraphs (b) and (c) of this Paragraph 12, in no event shall either Party be liable to indemnify the other Party for consequential damages other than consequential damages arising out of willful managerial misconduct suffered by the other Party and even in such latter event not in an amount greater than * .

17. Recipe and Quality.

(a) Stroh shall produce the Beer Products using the ingredients and brewing procedures specified by Boston Beer or its appointee. Boston Beer has the right to change ingredients and/or to specify brewing procedures provided that (i) * , (ii) the specified ingredients are readily available in the necessary time frame, and (iii) if the brewing time and/or the tank storage time required for fermentation or aging materially exceeds that required for Samuel Adams Lager, Boston Beer will negotiate in good faith with Stroh * at the affected Brewery or Breweries.

(b) Stroh shall use its best efforts to meet all of the specifications for each of the Beer Products. Boston Beer has the right to reject batches of beer which it determines to taste or look materially different from a representative sample of the Beer Products or Seasonals, such rejection not to be arbitrary or unreasonable. Any rejected batches may be blended by Stroh into any other Beer Product only in accordance with all applicable regulations and with Boston Beer's prior consent, such consent not to be unreasonably withheld.

18. Trademarks.

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

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

19. Successors and Assigns.

The Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Parties, but shall not be assigned by any Party without the prior written consent of the other Parties, which consent will not be unreasonably withheld. No failure of Boston Beer to consent to a proposed assignment of this Agreement by Stroh shall be deemed unreasonable if Boston Beer believes in good faith that the proposed assignee is not capable of performing the production obligations of Stroh hereunder. No assignment of this Agreement by Stroh shall relieve

it of its financial obligations hereunder, including its indemnification obligations, or its obligation to * to the extent required under Section 12, if the assignee defaults in the performance of its obligations hereunder, or if an assignee of Stroh's assets generally elects not to assume Stroh's obligations hereunder. *

20. Governing Law.

This agreement shall be interpreted and construed in accordance with the laws of the State of New York.

21. 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 New York, New York, in accordance with articles of the American Arbitration Association for Commercial Arbitration. The arbitrator(s) shall have the right to assess costs, including legal expenses, in favor of the prevailing Party, including, if applicable, Stroh 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, including specifically in the case of Boston Beer enforcing its rights under Section 12 in the event of a Stroh Production Default.

22. 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.

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23. Amendment.

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.

24. No Third Party Beneficiaries.

Stroh 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.

25. Merger: Separability.

Subject to the provisions of Section 26(a), below, this Agreement terminates and supersedes all prior formal or informal understandings among the parties with respect to the subject matter contained herein, except the Letter of Intent, which also remains in full force and effect. Should any provision or provisions of this Agreement be deemed ineffective or void for any reason whatsoever, such provision or provisions shall be deemed separable and shall not effect the validity of any other provision.

26. Current Practice: Cooperation.

(a) Except as set forth in this Agreement, the Parties agree to continue their current business practices with respect to the Beer Products produced by Stroh for Boston Beer, subject to modification from time to time as the parties, exercising

reasonable business judgment, shall mutually agree in writing.

(b) *

(c) The Parties also agree to cooperate with one another, consulting on a regular basis, with a view to achieving further financial economies, e.g. *, whether at a Brewery, an Other Brewery or otherwise. In addition, Stroh agrees to advise Boston Beer of opportunities of which Stroh becomes aware to purchase from Stroh breweries or brewing, * .

(d) All publicity concerning this Agreement shall be subject to the restrictions on disclosure set forth in the Letter of Intent.

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27. Lab Tests.

Stroh will perform at its expense all lab tests currently performed by Stroh for

Boston Beer on all Beer Products.

28. Non-Exclusive Nature of Agreement.

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.

29. * .

(a) For so long as this Agreement remains in effect, without the prior written consent of Boston Beer, Stroh shall not, on behalf of any unaffiliated person, * .

(b) Boston Beer acknowledges that Stroh's business includes brewing craft and 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 29 shall in any manner prevent, limit, restrict or otherwise affect Stroh'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 Stroh does not intentionally (i) copy the identical brewing formulae and ingredients of any Beer Product, (ii) use any proprietary yeast specifically supplied to Stroh 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.

30. Yeast Strains.

Stroh will not use yeast strains supplied by Boston Beer to brew any beers other than the Beer Products. The obligations of Stroh under this Section 30 shall survive any termination of this Agreement.

31. Notices.

All notices required herein shall be given by registered airmail, return receipt requested, or by overnight courier service, to the following addresses (unless change thereof has previously been given to the party given notice) and shall be

deemed effective when received:

If to Boston Beer:

C. James Koch, President,
Alfred W. Rossow, Jr., C.O.O. and
Martin Roper, Vice President
The Boston Beer Company, Inc.
75 Arlington Street, Fifth Floor
Boston, MA 02116

With a copy to:

Frederick H. Grein, Jr., Esq.
Hutchins, Wheeler & Dittmar
101 Federal Street
Boston, MA 02110

if to Stroh:

James R. Avery, Executive V. Pres.-Operations
and Christopher T. Sortwell, Executive V. Pres. and
Chief Financial Officer
The Stroh Brewery Company
100 River Place
Detroit, MI 48207

With a copy to:

George E. Kuehn, Executive V. Pres. and General Counsel
The Stroh Brewery Company
100 River Place
Detroit, MI 48207

32. Rights of Offset.

Stroh 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.

33. Deliveries to * .

To the extent permitted by applicable law, if so requested by Boston Beer, Stroh will * .

34. Adverse Product Statements.

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.

35. Limitation on Period of Claims.

All claims hereunder must be brought no later than one year after such claim arose or the Party having such claim shall be deemed to have waived and forever released it; provided that, for purposes of this Section 34, a claim shall be deemed to have arise at the time that the Party asserting a claim first became aware of it.

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

BOSTON BEER COMPANY LIMITED

PARTNERSHIP

its

By: Boston Brewing Company, Inc.,
General Partner

By: C. JAMES KOCH, President

THE STROH BREWERY COMPANY

By: CHRISTOPHER T. SORTWELL,
Executive Vice President
and Chief Financial Officer

EXHIBIT 10.21

* denotes expurgated
information

January 14, 1997

THE STROH BREWERY COMPANY
100 River Place
Detroit, Michigan 48207

ATTENTION: Christopher T. Sortwell
Senior Vice President, Finance

Ladies and Gentlemen:

The Boston Beer Company, Inc., a Massachusetts corporation, for itself and its affiliates ("Boston Beer") hereby confirms its proposal with respect to long-term production arrangements between Boston Beer and The Stroh Brewery Company ("Stroh"), to become effective if Boston Beer elects to make an investment (the "Investment") in Stroh's brewery located in Allentown, Pennsylvania, known as the "Lehigh Valley Brewery". If it elects to make the Investment, Boston Beer would invest up to * (sometimes referred to as the "Project"). The Project entails * in the brewing and packaging of beer products, a preliminary schedule of which is attached hereto as Exhibit A (the " * "). Boston Beer's proposal is as follows:

1. Existing Production Arrangements. Boston Beer and Stroh are parties to certain existing arrangements, pursuant to which beer products are produced by Boston Beer at the Lehigh Valley Brewery under an alternating proprietorship, and at a brewery in Portland, Oregon (the "Portland Brewery"), acquired by Stroh from G. Heileman Brewing Company on or about July 1, 1996. Such existing arrangements are currently intended to remain in effect until * and are hereby ratified and confirmed by Boston Beer and Stroh, except as hereinafter provided.

2. Investment: Modification of Existing Arrangements. Boston Beer, in consideration for * , hereby agrees to * in accordance with the Schedule of * Production Requirements attached hereto as Exhibit B, and further agrees that * .

THE STROH BREWERY COMPANY
January 14, 1997
Page 2

3. New Production Arrangements. Upon the execution of this Letter of Intent, Boston Beer and Stroh shall enter into the written contract (the "Production Agreement"), attached hereto as Exhibit C, pursuant to which such beer products as are requested from time-to-time by Boston Beer shall be produced by Boston Beer at the * Brewery under an alternating proprietorship, the * Brewery and the brewery * (the " * Brewery"), subject to the conditions and limitations set forth in the Production Agreement, for a term of up to * years,

commencing effective as of * .

4. Investment by Boston Beer. If Boston Beer elects to * , it shall, in consideration of the Production Agreement, invest up to * in the * Brewery, subject to the following provisions of this Section 4:

- (a) Boston Beer shall reimburse Stroh for * of the * Brewery and the * , including installation costs, up to a total reimbursement of * .
- (b) Boston Beer shall be entitled to * .
- (c) Stroh shall invoice Boston Beer monthly for amounts expended by Stroh in the immediately preceding month for approved Project expenditures. Each invoice shall be accompanied by a Project status report and copies of all relevant third party invoices. Unless challenged in writing prior thereto, all such invoices shall be payable within 30 days of receipt.
- (d) Boston Beer shall have the right on reasonable notice and during normal business hours to inspect (i) the status of the Project and (ii) Stroh's books and records relating to the Project. Such inspection shall be at the expense of Boston Beer and may be conducted by such experts and other representatives of Boston Beer, as Boston Beer shall select in its sole discretion.
- (e) As provided in the Production Agreement, in the event of a material default by Stroh in the performance of its obligations to Boston Beer thereunder,

THE STROH BREWERY COMPANY
January 14, 1997
Page 3

Boston Beer shall be entitled to * .

5. Possible * Investment. The Production Agreement contains provisions with respect to Stroh's continuing obligations to provide access to capacity * . In the event that Boston Beer requests access to * capacity beyond that called for by the Production Agreement at a time when Stroh reasonably believes that meeting such request is not possible, given Stroh's then capacity constraints, Stroh, if so requested by Boston Beer, will promptly undertake an evaluation of the cost and feasibility of expanding Stroh's * production capacity for the benefit of Boston Beer and submit to Boston Beer for consideration a written * shall be subject to the terms and conditions then in effect under the Production Agreement.

6. Access to Information: Conditions. Stroh shall give Boston Beer access to such information concerning Stroh and the * Brewery as Boston Beer may reasonably request to assist Boston Beer in determining * . In addition, if Boston Beer elects to make the * , its obligations to proceed with the transactions outlined above are further subject to the following conditions being met or waived by Boston Beer in its discretion prior to * :

- (a) Stroh shall have executed the Production

Agreement.

- (b) Boston Beer shall have received all requisite governmental and other third-party approvals, as may be necessary for Boston Beer and Stroh to enter into and perform the Production Agreement.

7. Exclusivity. From the date of this Letter of Intent until the earlier of * or the termination of this Letter of Intent, Stroh shall *, to the extent that Stroh's obligations under any such agreement might materially adversely affect Stroh's obligations to Boston Beer under this Letter of Intent or under the Production Agreement.

8. Binding Intent. It is the intention of Boston Beer and Stroh that this Letter of Intent shall be and be deemed to constitute their respective legally binding and enforceable obligations, with respect to the matters discussed herein. Any other legally binding obligation with respect to the transactions contemplated hereby shall arise only upon the execution and delivery of the Production Agreement. All other obligations or commitments to proceed with the

THE STROH BREWERY COMPANY
January 14, 1997
Page 4

transactions contemplated hereby shall be only those obligations as are set forth in the Production Agreement.

9 No Publicity. Neither Boston Beer nor Stroh shall make any public disclosure relating to the transactions contemplated hereby or indicate that discussions are taking place between them regarding *, without first notifying the other party of the intended disclosure in writing.

10. No Brokers Each party represents and warrants to the other that it has not made any agreement or taken any action which might cause any broker or third-party to become entitled to a finder's fee or brokerage commission as a result of the transactions contemplated by this Letter of Intent.

11. Expiration of Letter of Intent. This Letter of Intent is conditioned on your acceptance hereof not later than 5:00 P.M. EST on Friday, January 17, 1997.

Very truly yours,

THE BOSTON BEER COMPANY, INC.

BY: C. JAMES KOCH, President

ACCEPTED:

THE STROH BREWERY COMPANY

BY: CHRISTOPHER T. SORTWELL, Senior Vice president

EXHIBIT A

TO THE LETTER AGREEMENT DATED JANUARY 14,1997
BETWEEN
THE BOSTON BEER COMPANY, INC.
AND
THE STROH BREWERY COMPANY

PRELIMINARY SCHEDULE OF *

*

EXHIBIT B

TO THE LETTER AGREEMENT DATED JANUARY 14,1997
BETWEEN
THE BOSTON BEER COMPANY, INC.
AND
THE STROH BREWERY COMPANY

*

EXHIBIT C

TO THE LETTER AGREEMENT DATED JANUARY 14,1997
BETWEEN
THE BOSTON BEER COMPANY, INC.
AND
THE STROH BREWERY COMPANY

PRODUCTION AGREEMENT

information

AGREEMENT BETWEEN
BOSTON BEER COMPANY LIMITED PARTNERSHIP
AND
THE SCHOENLING BREWING COMPANY

AGREEMENT entered into effective as of the 22nd day of May, 1996 (the "Effective Date") by and between BOSTON BEER COMPANY LIMITED PARTNERSHIP, d/b/a THE BOSTON BEER COMPANY, a Massachusetts limited partnership ("Boston Beer"), and THE SCHOENLING BREWING COMPANY, an Ohio corporation ("Schoenling"). Schoenling and Boston Beer are sometimes referred to herein individually as a "Party" and collectively as the "Parties".

Schoenling and Boston Beer desire to enter into an agreement pursuant to which Schoenling shall supply to Boston Beer and Boston Beer shall purchase from Schoenling on an as ordered basis, proprietary beer products developed and marketed from time to time by Boston Beer ("Products").

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

SCOPE OF AGREEMENT

During the term of this Agreement as set forth in Paragraph 4 hereof and in accordance with the terms set forth herein, Schoenling agrees to brew, package and sell Products to Boston Beer and Boston Beer agrees to purchase Products from Schoenling. Brewing of Products shall commence for commercial purposes promptly after Boston Beer reasonably approves test brews of Products produced by Schoenling to Boston Beer's specifications.

PRICE AND MANNER OF PAYMENT: ANNUAL FEE.

(a) Except as otherwise provided in the following subparagraphs of this Paragraph 2, Boston Beer shall pay Schoenling for Products an amount (the "Unit Price") equal to: (i) with respect to Products packaged in bottles, a "Fixed Charge" of * per unit of twenty-four 12-ounce bottles or twelve 22-ounce bottles (in either instance, a "Case Unit"; it being the intent that the Fixed Charge for other 22 ounce package configurations produced by Schoenling be prorated), or (ii) with respect to Products packaged in kegs, a Fixed Charge of * per unit of one-half barrel consisting of 15.5 U.S. gallons (a "Keg"), plus (iii) in both cases, the net cost to Schoenling of all Brewing Ingredients (as defined in Paragraph 3(a) purchased by Schoenling and used in producing Products; all federal, state and local excise taxes attributable to Products that are paid by Schoenling; and a deposit charge of * per pallet. For this purpose, "net cost to Schoenling" shall include purchase discounts, but not discounts resulting from credit terms.

(b) Unit Prices are F.O.B. the carrier's trucks at Schoenling's docks (i.e., the Unit Price includes the cost and risk of loading trucks at Schoenling's dock) and include Schoenling's labor costs, overhead, profit and other costs incurred in the brewing and packaging of Products.

(c) Schoenling will invoice Boston Beer for the Fixed Charge, all applicable Brewing Ingredients purchased by Schoenling attributable to Products shipped, all federal, state

and local excise taxes attributable to Products that are paid by Schoenling, and the pallet deposit charged on the date Products are shipped. All invoices will be sent to Boston Beer by telecopier and Boston Beer will pay on each Friday by electronic funds transfer all invoices received by Monday that relate to the previous week. If Schoenling should elect, in its sole discretion, to utilize electronic invoicing, Boston Beer will pay on each Wednesday all invoices received by Monday that relate to the previous week.

(d) Schoenling shall be entitled to such price increases, as are negotiated in good faith from time-to-time by Schoenling and Boston Beer. When negotiating production price increases, the parties shall analyze the historical financial information accumulated for Schoenling's production and packaging operations and attempt to determine pricing levels for Boston Beer products and for Schoenling proprietary products which will fairly recover normal and necessary costs and provide a level of operating income which will allow prudent, stable reinvestment in Schoenling's real property located in Cincinnati, Ohio (the "Real Property") and Schoenling's fixed assets and equipment as are used or useable in the brewing and packaging of beer products or in the administration of such operations ("Production Equipment"). It is not intended, however, that Boston Beer pay a price for Products which guarantees a fixed or minimum level of facility profitability nor replace dollar-for-dollar the margins formerly generated by other contract customers, whether or not Boston Beer avails itself of production capacity previously dedicated to former third-party customers. Boston Beer and Schoenling agree to consult and cooperate with one another to achieve cost reductions or to minimize cost increases to the extent possible, especially with respect to the cost of raw materials and packaging materials.

(e) Boston Beer shall also pay to Schoenling an annual administrative fee equal to * , the first such fee to be due and payable upon the execution of this Agreement and thereafter on April 1 in each year during which this Agreement remains in effect.

3. BREWING INGREDIENTS. PACKAGING MATERIALS AND BREWING SUPPLIES

(a) For purposes of this Agreement, "Brewing Ingredients" shall be defined as all malt, yeast and hops used to produce Products. Brewing Ingredients shall be purchased and supplied as follows:

(i) All malt used in the brewing of Products shall be purchased by Schoenling directly from commercial malt suppliers. Schoenling and Boston Beer will use their best efforts to agree upon malt specifications for malt that will allow Schoenling to commingle storage of malt used to produce Products with malt used by Schoenling to produce other products. If Schoenling and Boston Beer cannot agree upon standard malt specifications, the Fixed Charge shall be increased to reflect any additional cost incurred by Schoenling for separate handling and storage of malt used in Products.

(ii) All hops used in the brewing of Products shall be purchased by Schoenling from Boston Beer. Delivery of hops shall be coordinated between Schoenling and Boston Beer.

(iii) All yeast used in the brewing of Products shall be supplied by Boston Beer at no charge to Schoenling. All yeast supplied by Boston Beer shall remain the property solely and exclusively of Boston Beer and shall be segregated and identified by Schoenling as such. Delivery of yeast to Schoenling shall be coordinated between Schoenling and Boston Beer.

(b) For purposes of this Agreement, "Packaging Materials" shall be defined as all bottles, crowns, labels, cases, cartons, kegs, tap covers, pallets and dust covers and the like used in the packaging and shipment of Products. Packaging Materials shall be purchased and supplied as follows:

(i) Bottles, crowns, labels, cases, cartons, tap covers and the like shall be purchased by Boston Beer and supplied to Schoenling as needed to meet the Packaging Schedule for Products.

(ii) Kegs, pallets and dust covers in quantities adequate for the volume of Products to be packaged under this Agreement shall be purchased by Boston Beer and supplied to Schoenling from time to time. All such kegs, pallets and dust covers shall be returned and reused in accordance with Schoenling's standard policies for keg and pallet return and reuse. From time to time during the term of this Agreement, Boston Beer shall purchase and supply to Schoenling additional kegs, pallets and dust covers in numbers adequate to replace kegs, pallets and dust covers lost or otherwise rendered unusable. All kegs, pallets and dust covers shall conform to the specifications of kegs, pallets and dust covers used by Schoenling in packaging and shipping its own products. Upon each delivery to Schoenling of new pallets purchased by Boston Beer, Schoenling shall issue to Boston Beer a credit of * per pallet and the pallets shall thereafter be the property of Schoenling.

(iii) Schoenling shall purchase and supply at its own cost Lock n' Pop, shrink wrap, label adhesive, hot melt glue and bungs used in packaging and shipping of Products.

(c) For purpose of this Agreement, "Brewing Supplies" shall be defined as *. Schoenling shall purchase and supply at its own cost all Brewing Supplies used in the brewing of Products.

(d) Boston Beer shall have sole responsibility for the selection and approval of all Brewing Ingredients, Packaging Materials and Brewing Supplies used to produce Products. Boston Beer shall have sole responsibility for the content and design of all labels, tap covers, crowns, cartons, cases and other Packaging Materials.

(e) Upon the termination of this Agreement for any reason: (i) Boston Beer will purchase from Schoenling (x) all finished Products at the Fixed Charge, (y) all inventory of work in process of Products at Schoenling's cost, and (z) all inventory of Brewing Ingredients, Packaging Materials and Brewing Supplies purchased by Schoenling that are not reasonably useable by Schoenling in its own products at Schoenling's cost; and (ii) Schoenling will make available for pick up by Boston Beer at Schoenling's dock all finished Products and all Brewing Ingredients, Packaging Materials and Brewing Supplies referred to in Subparagraph 3(e)(i) hereof. In the event sales of Products are substantially less than forecasted by Boston Beer resulting in abnormally excess inventories of Brewing Ingredients, Packaging Materials and Brewing Supplies purchased by Schoenling, Boston Beer will purchase such excess from Schoenling at Schoenling's cost.

(a) The term of this Agreement shall be * years beginning on the Effective Date, unless sooner terminated pursuant to Paragraph 5 hereof. The Parties acknowledge that Boston Beer's obligations pursuant to this Agreement to make payments to Schoenling and the Parties' respective rights and obligations under Paragraphs 3(e), 11, 12, 14, 16(a), 16(c), 17 and 26 shall survive the termination of this Agreement.

5. TERMINATION

(a) Either Party may terminate this Agreement effective immediately upon written notice to the other Party in the event that the other Party is in default of any of its obligations under this Agreement, which default continues for a period of thirty (30) days following receipt of written notice of such default.

(b) Either Party may terminate this Agreement effective immediately upon written notice to the other Party in the event that: (i) the other Party makes an assignment for the benefit of creditors or files a voluntary bankruptcy, insolvency, reorganization or similar petition seeking protection from creditors petition; (ii) the other Party fails to vacate any involuntary bankruptcy, insolvency or reorganization petition filed against such Party within sixty (60) days after the filing of such petition; or (iii) the other Party liquidates, dissolves or ceases to do business as a going concern.

(c) Schoenling may terminate this Agreement, if Boston Beer fails to meet certain minimum purchase requirements, as specified in Section 6(b).

(d) Schoenling may terminate this Agreement effective upon the termination of the Option Agreement (the "Option Agreement") of even date herewith pursuant to which Schoenling granted to Boston Beer an option (the "Option") to acquire the Real Property and certain of the Production Equipment.

(e) Upon termination of this Agreement pursuant to this Paragraph 5, Boston Beer shall promptly pay to Schoenling all unpaid invoices in full and all unpaid costs incurred by Schoenling pursuant to this Agreement in the brewing, packaging, shipping and storage for Products. Schoenling will use all reasonable efforts to minimize such costs upon termination and Boston Beer will have the right to review documentation evidencing such costs. Also upon termination, Schoenling shall have the right to terminate the Option, as provided in the Option Agreement.

6. PACKAGING. DEPOSITS AND MINIMUM ORDERS

(a) Packaging of Products shall consist of Kegs and twelve ounce (12 oz.) and twenty-two ounce (22 oz.) bottles. Except for one-way pallets paid for by Boston Beer, a deposit per pallet, as set forth in Paragraph 2(a) hereof, shall be charged to Boston Beer with a corresponding credit applied upon the safe return in good working order of the pallets to Schoenling. Boston Beer has the right, subject to the approval of Schoenling which approval will not be unreasonably withheld, to make changes in the Packaging Materials, including but not limited to packaging Products in can units in quantities consistent with Schoenling's operational capacities. Costs incurred by Schoenling in making such changes shall be paid by Boston Beer.

(b) Boston Beer shall purchase not less than * barrels of Products from Schoenling during the balance of calendar year 1996. Minimum production/purchase requirements for 1997 and beyond shall be determined based on 6-month planning

cycles, with, for example, proposed commitments for the period January 1 through June 30, 1997 to be submitted to Schoenling by Boston Beer on or about July 1, 1996. Minimum requirements for 1997 and 1998 shall in any event be * barrels and * barrels, respectively. Minimum requirements for 1999 and subsequent years shall also be * barrels. If Boston Beer fails to meet such minimum purchase requirements starting in 1999, Schoenling shall have the right to terminate the Supply Contract, as follows:

(i) If Boston Beer fails to purchase at least * barrels in any six (6) month period January through June and * barrels in any six (6) month period July through December, Schoenling may give written notice to Boston Beer of its intention to terminate the Supply Contract if the shortfall is not made up during the succeeding six (6) month period (the "Make-Up Period"). Any such notice of intention to terminate must be given prior to the end of the first month of the Make-Up Period.

(ii) If Boston Beer does not purchase sufficient quantities of beer products during the Make-Up Period such that for the twelve (12) month period ending on the last day of the Make-Up Period, Boston Beer shall have met its minimum purchase requirements, Schoenling shall have the right to terminate the Supply Contract on one hundred twenty (120) days prior written notice, given at any time prior to the expiration of thirty (30) days after in the end of the Make-Up Period.

(iii) If Schoenling terminates the Supply Contract pursuant to clauses (i) and (ii), it shall also have the right to terminate the Option, effective on termination of the Supply Contract.

Boston Beer's commitments are inclusive of any beer products produced for *, other Boston Beer licensees and other parties brought to Schoenling by Boston Beer. Boston Beer shall have the right to avail itself of all of Schoenling's production capacity, excepting only such capacity as is identified on Schedule B attached hereto, such other third-party commitments as shall be approved in advance by Boston Beer, which approval shall not be unreasonably withheld, except that it shall not be unreasonable for Boston Beer to withhold approval if the proposed commitment involves competing products as defined in Section 16(b) hereof, and up to * (or such increased amount as may from time to time be approved in advance by Boston Beer, which approval shall not be unreasonably withheld) cases per year of production of Schoenling's own proprietary alcoholic and non-alcoholic products. Notwithstanding the foregoing, Schoenling shall be entitled to utilize its facilities for third-party products marketed by Schoenling (e.g., * ale), provided that to the extent such products utilize Schoenling's production capacity, they will be included within the * case capacity (as such amount may be increased from time to time in accordance with the preceding sentence of this subsection (b)) reserved for Schoenling's proprietary products.

(c) Prior to commencing brewing of Products for commercial purposes and on a weekly basis thereafter, Boston Beer shall provide Schoenling with a twelve (12) week Production Plan for Products (the "Production Plan"). The Production Plan shall be a rolling twelve week schedule setting forth brewing and packaging requirements for Products for each week during the

twelve weeks covered by the Production Plan. All brewing requirements for Products during the first six weeks of the Production Plan shall constitute firm orders by Boston Beer. All brewing requirements for Products during the second six weeks of the Production Plan and all packaging requirements set forth in the Production Plan shall be a forecast of Boston Beer's best estimate of brewing and packaging requirements for Products and shall be used by Schoenling for capacity planning purposes. Boston Beer shall update the Production Plan each week by providing its best estimate of brewing and packaging requirements for the twelfth week and by revising the schedule for brewing and packaging requirements in the sixth through eleventh weeks of the Production Plan. The brew size that Boston Beer shall utilize in the Production Plan shall be Schoenling's maximum brew based on Schoenling's current brewing vessels, currently estimated to yield approximately * barrels of Products (a "Brew"). The minimum brewing requirement that Boston Beer may specify during any week in which it elects to brew shall be * Brews. Schoenling shall have the right, in its sole discretion, to set the actual time and date on which each Brew shall be brewed, provided that Schoenling shall use its best efforts to minimize the length of time that Products remains in storage prior to packaging.

(d) Boston Beer shall place all orders for packaging and shipment of Products by the eighth business day of each month (the "Packaging Schedule"). The Packaging Schedule shall set forth the quantity of Products by package type and the week in which each order shall be shipped in the following month. Packaging shall be scheduled in increments of * cases for 22 oz. bottles and * cases for 12 oz. bottles in new glass. The minimum order for packaging Products in Kegs shall be * Kegs.

7. RISK OF LOSS

Boston Beer shall have sole responsibility for selecting carriers and making all arrangements for shipment of Products to its customers. Boston Beer shall pay for all costs associated with shipment of Products from Schoenling's facility. Schoenling 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 Schoenling. 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 Products, once the carrier's truck leaves loading dock.

8. BREWERY OF RECORD

(a) Schoenling shall provide all Products brewed hereunder under the name of "The Boston Beer Company," as the Brewery of Record. Schoenling shall secure and maintain 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 Schoenling promptly for any out-of-pocket costs, including, without limitation, legal expenses, incurred in connection therewith.

(b) Schoenling shall, to the extent reasonably possible, by establishing and maintaining an alternating proprietorship if necessary, but subject to and in compliance with all applicable federal, state or local laws, rules and regulations, identify Boston, Massachusetts, as the sole label source for Products. Boston Beer agrees to reimburse Schoenling for its out-of-pocket costs, including, without limitation, legal expenses, incurred in connection therewith.

9. FORCE MAJEURE

(a) Schoenling shall not be liable to Boston Beer in the event that Schoenling shall delay in or fail to deliver Products to Boston Beer hereunder for any reason or cause beyond its control, including but not limited to a slowdown, stoppage or reduction of Schoenling's production or delivery due to strikes, fire, flood, labor stoppage or slowdown, inability to obtain materials or packages, shortage of energy, acts of God, a limitation or restriction of its-production by action of any military or governmental authority, or any other such causes.

(b) In the event of any such slowdown, stoppage or reduction of Schoenling's production or deliveries, Schoenling will allocate its remaining capacity pro rata between Products and other products then produced by Schoenling, provided that Boston Beer shall use reasonable efforts to move production of Products to its other suppliers for the duration of any such slowdown, stoppage or reduction so as to minimize the amount of Products that Schoenling is required to produce for Boston Beer during such slowdown, stoppage or reduction. If the event causing slowdown, stoppage or reduction of Schoenling's production or delivery shall occur within two hundred seventy (270) days after the beginning of commercial brewing of Products, then the pro rata allocation of Schoenling's remaining production capacity shall be based on the proportionate volume of other products produced by Schoenling during the six (6) month period immediately preceding the month in which occurred the event which gave rise to the slowdown, stoppage or reduction and two (2) times the volume of Products produced by Schoenling during the three (3) month period immediately preceding the month in which occurred the event which gave rise to the slowdown, stoppage or reduction. If the event causing the slowdown, stoppage or reduction of Schoenling's production or delivery shall occur more than two hundred seventy (270) days after the beginning of commercial production of Products, then the pro rata allocation of Schoenling's remaining production capacity shall be based on the proportionate volume of Products and other products produced by Schoenling during the six (6) month period immediately preceding the month in which occurred the event which gave rise to the slowdown, stoppage or reduction of Schoenling's production or delivery.

10. CHANGE PARTS AND BREWERY MODIFICATIONS

Boston Beer will pay for * , provided that Schoenling notifies Boston Beer in advance of making any such expenditures; and provided further that Boston Beer hereby acknowledges its obligations to pay for such expenses incurred by Schoenling prior to the Effective Date. Boston Beer shall own all * paid for by Boston Beer and Schoenling shall allow Boston Beer to remove all such * at the termination or expiration of this Agreement, provided that Boston Beer shall restore, or reimburse Schoenling for its cost to restore Schoenling's equipment or facilities to their condition prior to the installation of such * , ordinary wear and tear excluded. The cost and ownership of any change parts or brewery modifications that can also be used by Schoenling to produce its own products shall be allocated between Schoenling and Boston Beer by prior written agreement. Schoenling agrees to execute an appropriate UCC financing statement to reflect Boston Beer's ownership of any change parts or brewery modifications owned by Boston Beer. Schoenling shall have no obligation to make any modifications to its equipment or facilities to accommodate the production of Products unless agreed to by Schoenling in writing.

11. AGENCY AND INDEMNIFICATION

Schoenling and Boston Beer understand and agree that

neither Party is, by virtue of this Agreement or anything contained herein, including Schoenling affixing to any Products and/or registering the name of "The Boston Beer Company" or "Boston Beer 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 Schoenling 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 Schoenling 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 from the independent conduct of Boston Beer; provided that Damages shall not include any loss, liability, cost or expense incurred by Schoenling as a consequence of the exercise by Boston Beer of any of its rights under this Agreement.

12. PRODUCT LIABILITY

(a) Schoenling and Boston Beer shall each maintain products liability insurance coverage in the respective amounts of not less than * per occurrence and * combined single limit, and in the amount of not less than * combined single limit in the aggregate relating to Products produced by Schoenling for Boston Beer hereunder.

(b) Schoenling 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 attorney's fees (collectively, "Products Liability Damages"), arising out of or associated with the manufacture and/or packaging of Products by Schoenling, regardless of when manufactured or packaged, and whether under this Agreement or otherwise, except to the extent that (i) Products Liability Damages were caused by improper storage, handling or alteration of Products after delivery to Boston Beer, (ii) Products Liability Damages are based on or result from a claim that any Products are inherently defective, or (iii) Products Liability Damages were caused by Brewing Ingredients, Packaging Materials or Brewing Supplies specified or otherwise approved by Boston Beer.

(c) Boston Beer shall indemnify and hold harmless Schoenling and all of its affiliates from and against any and all Products Liability Damages to the extent arising out of the causes excepted from Schoenling's duty to indemnify Boston Beer under clauses (i), (ii) and (iii) of subparagraph (b) of this Paragraph 12.

(d) Notwithstanding the provisions of subparagraphs (b) and (c) of Paragraph 12, in no event shall either Party be liable to indemnify the other Party for product liability-related consequential damages suffered by the other Party in an amount greater than the lesser of (i) * or (ii) * plus * by Boston Beer for all Products during the twelve (12) months preceding the month in which occurred the event giving rise to the claim for indemnification.

13. RECIPE AND QUALITY

(a) Schoenling shall produce Products using the ingredients and brewing formula and procedures specified from time-to-time by Boston Beer. Boston Beer shall have the right to change ingredients and/or brewing formula and procedures upon reasonable prior written notice, provided that the cost of any such change shall be borne by Boston Beer and, provided further,

that the specified ingredients are readily available in the necessary time frame.

(b) Schoenling shall use its best efforts to meet the specifications for Products attached hereto as Schedule A. Boston Beer has the right to reject batches of Products which it determines to taste materially different from representative sample of Products, such rejection not to be arbitrary or unreasonable. Any rejected batches may be blended by Schoenling into other runs of Products.

14. TRADEMARKS

(a) Schoenling acknowledges that no trademark or trade name rights in "Samuel Adams Cream Stout", "Samuel Adams Boston Ale", "Samuel Adams Boston Lager," "Boston Lightship Lager," and "The Boston Beer Company" and any other trademarks, trade names, service marks or logos owned by Boston Beer (collectively, the "Trademarks") are granted by this Agreement.

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

15. TEST BREWING

Notwithstanding anything to the contrary in this Agreement, Boston Beer may, at any time after notice to Schoenling engage any other brewer for the purpose of conducting test production and distribution of Products in order to ensure the delivery of Products following termination of this Agreement.

16. COMPETING PRODUCTS

(a) Schoenling will not at anytime use the brewing formula for Products for which Boston Beer has supplied brewing formulas to Schoenling or any yeast supplied to Schoenling by Boston Beer to produce a malt beverage product for itself (or any of its affiliates) or on behalf of any unaffiliated person.

(b) For so long as this Agreement remains in effect, Schoenling shall not, without the prior written consent of Boston Beer, which consent may be withheld by Boston Beer in its discretion, produce for or on behalf of any person unaffiliated with, Schoenling or Boston Beer a malt beverage product for sale in the United States which (i) has a wholesale F.O.B. price that is within * of the average of the ten (10) highest then current wholesale F.O.B. prices charged by Boston Beer for Products, and (ii) is part of a family of malt beverage products having aggregate sales volume for the past twelve (12) months in excess of * of Boston Beer's aggregate sales volume during the same twelve (12) months, except for those malt beverage products being produced by Schoenling pursuant to the arrangements disclosed on Schedule C attached hereto, and except for products marketed by Schoenling, as provided in the last sentence of Section 6(b) hereof.

(c) Boston Beer acknowledges that Schoenling is currently in the business of brewing craft and specialty malt beverage products that are similar to and compete with Products, and Boston Beer agrees that nothing in this Agreement shall prevent Schoenling from continuing or expanding its craft and specialty business, provided that Schoenling shall not intentionally copy the brewing formula for Products or use any yeast supplied to Schoenling by Boston Beer to produce craft and specialty products for itself or any of its affiliates. All Products produced by Schoenling for purposes of this Agreement,

including all work in process, shall be produced solely for the benefit of Boston Beer and used for no other purpose.

17. RIGHTS OF OFFSET

The parties acknowledge and agree that, to the extent a Party is at any time owed money by the other Party, such Party may set off such amount against any monies owed by such Party from time to time to such other Party, said set-off to be accomplished by written notice to such other Party effective upon being sent.

18. NOTICES

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

If to Boston Beer: C. James Koch, President
and Alfred W. Rossow, Jr., COO
The Boston Beer Company
75 Arlington Street, Fifth Floor
Boston, Massachusetts 02116
Telecopier: (617) 728-4137

with a copy to: Frederick H. Grein, Jr., Esq.
Hutchins, Wheeler & Dittmar
101 Federal Street
Boston, Massachusetts 02110
Telecopier: (617) 951-1295

If to Schoenling: Kenneth Lichtendahl, President
Schoenling Brewing Company
1625 Central Parkway
Cincinnati, OH 45214
Telecopier: (513) 357-5215

with a copy to: Thomas J. Westerfield, Esquire
Cors & Bassett
1200 Carew Tower
Cincinnati, OH 45202-2990
Telecopier: (513) 852-8222

19. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Parties, but shall not be assigned by any Party, whether by merger, consolidation, reorganization, operation of law or otherwise, without the prior written consent of the other Party, which consent will not be unreasonably withheld. Notwithstanding the foregoing, Boston Beer may assign this Agreement without the consent of Schoenling to its successor corporation or other successor entity in the event of any reorganization, public offering or change in the form of entity of Boston Beer, provided that Boston Beer or its current stockholders shall own and control at least * of the outstanding stock of the successor corporation or other successor entity taking assignment of this Agreement. 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. Assignment of this Agreement shall not relieve the assigning Party of its financial obligations hereunder, including its indemnification obligations hereunder.

20. GOVERNING LAW

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

21. DISPUTE RESOLUTION

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 submitted to arbitration in Boston, Massachusetts, in accordance with articles of the American Arbitration Association for Commercial Arbitration. The arbitrator(s) shall have the right to assess costs including legal expenses, in favor of the prevailing party, including, if applicable, Schoenling's travel costs. The decision of the arbitrator(s) shall be final and binding on both Parties. Notwithstanding the foregoing, the Parties may, prior to submitting a dispute to arbitration, have recourse to the courts of the United States of America or the Commonwealth of Massachusetts for the purpose of obtaining a temporary restraining order or other preliminary injunctive relief. In particular, in the event of an unsettled dispute between the parties to this Agreement, Boston Beer shall have recourse to the Courts of the Commonwealth of Massachusetts for the purpose of obtaining a temporary restraining order or other preliminary injunctive relief to require Schoenling to continue to brew, package and ship any Products ordered by Boston Beer under this Agreement until Boston Beer shall have secured a new source for production of its Products; provided that under such circumstances Schoenling shall be entitled to payment in advance of production.

22. 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.

23. 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.

24. NO THIRD-PARTY BENEFICIARIES

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

25. MERGER; SEPARABILITY

This Agreement terminates and supersedes all prior formal or informal understandings between the Parties with respect to the subject matter contained herein, provided that the confidentiality and all other obligations of the parties under (i) the Confidentiality Agreement dated March 7, 1995, (ii) the letter agreement between the parties dated March 7, 1996 and (iii) the Option Agreement shall remain in full force and effect in accordance with the terms thereof. Should any provision or provisions of this Agreement be deemed ineffective or void for any reason whatsoever, such provision or provisions shall be deemed separable and shall not effect the validity of any other

provision.

26. LIMITATION PERIOD ON CLAIMS

All claims hereunder must be brought no later than one (1) year after such claims arose or the Party having such claim shall be deemed to have waived and forever released it: provided that for this purpose, a claim will be deemed to have arisen at the time the Party asserting the claim first became aware of it.

IN WITNESS WHEREOF, the parties hereto enter into this Agreement as of the date first above written.

BOSTON BEER LIMITED PARTNERSHIP
d/b/a The Boston Beer Company, Inc.

By: Boston Brewing Company, Inc.
its General Partner

Witness:

By: C. JAMES KOCH, President

THE SCHOENLING BREWING COMPANY

Witness:

By: KENNETH LICHTENDAHL, President

SCHEDULE A
TO
SUPPLY CONTRACT BETWEEN
BOSTON BEER COMPANY LIMITED PARTNERSHIP
AND
THE SCHOENLING BREWING COMPANY

Product Specifications

As determined from time to time by Boston Beer and submitted by Boston Beer to Schoenling.

SCHEDULE B
TO
SUPPLY CONTRACT BETWEEN
BOSTON BEER COMPANY LIMITED PARTNERSHIP
AND
THE SCHOENLING BREWING COMPANY

CURRENT PRODUCTION COMMITMENTS

Exhibit 11.

THE BOSTON BEER COMPANY, INC.
STATEMENT REGARDING COMPUTATION OF NET EARNINGS PER SHARE
(in thousands, except per share data)

	Year ended		
	December 28, 1996	December 31, 1995	December 31, 1994
Weighted average number of common shares outstanding	19,969,633	16,991,001	16,641,740
Add:Common equivalent shares representing shares issuable upon conversion of stock options (using the treasury stock method)	382,363	685,511	563,571
Add:Common equivalent shares per SAB Topic 1B	-	272,884	965,467
Weighted average number of common and common equivalent shares	20,351,996	17,949,396	18,170,778
Net income	\$8,385	\$5,896 <F1>	\$5,320 <F1>
Primary and fully diluted earnings per share	\$0.41	\$0.33 <F1>	\$0.29 <F1>

<FN>

<F1> Pro forma, see Note B on the accompanying Notes to Consolidated Financial Statements.

</FN>

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<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from The Boston Beer Company, Inc.'s consolidated balance sheet and consolidated statements of income and is qualified in its entirety by reference to such financial statements.

</LEGEND>

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EXHIBIT 21.1

List of Subsidiaries

The Boston Beer Company, Inc.
(a Massachusetts corporation)

Boston Brewing Company, Inc.
(a Massachusetts corporation)

BBC Mass, Inc. (formerly H & Q Beverage Co., Inc.)
(a Massachusetts corporation)

The Wing Beer Co., Inc.
(a Texas corporation)

Sam Adams Investors, Inc.
(a Massachusetts corporation)

KJW Holdings, Inc.
(a Texas corporation)

Back Bay Beverage Company, Inc.
(a Delaware corporation)

BBC Del, Inc. (formerly Consumer Venture Beverage Co.)
(a Delaware corporation)

The following are subsidiaries of Boston Beer Company Limited Partnership, owned directly and indirectly (through Boston Brewing Company, Inc.) by The Boston Beer Company, Inc.

Oregon Beer and Brewing Co., Inc. I
(an Oregon corporation)

SBCC Company, Inc.
(a Delaware corporation)

Samuel Adams Brewery Company, Ltd.
(an Ohio limited liability company)