

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

FORM 10-Q

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

For the quarterly period ended June 28, 1997

OR

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

For the transition period from .....to.....

Commission file number: 1-14092

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

MASSACHUSETTS

(State or other jurisdiction of incorporation  
or organization)

04-3284048  
(I.R.S. Employer  
Identification No.)

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

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

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

Yes X No

Number of shares outstanding of each of the issuer's classes of common stock, as of July 31, 1997:

Class A Common Stock, \$.01 par value	16,310,179
Class B Common Stock, \$.01 par value	4,107,355
(Title of each class)	(Number of shares)

THE BOSTON BEER COMPANY, INC.  
FORM 10-Q

QUARTERLY REPORT  
JUNE 28, 1997

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

	June 28, 1997	December 28, 1996
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$-	\$5,060
Short term investments	36,322	35,926
Accounts receivable	23,554	18,109
Allowance for doubtful accounts	(1,992)	(1,930)
Inventories	16,192	13,002
Prepaid expenses	1,069	674
Deferred income taxes	2,968	2,968
Other current assets	1,552	3,882
	-----	-----
Total current assets	79,665	77,691
Restricted investments	627	611
Equipment and leasehold improvements, at cost	32,618	21,043
Accumulated depreciation	(8,399)	(6,412)
Deferred income taxes	151	151
Other assets	3,403	3,469
Total assets	\$108,065	\$96,553
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$12,611	\$17,783
Line of credit	13,061	-
Accrued expenses	12,431	12,064
Current maturities of		

long-term debt	1,875	75
	-----	-----
Total current liabilities	39,978	29,922
Long-term debt, less current maturities	-	1,800
Commitments and Contingencies	-	-
Stockholders' Equity:		
Class A Common Stock, \$.01 par value; 20,300,000 shares authorized; 16,301,848 and 15,972,058 issued and outstanding as of June 28, 1997 and December 28, 1996, respectively	163	160
Class B Common Stock, \$.01 par value; 4,200,000 shares authorized; 4,107,355 issued and outstanding as of June 28, 1997 and December 28, 1996	41	41
Additional paid-in-capital	56,013	55,391
Unearned compensation	(271)	(363)
Unrealized loss on investments in marketable securities	(850)	(442)
Unrealized (loss) gain on forward exchange contract	(37)	31
Retained earnings	13,028	10,013
Total stockholders' equity	68,087	64,831
	-----	-----
Total liabilities and stockholders' equity	\$108,065	\$96,553
	=====	=====

The accompanying notes are an integral part of the financial statements

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

	Three months ended			
	June 28, 1997	June 29, 1996	June 28, 1997	June 29, 1996
	-----	-----	-----	-----
Sales	\$57,158	\$60,583	\$103,957	\$108,859
Less excise taxes	7,320	6,512	12,264	11,659
Net sales	49,838	54,071	91,693	97,200
Cost of sales	24,671	27,065	46,578	48,930
Gross profit	25,167	27,006	45,115	48,270
Operating expenses:				
Advertising, promotional and selling expenses	19,829	20,340	34,387	34,370
General and administrative expenses	3,097	2,867	6,027	5,849
Total operating expenses	22,926	23,207	40,414	40,219
Operating income	2,241	3,799	4,701	8,051
Other income (expense):				
Interest income	438	435	889	933
Interest expense	(249)	(68)	(357)	(125)
Other income (expense), net	115	3	122	(4)
Total other income	304	370	654	804
Income before income taxes	2,545	4,169	5,355	8,855
Provision for income taxes	1,110	1,808	2,340	3,854
Net income	\$1,435	\$2,361	\$3,015	\$5,001
	=====	=====	=====	=====
Net income per common and common equivalent share	\$0.07	\$0.12	\$0.15	\$0.25
	=====	=====	=====	=====
Weighted average number of common and common equivalent shares	20,466	20,320	20,424	20,284
	=====	=====	=====	=====

The accompanying notes are an integral part of the financial statements

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

	Six months ended	
	June 28, 1997	June 29, 1996
Cash flows from operating activities:		
Net income	\$3,015	\$5,001
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,886	1,144
Bad debt expense	83	544
Stock option compensation expense	123	75
Changes in assets and liabilities:		
Accounts receivable	(5,466)	(9,814)
Inventory	(3,190)	(2,643)
Prepaid expenses	(395)	(617)
Other current assets	767	1,526
Other assets	66	7
Accounts payable	(5,172)	5,696
Accrued expenses	367	1,766
Total adjustments	(10,931)	(2,316)
Net cash (used in) provided by operating activities	(7,916)	2,685
Cash flows for investing activities:		
Purchases of fixed assets	(10,012)	(4,892)
Purchases of government securities	(802)	-
Purchases of restricted investments	(625)	(614)
Proceeds from maturities of restricted investments	609	597
Net cash (used in) investing activities	(10,830)	(4,909)
Cash flows from financing activities:		
Proceeds from exercise of management incentive options	602	97
Proceeds from sale of common stock under stock purchase plan	23	-
Net borrowings under line of credit	13,061	-
Net cash provided by financing activities	13,686	97
Net decrease in cash and cash equivalents	(5,060)	(2,127)
Cash and cash equivalents at beginning of period	5,060	36,607
Cash and cash equivalents at end of period	\$-	\$34,480
Supplemental disclosure of cash flow information:		
Interest paid	\$295	\$113
Taxes paid	\$4,535	\$3,364

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The accompanying notes are an integral part of the financial statements

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

A. BASIS OF PRESENTATION:

The Boston Beer Company, Inc. (the "Company") is engaged in the business of brewing, marketing, and selling beer and ale products throughout the United States and select international markets. The accompanying consolidated financial position as of June 28, 1997 and the results of its consolidated operations and consolidated cash flows for the interim periods ended June 28, 1997 and June 29, 1996 have been prepared by the Company, without audit, in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 28, 1996.

Utilization of Estimates

To prepare the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. In particular, the Company records reserves for estimated product returns, for the valuation of inventory, and regarding the collectibility of accounts receivable. Actual results could differ from the estimates and assumptions used by management.

Reclassifications

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

Management's Opinion

In the opinion of the management of the Company, the Company's unaudited consolidated financial position as of June 28, 1997 and the results of its consolidated operations and consolidated cash flows for the interim periods ended June 28, 1997 and June 29, 1996, reflect all adjustments (consisting only of normal and recurring adjustments) necessary to present fairly the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

B. SHORT TERM INVESTMENTS:

Short term investments include marketable equity securities having a cost of \$4,288,000 and \$4,286,000 and a market value of \$3,438,000 and \$3,844,000 at June 28, 1997 and December 28, 1996, respectively. This resulted in an unrealized loss of \$850,000 and \$442,000 at the end of respective periods. In addition, the Company has investments in U.S. Government securities having a cost of \$32,884,000 and \$32,082,000 at June 28, 1997 and December 28, 1996, respectively, which approximate fair value.

(continued)

C. INVENTORIES:

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

Inventories consist of the following (in thousands):

	June 28, 1997	December 28, 1996
	-----	-----
Raw materials, principally hops	\$14,464	\$12,677
Work in process	995	0
Finished goods	733	325
	-----	-----
	\$16,192	\$13,002
	=====	=====

D. FINANCIAL INSTRUMENTS:

During 1996 and 1997, the Company entered into several forward exchange contracts to reduce exposure to currency movements affecting existing foreign currency denominated assets, liabilities, and firm commitments. The contract durations match the durations of the currency positions. The future value of the contracts and the related currency positions are subject to offsetting market risk resulting from foreign currency exchange rate volatility. The combined carrying amounts of the contracts totaled \$1,059,500 at June 28, 1997. There were no realized gains or losses on the contracts in the six months ended June 28, 1997.

E. DEBT

On March 21, 1997, the Company entered into a credit agreement to increase its existing \$14,000,000 line of credit to \$15,000,000 ("the \$15,000,000 line") and to establish an additional \$30,000,000 line of credit ("the \$30,000,000 line"). On March 31, 1999, the \$15,000,000 line expires and the balance outstanding under the \$30,000,000 line converts to a term note. Principal payments on the term note are payable in twenty quarterly installments, with the final payment due at maturity, December 31, 2003. Through March 31, 1999, interest is payable quarterly on both the \$15,000,000 and \$30,000,000 lines at either the Prime Rate or the applicable Adjusted Libor Rate plus .50%. After March 31, 1999, interest on the term note is payable quarterly at either the Prime Rate or the applicable Adjusted Libor Rate plus .75%.

At June 28, 1997, \$13,061,000 and \$0 are outstanding under the \$15,000,000 and \$30,000,000 lines, respectively, at an interest rate of 7.35%. The Company must pay a commitment fee of .15% per annum on the average daily unused portion of the total \$45,000,000 commitment. Additionally, the Company is obligated to meet certain financial covenants, including the maintenance of specified levels of tangible net worth and net income.

The Company paid the remaining \$1,875,000 owed under the MIFA loan as of July 15, 1997, at the prepayment penalty rate, 103% of the outstanding balance net of unused loan proceeds.

F. RECENT ACCOUNTING STANDARDS:

In February, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128) and No. 129, "Disclosure of Information About Capital Structure" (SFAS 129). SFAS 128 specifies the computation, presentation and disclosure requirements for earnings per share and is designed to improve earnings per share information and increase comparability of per share data on an international basis. SFAS 129 requires the disclosure of certain information about an entity's capital structure which would include a brief discussion of rights and privileges for securities outstanding. These standards will be effective for financial statements periods ending after December 15, 1997.

The Company has reviewed the adoption and impact of SFAS No. 128, "Earnings Per Share" and SFAS No. 129, "Disclosure of Information About Capital Structure", but does not expect either recent accounting standard to have a material impact on the Company's results of operations or its financial position.

THE BOSTON BEER COMPANY, INC.

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

The following is a discussion of the financial condition and results of operations of the Company for the three and six-month periods ended June 28, 1997 as compared to the three and six-month periods ended June 29, 1996. It should be read in conjunction with the "Consolidated Financial Statements" of the Company and related "Notes to the Financial Statements" included in this Form 10-Q. On March 1, 1997, the Company acquired all of the equipment and other brewery related personal property of an independent brewing company located in Cincinnati, Ohio. Brewery operations are currently managed by the Samuel Adams Brewery Company, Ltd., a wholly owned affiliate of the Company. The results of operations of the Samuel Adams Brewery Company, Ltd. are included in the accompanying consolidated financial statements since the date of acquisition.

RESULTS OF OPERATIONS

Three Months Ended June 28, 1997 compared to Three Months Ended June 29, 1996

Sales volume increased by 13.5% from 341,000 barrels in the three months ended June 29, 1996 to 387,000 barrels in the three months ended June 28, 1997. This increase was due to the inclusion of 72,000 barrels, in 1997, from the Samuel Adams Brewery Company, Ltd. Despite the increase in sales volume, net sales decreased by 7.8% from \$54,071,000 in the three month period ended June 29, 1996 to \$49,838,000 in the three month period ended June 28, 1997. Net sales decreased primarily due to the operation of Samuel Adams Brewery Company, Ltd. which produces Boston Beer Company brand products and other products under contract. The Samuel Adams Brewery Company, Ltd. contract-brewed products sell on average at approximately one third the price of other Company products. In addition, there has been a continuing shift in the core (branded products) package mix to a higher percent of kegs versus cases and to certain lower priced packages. Consistent with beverage industry performance standards, kegs produce less revenue per barrel than cases due to packaging considerations which are reflected in the price.

Gross profit decreased by 6.8% from \$27,006,000 in the three months ended June 29, 1996 to \$25,167,000 in the three months ended June 28, 1997. Cost of sales decreased to 49.5% of net sales in the three months ended June 28, 1997 from 50.1 % in the three months ended June 29, 1996. However, both cost of sales and gross profit decreased due to Samuel Adams Brewery Company, Ltd. contract-brewed products which cost on average approximately one half the cost of Boston Beer Company branded products, but in conjunction with the low selling price contribute less to gross profit. In addition, total shipments in the

core business included a greater percentage of kegs than cases during the three months ended June 28, 1997 compared to the three months ended June 29, 1996, which resulted in decreased packaging material costs for the current period. This decrease did not offset the lower selling price for kegs.

Advertising, promotional, and selling expenses in total decreased by 2.5% from \$20,340,000 in the three months ended June 29, 1996 to \$19,829,000 in the three months ended June 28, 1997. This decrease was primarily attributable to a decrease in freight resulting from a planned shift in distribution patterns, and a decrease in advertising expenditures. Partially offsetting these decreases were increases in sales salaries and related sales personnel and travel expenses. As a percentage of net sales, total advertising, promotional, and selling expenses increased from 37.6% in the three months ended June 29, 1996 to 39.8% in the three months ended June 28, 1997.

General and administrative expenses increased by 8.0% from \$2,867,000 in the three months ended June 29, 1996 to \$3,097,000 in the three months ended June 28, 1997. This increase was primarily due to an increase in consulting expense, insurance related charges, salary and personnel expenses, and depreciation, which reflects an increase in leasehold improvements and expansion. Partially offsetting these increases were cost savings in printing and development of the annual report, and reductions in legal and bad debt expense. As a percentage of net sales, general and administrative expenses increased from 5.3% for the three months ended June 29, 1996 to 6.2% for the three months ended June 28, 1997.

Other income (expense) net, for the three months ended June 28, 1997, was \$304,000, representing a decrease of \$66,000 over other income (expense) net, for the three months ended June 29, 1996. The decrease is due to a reduction in invested cash, caused primarily by the purchase of the certain brewery assets in Cincinnati, Ohio, and increased interest expense related to the borrowings under the revolving line of credit.

Net income decreased by 39.2% to \$1,435,000 in the three months ended June 28, 1997 compared to \$2,361,000 in the three months ended June 29, 1996. The combined effective tax rate increased to 43.6% in the three months ended June 28, 1997 compared to 43.4% in the three months ended June 29, 1996, due primarily to higher projected income levels for 1997. It is probable that these projected income levels will not be attained.

#### Six Months Ended June 28, 1997 compared to Six Months Ended June 29, 1996

Sales volume increased by 8.3% from 617,000 barrels in the first six months of 1996 to 668,000 barrels in the first six months of 1997. This increase was due to inclusion of 91,000 barrels, in 1997, produced by the Samuel Adams Brewery Company, Ltd., beginning March 1, 1997. Net sales decreased by 5.7% from \$97,200,000 in first six months of 1996 to \$91,693,000 in the first six months of 1997. Sales of the Samuel Adams Brewery Company, Ltd. were made at prices which average approximately one third of other Company products. Additionally, the continuing shift in the core business package mix towards kegs and certain lower priced packages contributed to the inability of sales dollars to grow at the same rate as physical sales volume.

Gross profit decreased by 6.5% from \$48,270,000 in the first six months of 1996 to \$45,115,000 in the first six months of 1997. Cost of sales increased to 50.8% of net sales in the first six months of 1997 from 50.3% of net sales in the first six months of 1996. This increase in cost of sales as a percent of sales was principally due to the addition of the Samuel Adams Brewery Company, Ltd. whose contract-brewed products cost on average approximately one half the cost of other Boston Beer Company products. However, it sells the contract-brewed products at a price on average approximately one third that of the Boston Beer products. Accordingly, the impact of the Samuel Adams Brewery Company, Ltd. operating in four of the six months presented resulted in the increase in cost of sales as a percent of net sales and the decrease in gross profit as a percent of net sales.



Advertising, promotional, and selling expenses in total increased from \$34,370,000 in the first six months of 1996 to \$34,387,000 in the first six months of 1997. This increase was primarily attributable to increased costs of promotional materials, packaging redesign, new ventures and sales salaries and related employee benefits, partially offset by a volume-driven decrease in freight, and lower purchases of point of sales material. As a percentage of net sales, total advertising, promotional, and selling expenses increased from 35.4% in the first six months of 1996 to 37.5% in the first six months of 1997.

General and administrative expenses increased by 3.0% from \$5,849,000 in the first six months of 1996 to \$6,027,000 in the first six months of 1997. This increase was primarily due to by increased salaries and related employee expenses, in insurance and rent, partially offset by decreases in bad debt expense, research and development, printing and preparing the annual report and professional service fees. As a percentage of net sales, general and administrative expenses increased from 6.0% in the first six months of 1996 to 6.6% in the first six months of 1997.

Other income (expense) net, decreased to \$654,000 in the first six months of 1997 compared to \$804,000 for the first six months of 1996. The net decrease is due primarily to an increase in interest expense due to increased borrowings against the revolving line of credit and lower levels of interest income.

Net income decreased by 39.7% to \$3,015,000 in the first six months of 1997 compared to \$5,001,000 in the first six months of 1996. Income taxes decreased by \$1,514,000. The combined effective tax rate increased to 43.7% in the first six months of 1997 compared to 43.5% in the first six months of 1996, due primarily to higher projected income levels for 1997. It is probable that these projected income levels will not be attained.

#### Liquidity and Capital Resources

During the first six months of 1997, the Company recorded net income of \$3,015,000, while net cash used by operating activities was \$7,916,000. This \$10,931,000 difference is primarily due to increases in accounts receivable, inventory, and a reduction in accounts payable which was offset by a decrease in other current assets.

During the first six months of 1997, the Company used \$10,830,000 in investing activities. This primarily reflects the purchase of fixed assets, packaging equipment and other brewery-related personal property from an independent brewing company in Cincinnati, Ohio.

During the first six months of 1997, the Company generated \$13,686,000 by financing activities which primarily reflects amounts borrowed against the Company's revolving line of credit. As of June 28, 1997, net borrowings were \$13,061,000.

The Company's management believes that working capital as of June 28, 1997 of \$39,687,000 (of which 91.5% is in cash and equivalents and short term investments) in conjunction with existing lines of credit should be sufficient to meet the Company's operating, capital, and debt service requirements through the next twelve months.

#### Recent Accounting Standards

In February, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128) and No. 129, "Disclosure of Information About Capital Structure" (SFAS 129). SFAS 128 specifies the computation, presentation and disclosure requirements for earnings per share and is designed to improve earnings per share information and increase comparability of per share data on an international basis. SFAS 129 requires the disclosure of certain information about an entity's capital structure which

would include a brief discussion of rights and privileges for securities outstanding. These standards will be effective for financial statements periods ending after December 15, 1997.

The Company has reviewed the adoption and impact of SFAS No. 128, "Earnings Per Share" and SFAS No. 129, "Disclosure of Information About Capital Structure", but does not expect either recent accounting standard to have a material impact on the Company's results of operations or its financial position.

#### Safe Harbor for Forward-Looking Statements

This Form 10-Q filing contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management's current expectations and involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements.

Factors which may cause actual future results to differ from forward-looking statements include, among others, the following: changes in consumer preferences; general economic and business conditions; increasing competition in the craft-brewed beer industry; success of operating initiatives; possible future increases in operating costs; advertising and promotional efforts; changes in brand awareness; the existence or absence of adverse publicity; changes in business strategy; quality of management; availability, terms and deployment of capital; business abilities and judgment of personnel; availability of qualified personnel; labor and employee benefit costs; change in, or the failure to comply with, government regulations; and other factors.

THE BOSTON BEER COMPANY, INC.

## PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS  
In the second quarter of 1997, Boston Brewing Company, Inc. ("Boston Brewing"), an affiliate of both Boston Beer Company Limited Partnership and The Boston Beer Company, Inc., settled an action filed against it by a distributor, Premier Worldwide Beers PLC ("Premier"), such action having been filed in a court in England in early 1996. Premier's action contained a claim to damages for alleged breach of a Distributorship Agreement between Boston Brewing and Premier. The action has been settled and leaves Boston Brewing exposed to no additional liability.

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 2. CHANGES IN SECURITIES  
Not Applicable

Item 3. DEFAULTS UPON SENIOR SECURITIES  
Not Applicable

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS  
The Boston Beer Company, Inc. held its annual meeting of stockholders on June 3, 1997.

The following items were voted upon at that time.

On June 3, 1997, the holders of the Class A Common Stock (\$.01 par value) approved the following:

"RESOLVED: That Pearson C. Cummin, III and James C. Kautz be and they hereby are elected Class A Directors of the Corporation, to serve for a term of one year ending on the date of the 1998 Annual Meeting of Stockholders in accordance with the By-Laws and until their respective successors are duly chosen and qualified."

The results of the vote were, as follows:

Election of Class A Directors:

	No. of Shares Voted "For"	No. of Shares Withheld
Pearson C. Cummin, III	14,681,258	63,655
James C. Kautz	14,679,724	65,189

Mr. C. James Koch, as the sole holder of the Corporation's Class B Common Stock, voted on the election of five (5) Class B Directors: C. James Koch, Alfred W. Rossow, Jr., Rhonda Kallman, Charles Joseph Koch and John B. Wing:

"RESOLVED: That C. James Koch, Alfred W. Rossow, Jr., Rhonda L. Kallman, Charles Joseph Koch and John B. Wing be, and they hereby are, elected Class B Directors of the Corporation, to serve for a term of one year ending on the date of the 1998 Annual Meeting of Stockholders in accordance with the By-Laws and until their respective successors are duly chosen and qualified."

The results of the vote were, as follows:

Election of Class B Directors

	No. of Shares Voted "For"	No. of Shares Withheld
C. James Koch	4,107,355	0
Alfred W. Rossow, Jr.	4,107,355	0
Rhonda L. Kallman	4,107,355	0
Charles Joseph Koch	4,107,355	0
John B. Wing	4,107,355	0

Item 5. OTHER INFORMATION

Not Applicable

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit Index

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 (incorporated by reference to Exhibit 3.3 to the Company's Form 10-K filed on April 1, 1996).
- 3.4 Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.4 to the Company's Form 10-K filed on April 1, 1996).
- 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 (incorporated by reference to the Company's Form 10-K, filed on April 1, 1996).
- 10.8 Stockholder Rights Agreement, dated as of December, 1995, among The Boston Beer Company, Inc. and the initial Stockholders (incorporated by reference to the Company's Form 10-K, filed on April 1, 1996).
- +10.9 Agreement between Boston Brewing Company, Inc. and The Stroh Brewery Company, dated as of January 31, 1994 (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement No. 33-96164).

- +10.10 Agreement between Boston Brewing Company, Inc. and the Genesee Brewing Company, dated as of July 25, 1995 (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement No. 33-96164).
- +10.11 Amended and Restated Agreement between Pittsburgh Brewing Company and Boston Brewing Company, Inc. dated as of February 28, 1989 (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement No. 33-96164).
- 10.12 Amendment to Amended and Restated Agreement between Pittsburgh Brewing Company, Boston Brewing Company, Inc., and G. Heileman Brewing Company, Inc., dated December 13, 1989 (incorporated by reference to Exhibit 10.13 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).
- 10.7 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).
- +10.16 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 (incorporated by reference to the Company's Form 10-K, filed on March 28, 1997).
- +10.20 Production Agreement between The Stroh Brewery Company and Boston Beer Company Limited Partnership, dated January 14, 1997 (incorporated by reference to the Company's Form 10-K, filed on March 28, 1997).
- +10.21 Letter Agreement between The Stroh Brewery Company and Boston Beer Company Limited Partnership, dated January 14, 1997

(incorporated by reference to the Company's Form 10-K, filed on March 28, 1997).

- +10.22 Agreement between Boston Beer Company Limited Partnership and The Schoenling Brewing Company, dated May 22, 1996 (incorporated by reference to the Company's Form 10-K, filed on March 28, 1997).
- 10.23 Revolving Credit Agreement between Fleet Bank of Massachusetts, N.A. and The Boston Beer Company, Inc., dated as of March 21, 1997 (incorporated by reference to the Company's Form 10-Q, filed on May 12, 1997).
- +10.24 Amended and Restated Agreement between Boston Brewing Company, Inc. and the Genesee Brewing Company, Inc. dated April 30, 1997.
- \*11 Schedule of Computation of Net Earnings Per Share.
- 21.1 List of subsidiaries of The Boston Beer Company, Inc. (incorporated by reference to the Company's Form 10-K, filed on March 28, 1997).
- \*27 Financial Data Schedule (electronic filing only)

- \* 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.

The Company filed no reports on Form 8-K with the Securities and Exchange Commission during the quarter ended June 29, 1997.

#### SIGNATURES

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

THE BOSTON BEER COMPANY, INC.  
(Registrant)

Date: August 8, 1997

By: /s/C. JAMES KOCH  
C. James Koch  
President, Chief Executive Officer,  
Clerk and Director (principal executive officer)

Date: August 8, 1997

By: /s/ALFRED W. ROSSOW, JR.  
Alfred W. Rossow, Jr.  
Executive Vice President,  
Chief Financial Officer (principal financial and accounting officer)  
Treasurer, and Director

Witness:

BOSTON BREWING COMPANY LIMITED PARTNERSHIP

By: Boston Beer Company, Inc., General Partner

By:  
C. James Koch, President

Witness: THE GENESEE BREWING COMPANY, INC.

By:  
John L. Wehle, Jr., Chairman  
and Chief Executive Officer

\* DENOTES EXPURGATED INFORMATION

AMENDED AND RESTATED  
AGREEMENT BETWEEN  
BOSTON BREWING COMPANY, INC.  
AND  
THE GENESEE BREWING COMPANY, INC.

THIS AGREEMENT shall modify, amend and restate the Agreement entered into effective as of the 25th day of July, 1995 (the "Effective Date") by and between BOSTON BREWING COMPANY, INC., d/b/a THE BOSTON BEER COMPANY, a Massachusetts corporation, for itself and as the sole general partner of Boston Beer Company Limited Partnership, a Massachusetts limited partnership (Boston Brewing Company Limited Partnership, acting by its general partner, Boston Brewing Company, Inc., collectively referred to as "Boston Brewing"), and THE GENESEE BREWING COMPANY, INC., a New York corporation ("Genesee"). Genesee and Boston Brewing are sometimes referred to herein individually as a "Party" and collectively as the "Parties".

Genesee and Boston Brewing desire to modify, amend and restate in its entirety the agreement pursuant to which Genesee shall supply to Boston Brewing and Boston Brewing shall purchase from Genesee on an as ordered basis, Samuel Adams Boston Lager and certain other Boston Brewing products.

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

1. SCOPE OF AGREEMENT

(a) During the term of this Agreement as set forth in Paragraph 4 hereof and in accordance with the terms set forth herein, Genesee agrees to brew, package and sell the Products to Boston Brewing and Boston Brewing agrees to purchase the Products from Genesee. Genesee and Boston Brewing acknowledge that they both wish to develop a mutually beneficial, long term relationship under this Agreement. In order to facilitate a long term relationship, the parties acknowledge that modifications, changes and other capital improvements to Genesee's plant and equipment will be required to allow Genesee to efficiently produce Products for Boston Brewing while also producing its own products. However, the exact nature of any such modifications,

changes or capital improvements will depend on the competitive conditions, product mix and volume, brewing and packaging capacity, and other circumstances that develop or exist at various times during this term of this Agreement which cannot be completely determined at this time. In light of such uncertainty, and to allow Genesee to adequately meet the production requirements of Boston Brewing for the Products and for Genesee's own products, the parties agree that they shall: (i) meet on a regular basis during the term of this Agreement to discuss anticipated needs; and (ii) establish for each year during the term of this Agreement a mutually agreeable capital investment plan. The parties agree to act in good faith and to use their best efforts to resolve differences arising during the course of such discussions in a mutually agreeable manner. The parties acknowledge that future needs may require one or both of the parties to make capital investments in Genesee's plant and equipment and that in the event of any such investment is contemplated by Boston Brewing, the parties will negotiate in good faith and use their best efforts to agree upon any amendments to this Agreement that may be required to facilitate the long term relationship contemplated by the parties.

(b) Core Product. For purposes of this Agreement, "Core Product" shall mean: (i) \* packaged in cases of 4/6 or 24 loose twelve ounce bottles and 12 twenty-two ounce bottles, in half barrel or quarter barrel kegs, and any other package types or configurations that the parties mutually agree to use for packaging \*, or (ii) another \* product which the parties mutually agree in writing shall replace \* as the Core Product.



(c) Other Products. Genesee acknowledges that Boston Brewing has requested that Genesee evaluate the feasibility of producing other Boston Brewing products, recognizing limitations that may exist due to storage of multiple ingredients and yeast varieties, the availability and capacity of brewing vessels and storage tanks and the like. It is the intention of the parties that Genesee shall brew, package and sell to Boston Brewing other Boston Brewing products upon terms mutually agreed to in writing by Genesee and Boston Brewing. For purposes of this Agreement, "Other Products" shall mean any Boston Brewing brand or brands other than the Core Product, whether currently offered or developed in the future, which the parties mutually agree to add to this Agreement during any calendar year in accordance with the following procedure. By November 15 in each calendar year, Boston Brewing shall provide Genesee with an annual forecast for the following calendar year, showing Boston Brewing's monthly projections by package for the Core Product and any Other Products. At least \* of the projected volume in each calendar year shall

be the Core Product. In the event that the annual forecast includes any proposed Other Products, Boston Brewing will furnish Genesee with the brewing formula and procedures and product specifications for the proposed Other Products. Genesee shall: (i) review the specifications and brewing formula for any proposed Other Products; (ii) propose a Fixed Cost for each of the proposed Other Products; and (iii) propose to Boston Brewing the minimum order size, tank usage and other production and capacity parameters. Boston Brewing may accept or reject Genesee's proposal with respect to each of the proposed Other Products. If Boston Brewing accepts the Genesee proposal for a proposed Other Product, such Other Product shall be deemed to be added to this Agreement only for the calendar year covered by the annual forecast. If in any annual forecast, Boston Brewing proposes an Other Product that was produced by Genesee in a prior year, and: (x) the specifications, brewing formula and procedures, Brewing Ingredients, Packaging Materials and the timing and volume of production for such Other Product have not changed, and (y) the capacity utilization required for Genesee's own products is substantially the same; then Genesee shall not unreasonably refuse to produce such Other Product and the Fixed Charge proposed by Genesee for such Other Product shall be the Fixed Charge paid by Boston Brewing for such Other Product in the most recent prior year, increased by the annual adjustment factor for the Core Product set forth in Subparagraph 2(b) hereof.

(d) The Fixed Charge proposed by Genesee for any Other Products, and for the Core Product in any package size or type other than those identified in Subparagraph 1(b) hereof, shall be based on the expected incremental cost differences, when compared with Samuel Adams Boston Lager, associated with the brewing and/or packaging formulations and processes required in the production of such Other Products or package. If Genesee determines during the trial brews or initial production of any Other Product that the brewing formula, procedures or product specifications furnished by Boston Brewing are materially inaccurate, then Genesee shall notify Boston Brewing in writing and Genesee may cease production of such Other Product (after completion of any production in progress) until the parties mutually agree on adjustment of the brewing formula, procedures or product specifications and/or the Fixed Charge for such Other Product.

(e) Products. For purposes of this Agreement, the Core Product and all Other Products produced during any calendar year shall be collectively referred to as the "Products".

(f) Barrel. For purposes of this Agreement, the term "barrel" shall mean 31 U.S. gallons (3,748 ounces). The following calculation shall be used to measure barrels of the Products packaged in containers other than Kegs:

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Barrel Volume in Ounces

2. PRICE AND MANNER OF PAYMENT

(a) Except as otherwise provided in the following subparagraphs of this Paragraph 2, Boston Brewing shall pay Genesee for the Products an amount (the "Unit Price") equal to: (i) a "Fixed Charge" as determined in accordance with Subparagraphs 1(c) and 1(d) hereof or as set forth in Subparagraph 2(b) hereof, plus (ii) the net cost to Genesee of all Brewing Ingredients [as defined in Paragraph 3(a)] purchased by Genesee and used in producing the Products; all federal, state and local excise taxes attributable to the Products that are paid by Genesee; and deposit charges of \$10.00 per Keg, \$7.50 per bottle pallet and \$7.00 per draft pallet, or such other amounts as the parties mutually agree. For this purpose, "net cost to Genesee" shall include purchase discounts, but not discounts resulting from credit terms.

(b) The Fixed Charge for Samuel Adams Boston Lager packaged in bottles, shall be \$ \* per unit of twenty-four loose 12-ounce bottles, 4/6 12-ounce bottles or twelve 22-ounce bottles (in each instance, a "Case Unit"; it being the intent that the Fixed Charge for other 22 ounce package configurations produced by Genesee be prorated) plus an amount per Case Unit to be agreed upon from time to time which reflects the savings inuring to the benefit of Boston Brewing (currently \$ \* per case) if Genesee should elect, in its sole discretion, to utilize in its production process bulk glass as opposed to set-up glass used as of the date hereof by Genesee. The Fixed Charge for Samuel Adams Boston Lager packaged in one-half barrel (15.5 U.S. gallons) or one-quarter barrel (7.75 U.S. gallons) kegs (individually referred to as a "Keg" and collectively referred to as "Kegs") shall be \$ \* per Keg. Commencing on January 1, \* and on each January 1 thereafter, the Fixed Charge component of the Unit Price for the Core Product shall be increased each calendar year during the term of this Agreement by \*. On January 1, \*, January 1, \* and January 1, \* (individually, the "CPI Review Date"), the cumulative increase in the Fixed Charge resulting from the annual \* in each of the prior \* years (the "Cumulative

Increase") shall be compared to the cumulative increase in the Consumer Price Index - All Urban Consumers as published by the United States Department of Commerce - Bureau of Labor Statistics over the \* year period preceding each such CPI Review Date (the "Cumulative CPI Increase"). If the Cumulative Fixed Charge Increase during any such \* year period is less than \* of the Cumulative CPI Increase, then, in lieu of the \* that would otherwise be made on the CPI Review Date, the Fixed Charge shall instead be adjusted on the CPI Review Date to \* of the Cumulative CPI Increase. If the Cumulative Fixed Charge Increase during any such \* year period is more than \* of the Cumulative CPI Increase, then, in lieu of the \* that would otherwise be made on the CPI Review Date, the Fixed Charge shall instead be adjusted on the CPI Review Date to \* of the Cumulative CPI Increase.

(c) Notwithstanding Paragraph 2(b) above: (i) if volume of all bottled Products during any calendar year exceeds in the aggregate \* barrels, the then current Fixed Charge components of the Unit Price on all such excess volume of bottled Products during such calendar year shall be reduced by \* per Case Unit; and (ii) if volume of all Products packaged in the Sankey Keg during any calendar year exceeds in the aggregate \* barrels, the then current Fixed Charge components of the Unit Price on all Products packaged in the Sankey Keg in excess of \* barrels during such calendar year shall be reduced by \* per Keg. The foregoing reductions in the Fixed Charge shall apply only if the Core Product comprises at least \* of all Products purchased by Boston Brewing during such calendar year.

(d) Boston Brewing and Genesee have mutually agreed to undertake improvements and modifications to \* and Boston Brewing will contribute an agreed upon amount to the capital cost of such improvements and modifications. In consideration thereof, Genesee will pay to Boston Brewing an

annual fee for each calendar year during the term of this Agreement based on the volume of Products packaged in bottles during each calendar year under this Agreement. The obligation to pay the annual fee shall commence in the first full calendar year after the improved and modified \* is operational. The annual fee shall be paid within thirty (30) days after the end of each calendar year and shall be calculated as follows: Volume of

Products Produced in Bottles During Calendar Year	Annual Fee
Less than 225,000 bbls	\$ *
225,000 up to 350,000 bbls	\$ *
350,001 up to 425,000 bbls	\$ *
More than 425,000 bbls	\$ *

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

(g) On the date the Products are shipped, Genesee will invoice Boston Brewing for the Fixed Charge, all federal, state and local excise taxes attributable to the Products that are paid by Genesee and the Keg and pallet deposit charges. Genesee will invoice Boston Brewing for all Brewing Ingredients purchased by Genesee at Genesee's standard cost when the Products are shipped (with monthly reconciliation to reflect Genesee's actual cost). Genesee may periodically adjust its standard cost for Brewing Ingredients to more accurately reflect its actual costs. Genesee shall notify Boston Brewing in writing of any adjustment in its standard cost at least ten (10) days prior to the date such adjustment will take effect. All invoices will be sent to Boston Brewing by telecopier and Boston Brewing will pay each Friday by electronic funds transfer all invoices that relate to shipments of the Products made by Genesee during the previous week. If Genesee should elect, in its sole discretion, to utilize electronic invoicing, Boston Beer will pay on each Wednesday all invoices that relate to shipments made during the previous week.

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 the Products. Brewing Ingredients shall be purchased and supplied as follows:

(i) All \* used in the brewing of the Products shall be purchased by Genesee directly from commercial \* suppliers. Genesee and Boston Brewing will use their best efforts to agree upon \* specifications for \* that will allow Genesee to commingle storage of \* used to produce the Products with \* used to produce

Genesee's own products. If Genesee and Boston Brewing cannot agree upon standard \* specifications, the Fixed Charge shall be increased to reflect any additional cost incurred by Genesee for separate handling and storage of \* used in the Products.

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

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

(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 the

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 Brewing and supplied to Genesee as needed to meet the Packaging Schedule for the Products.

(ii) Unless otherwise mutually agreed, Kegs and pallets in quantities adequate for the volume of the Products to be packaged under this Agreement shall be purchased by Boston Brewing and supplied to Genesee from time to time. All such Kegs and pallets shall be returned and reused in accordance with Genesee's standard policies for Keg and pallet return and reuse. From time to time during the term of this Agreement, Boston Brewing shall purchase and supply to Genesee additional Kegs and pallets in numbers adequate to replace Kegs and pallets lost or otherwise rendered unusable. All Kegs and pallets shall conform to the specifications of Kegs and pallets used by Genesee in packaging and shipping its own products. Genesee may reject any Kegs or pallets that are damaged, are unacceptably dirty or do not otherwise conform to Genesee's specifications. All rejected Kegs shall be held by Genesee for periodic removal by Boston Brewing. All rejected pallets shall be disposed of by Genesee at no charge to Boston Brewing. Upon each delivery to Genesee of Kegs and pallets purchased by

Boston Brewing, Genesee shall issue to Boston Brewing a credit of \$10.00 per Keg, \$7.50 per bottle pallet and \$7.00 per draft pallet. Genesee shall maintain records of all Kegs and pallets received from Boston Brewing and provide a monthly reconciliation showing Kegs and pallets received, Kegs rejected and returned to Boston Brewing, pallets disposed of by Genesee, Kegs and pallets on hand at Genesee and Kegs and pallets in the float. Genesee is currently packaging all draft volume of the Products in Hoff-Stevens style kegs. As of December 1996, Genesee installed a Sankey draft system. It is the intention of the Parties that: (A) Boston Brewing will convert all draft volume of the Core Product to the Sankey style Keg on a mutually agreeable schedule; and (B) the parties will explore the feasibility of converting draft volume of Other Products to the Sankey style Keg.

(iii) Genesee 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 the Products.

(c) Boston Brewing has the right, subject to the approval of Genesee, which approval will not be unreasonably withheld, to make changes in the Packaging Materials. If the proposed new Packaging Materials can be produced without modification or addition to Genesee's existing equipment, Genesee shall produce the Products using the new Packaging Materials upon mutual agreement by Genesee and Boston Beer to any adjustment to the Fixed Charge required to compensate Genesee for any difference in production cost compared to the cost to produce the Core Product in the comparable bottle package. If the proposed new Packaging Material requires any modifications or additions to Genesee's existing equipment, then the obligations of the parties with respect to such modifications or additions shall be governed by Paragraph 10 of this Agreement.

(d) For purpose of this Agreement, "Brewing Supplies" shall be defined as zinc sulfate, gypsum, Diatomaceous Earth, PVPP, and Chill-Garde. \* all Brewing Supplies used in the brewing of the Product.

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

(f) Upon the termination of this Agreement for any reason:

(i) Boston Brewing will purchase from Genesee (w) all Kegs and pallets furnished by Boston Brewing that are on

hand at Genesee at their respective credit amounts set forth in Sub-Paragraph 3(b)(ii) above, (x) all finished Products at the Fixed Charge, (y) all inventory

of work in process of the Products at Genesee's cost, and (z) all inventory of Brewing Ingredients, Packaging Materials and Brewing Supplies purchased by Genesee that are not reasonably useable by Genesee in its own products at Genesee's cost; and (ii) Genesee will make available for pick up by Boston Brewing at Genesee's dock all finished Products, all Brewing Ingredients, Packaging Materials and Brewing Supplies referred to in Subparagraph 3(e) hereof, and all Kegs, pallets and dust covers on hand at Genesee that were furnished by Boston Brewing. In the event sales of the Products are substantially less than forecasted by Boston Brewing resulting in abnormally excess inventories of Brewing Ingredients, Packaging Materials and Brewing Supplies purchased by Genesee, Boston Brewing will purchase such excess from Genesee at Genesee's cost.

4. TERM

The term of this Agreement shall commence on the Effective Date and, unless sooner terminated pursuant to Paragraph 10 hereof, this Agreement shall expire on December 31, \*. The Parties acknowledge that Boston Brewing's obligations pursuant to this Agreement to make payments to Genesee and the Parties' respective rights and obligations under Paragraphs 3(e), 9, 10(a), 11, 12, 14, 16(a), 16(c), 17 and 26 shall survive the expiration or termination of this Agreement.

5. MINIMUM ORDERS

(a) Provided that the Core Product comprises at least \* of all the Products produced, the maximum quantity of the Products that Genesee shall be required to produce under this Agreement in any calendar year shall be: (i) \* barrels if Boston Brewing authorizes Genesee to use \* for fermentation and storage of the Products; (ii) \* barrels if Boston Brewing authorizes Genesee to use \* only for storage of the Products; or (iii) \* barrels if Boston Brewing does not authorize Genesee to use \* .

(b) On a weekly basis, Boston Brewing shall provide Genesee with a twelve (12) week Production Plan for the Products (the "Production Plan"). The Production Plan shall be a rolling twelve week schedule setting forth brewing and packaging requirements for the Products for each week during the twelve weeks covered by the Production Plan. All brewing requirements for the Products during the first \* weeks of the Production Plan shall

constitute firm orders by Boston Brewing. All brewing requirements for the Products during the \* weeks of the Production Plan and all packaging requirements set forth in the Production Plan shall be a forecast of Boston Brewing's best estimate of brewing and packaging requirements for the Products and shall be used by Genesee for capacity planning purposes. Boston Brewing shall update the Production Plan each week by providing its best estimate of brewing and packaging requirements for the \* week and by revising the schedule for brewing and packaging requirements in the \* weeks of the Production Plan. The brew size that Boston Brewing shall utilize in the Production Plan shall be Genesee's maximum brew based on Genesee's current brewing vessels, currently estimated to yield approximately \* barrels of the Core Product (a "Brew"). The minimum brewing requirement that Boston Brewing may specify during any week shall be \* Brews. The maximum brewing requirement that Boston Brewing may specify shall not exceed \* barrels in any consecutive four (4) week period. Genesee shall have the right, in its sole discretion, to set the actual time and date on which each Brew shall be brewed, provided that Genesee shall use its best efforts to (i) minimize the length of time that the Products remain in storage prior to packaging, and (ii) meet the shipment dates specified on the Packaging Schedule.

(c) Boston Brewing shall place all orders for packaging and shipment of the Product by the \* business day of each month (the "Packaging Schedule"). The Packaging Schedule shall set forth the quantity of the 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; \* cases for 12 oz. bottles in new glass; and \* cases for 12 oz. bottles in refillable glass. The minimum order for packaging the Products in Kegs shall be \* Kegs.

6. RISK OF LOSS

Boston Brewing shall have sole responsibility for selecting carriers and making all arrangements for shipment of the Products to its customers. Boston Brewing shall pay for all costs associated with shipment of the Products from Genesee's facility. Genesee and Boston Brewing 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 Genesee. However, the carrier's driver shall have the right to inspect each shipment for damage prior to leaving the loading dock and, accordingly,

Boston Brewing shall bear the risk of loss on any shipment of Products, once the carrier's truck leaves loading dock.

7. BREWERY OF RECORD

(a) Genesee shall provide all Products brewed hereunder under the name of "The Boston Beer Company," as the Brewery of Record. Genesee shall secure and maintain any permits, licenses, approvals and the like required by any federal, state or local governmental agency on behalf of Boston Brewing. \* promptly for any out-of-pocket costs, including, without limitation, legal expenses, incurred in connection therewith.

(b) Genesee and Boston Brewing shall maintain an alternating proprietorship whereby the Products are produced at Genesee's facility under a Brewer's Notice for such premises issued to Boston Brewing. Genesee shall maintain separate records for the Products produced under the Boston Brewing alternating proprietorship and shall file monthly reports and federal excise tax returns in a timely manner on behalf of the Boston Brewing alternating proprietorship. Genesee shall, to the extent reasonably possible, 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 the Product. \* for its out-of-pocket costs, including, without limitation legal expenses, incurred in connection with maintaining the Boston Brewing alternating proprietorship.

8. FORCE MAJEURE

(a) Genesee shall not be liable to Boston Brewing in the event that Genesee shall delay in or fail to deliver Products to Boston Brewing hereunder for any reason or cause beyond its control, including but not limited to a slowdown, stoppage or reduction of Genesee'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 Genesee's production or deliveries, Genesee will allocate its remaining capacity pro-rata between Genesee's own products and the Products, provided that Boston Brewing shall use reasonable efforts to move production of the Products to its other suppliers for the duration of any such slowdown, stoppage or reduction so as to minimize the amount of the Products that Genesee is required to

produce for Boston Brewing during such slowdown, stoppage or reduction. The pro rata allocation of Genesee's remaining production capacity shall be based on the proportionate volume of Genesee's own products and the Products produced by Genesee during the \* month period immediately preceding the month in which occurred the event which gave rise to the slowdown, stoppage or reduction of Genesee's production or delivery. In allocating the proportionate share of its remaining capacity to be devoted to the Products, Genesee shall use its best efforts to accommodate the mix of Core Products and Other Products specified by Boston Brewing.

9. CHANGE PARTS AND BREWERY MODIFICATIONS

The parties anticipate that production of Other Products or the use of new Packaging Materials may require changes or modifications to Genesee's

brewing equipment and facilities, or the installation of new equipment by Genesee to accommodate Other Products or new Packaging Materials. Subject to the obligations of Boston Brewing and Genesee under Subparagraph 1(a) of this Agreement, Genesee shall have no obligation to make any modifications to its equipment or facilities to accommodate the production of the Products unless agreed to by Genesee in writing. If the change parts, modifications or new equipment required to produce any Other Products or use any new Packaging Materials would, in Genesee's reasonable judgment, have a material adverse impact on Genesee's operations, including without limitation, space availability, plant capacity, or cost of production, then Genesee shall not be required to produce any such Other Products or use any such new Packaging Materials. If Genesee determines that the required changes, modifications or new equipment would not have a material adverse impact, then the allocation of cost, ownership and the other terms and conditions relating to such change parts, modifications or new equipment shall be determined as provided herein:

(a) Boston Brewing will pay for all change parts, brewery modifications or new equipment that are unique to producing the Products at Genesee's facility, provided that Genesee notifies Boston Brewing in advance of making any such expenditures. Boston Brewing shall own all change parts and brewery modifications paid for by Boston Brewing and Genesee shall allow Boston Brewing to remove all such change parts and brewery modifications at the termination or expiration of this Agreement, provided that Boston Brewing shall restore, or

reimburse Genesee for its cost to restore Genesee's equipment or facilities to their condition prior to the installation of such change parts or modifications, ordinary wear and tear excluded.

(b) The cost and ownership of any change parts, brewery modifications or new equipment that can also be used by Genesee to produce its own products shall be allocated between Genesee and Boston Brewing by prior written agreement based on the following: (i) If Genesee determines that the change parts, modifications or new equipment would have been purchased by Genesee even without the need to accommodate the Products or new Packaging Materials, then Genesee shall pay the entire cost of such change parts, modifications or new equipment and Genesee shall have exclusive ownership thereof; (ii) If Genesee determines that it would benefit from the change parts, modifications or new equipment but Genesee would not have purchased them if not for the need to accommodate the Products or new Packaging Materials, then the cost and ownership of such change parts, modifications or new equipment shall be allocated between the parties as the parties mutually agree based on the relative benefit that each party will derive from such change parts, modifications or new equipment.

(c) With respect to any change parts, modifications or new equipment paid for in part by Boston Brewing under Subparagraph 9(b)(ii) hereof, including the improvements and modifications to Bottling Line No. 2 referred to in Subparagraph 2(d) hereof, the amount paid by Boston Brewing shall be amortized based on a mutually agreeable amortization schedule.

(i) Upon expiration of the amortization schedule with respect to each change part, modification or new piece of equipment, all right, title and ownership thereof shall automatically transfer to Genesee and Boston Brewing shall have no further interest therein.

(ii) Upon: (A) the expiration of this Agreement; (B) the termination of this Agreement by Genesee under Subparagraphs 10(a) or 10(b); or (C) the termination of this Agreement by Boston Brewing under Subparagraphs 10(c), 10(d) or 10(e) hereof, Genesee shall reimburse Boston Brewing for the unamortized balance of the cost of any change parts, modifications or new equipment paid for in part by Boston Brewing under Subparagraph 9(b)(ii) hereof, provided that the amortization shall continue during any applicable Notice Period and the unamortized balance shall be calculated as of and paid on the effective date of any such termination. Upon payment by Genesee of the unamortized balance, all right, title and ownership of such change parts, modifications or new equipment shall automatically transfer to

Genesee and Boston Brewing shall have no further interest therein. Notwithstanding the foregoing, Genesee shall have no obligation to reimburse Boston Brewing for the unamortized balance of the cost of change parts, modifications or new equipment if, during the twelve (12) calendar months immediately preceding the notice of termination: (X) Boston Brewing purchased less than \* barrels of the Products; or (Y) Boston Brewing failed to purchase at least \* of the volume of the Products that was purchased by Boston Brewing during the twelve (12) calendar months immediately preceding said twelve (12) calendar month period; and in either such event, all right, title and ownership of such change parts, modifications or new equipment shall automatically transfer to Genesee on the effective date of such termination and Boston Brewing shall have no further interest therein.

(iii) If this Agreement is terminated by Boston Brewing under Subparagraphs 10(a) or 10(b) hereof, or by Genesee under Subparagraphs 10(c), 10(d) or 10(e) hereof, then Genesee shall have no obligation to reimburse Boston Brewing for the unamortized balance of the cost of any change parts, modifications or new equipment paid for in part by Boston Brewing under Subparagraph 9(b)(ii) hereof, and all right, title and ownership of such change parts, modifications or new equipment shall automatically transfer to Genesee on the effective date of such termination and Boston Brewing shall have no further interest therein.

(d) The parties agree to execute appropriate UCC financing statements to reflect their respective interests in any change parts, brewery modifications or new equipment paid for, in whole or in part, by Boston Brewing. Boston Brewing shall execute and deliver to Genesee UCC termination statements, bills of sale and any other documentation reasonably requested by Genesee upon the transfer of ownership to Genesee of any change parts, modification, or new equipment pursuant to Subparagraph 9(c) hereof.

10. TERMINATION

(a) Unless the reason for termination is governed by Subparagraphs 10(c), 10(d) or 10(e) of this Agreement, either party may terminate this Agreement for any other reason in accordance with the terms set forth in this Subparagraph 10(a). If either party wishes to terminate this Agreement, the party wishing to terminate shall first notify the other party in writing explaining all of the reasons causing it to seek termination. The other party shall have \* days after receipt of the notice explaining reasons to present to the party that gave notice a

written proposal setting forth all of the proposed measures, concessions, amendments or other actions which the parties would undertake to alleviate the reasons cited in the notice. The parties shall then negotiate in good faith to reach mutual agreement on the proposal. The parties will not disclose to any third party that notice has been given, that discussions are taking place or the content of any such notice or discussions, except that either party may issue any press release or make any public disclosure which such party determines to be required by law or by the rules or regulations of any self-regulating securities exchange. If, within \* days after receipt of the notice explaining reasons, the parties have not mutually agreed in writing on all of the measures, concessions, amendments and other actions to be undertaken to alleviate the reasons cited by the party that gave notice, then the party that gave notice may notify the other party in writing that it is terminating this Agreement in accordance with the Notice Period and other terms and conditions set forth in Subparagraph 10(b) of this Agreement, provided that the Notice Period under Subparagraph 10(b) shall commence on the date that the notice explaining reasons was received by the party to which such notice was directed. A party wishing to terminate this Agreement shall use good faith and exercise reasonable judgment in concluding that it has reasons for terminating this Agreement. Reasons that may cause a party to terminate this Agreement shall include without limitation:



\* .

(b) (i) A termination under Subparagraph 10(a) or 10(e) shall not be effective until expiration of the Notice Period set forth below, provided that in no event shall the Notice Period extend the term of this Agreement beyond the expiration date set forth in Paragraph 4 hereof.

(A) The duration of the Notice Period in the event of any termination initiated by Boston Brewing shall be determined as set forth below based on: (1) barrel volume of the Products purchased by Boston Brewing in the \* calendar months immediately preceding receipt of a notice of termination; and (2) the percentage of such barrel volume in relation to the total volume of all malt beverage products sold by \* during said \* calendar months:

Barrel Volume in Previous 12 Months	Percentage of *	Minimum Notice Period
Less than 180,000	*	*
180,000 up to 400,000	*	*
180,000 up to 400,000	*	*
More than 400,000	*	*
More than 400,000	*	*

(B) The duration of the Notice Period in the event of any termination initiated by Genesee shall be determined as set forth below based on: (1) barrel volume of the Products purchased by Boston Brewing in the \* calendar months immediately preceding receipt of a notice of termination; and (2) the percentage of such barrel volume in relation to the total volume of all malt beverage products sold by Boston Brewing during said \* calendar months:

Barrel Volume in Previous 12 Months	Percentage of *	Minimum Notice Period
Less than 180,000	*	*
180,000 up to 400,000	*	*
180,000 up to 400,000	*	*
More than 400,000	*	*
More than 400,000	*	*

(ii) Notwithstanding the foregoing, if Boston Brewing fails for any reason during any \* calendar month period to purchase at least \* of the volume of the Products that were purchased by Boston Brewing during the \* calendar month period immediately preceding such \* calendar month period, then the Notice Period may, at Genesee's option, be reduced to \* months if Genesee elects to terminate this Agreement.

(iii) During each \* month period during the Notice Period, Boston Brewing shall purchase from Genesee and Genesee shall sell to Boston Brewing not less than \* of the volume of the Products purchased by Boston Brewing in the immediately preceding \* period (e.g., if Boston Brewing elects to terminate and the rate of production achieved during the \* months immediately preceding the notice of termination was \* barrels and this amounted to less than \* sales during such \* period, then Boston Brewing would be required to purchase not less than \* barrels during the first \* months of the

Notice Period and in the \* of the Notice Period \* would be required to purchase not less than the greater of \* of the volume of Products purchased from Genesee in the \* of the Notice Period or \* barrels). If Boston Brewing fails or is unable or unwilling, for any reason, to purchase the required volume of the Products during the Notice Period, then Boston Brewing shall pay \* under the amount required to be purchased during the Notice Period, provided that the termination fee shall not exceed \* if the Notice Period is less than

\* or \* if the Notice Period is \* . The \* , if any, shall be paid each January 1, April 1, July 1 and October 1 during the Notice Period. The \* shall be calculated by multiplying the \* by the difference between (x) the number of barrels of the Products that Boston Brewing would have to purchase during the three calendar months preceding each payment date if the volume of the Products that Boston Beer must purchase during the entire Notice Period was spread evenly over the entire Notice Period (the "Quarterly Volume"), and (y) the actual number of barrels of the Products purchased by Boston Brewing during the three calendar months preceding each payment date, provided that if the amount of the Products purchased by Boston Brewing in any calendar quarter exceeds the Quarterly Volume, then such excess shall be carried forward and applied to reduce any termination fee that would otherwise be payable in any subsequent calendar quarter.

(c) In addition to exercising its rights under Paragraph 21 hereof, either Party may also 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 \* calendar days following receipt of written notice of such default.

(d) 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; (ii) the other Party fails to vacate any involuntary bankruptcy, insolvency or reorganization petition filed against such Party within \* days after the filing of such petition; or (iii) the other Party liquidates, dissolves or ceases to do business as a going concern.

(e) Either Party shall have the right to terminate this Agreement as provided herein after \*

(g) Upon termination pursuant to this Paragraph 10, Boston Brewing shall promptly pay to Genesee all unpaid invoices in full and all unpaid costs incurred by Genesee pursuant to this Agreement in the brewing, packaging, shipping and storage for the Product. Genesee will use all reasonable efforts to minimize such costs upon termination and Boston Brewing will have the right to review documentation evidencing such costs.

#### 11. AGENCY AND INDEMNIFICATION

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

#### 12. PRODUCT LIABILITY

(a) Genesee and Boston Brewing shall each maintain product liability insurance coverage in the respective amount 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 the Products produced by Genesee for Boston Brewing hereunder.

(b) Genesee shall indemnify and hold harmless Boston Brewing 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 the manufacture and/or packaging of the Products by Genesee, regardless of when manufactured or packaged, and whether under this Agreement or otherwise, except to the

extent that (i) Product Liability Damages were caused solely by improper storage, handling or alteration of the Products after delivery to Boston Brewing, (ii) Product Liability Damages are based on or result from a claim that the Products are inherently defective, or (iii) Product Liability Damages were caused by Brewing Ingredients, Packaging Materials (other than bottles) or Brewing Supplies specified or otherwise approved by Boston Brewing.

(c) Boston Brewing shall indemnify and hold harmless Genesee and all of its affiliates from and against any and all Product Liability Damages to the extent arising out of the causes excepted from Genesee's duty to indemnify Boston Brewing 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 consequential damages suffered by the other Party in an amount greater than the lesser of (i) \* 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) Genesee shall produce the Product using the ingredients and brewing formula and procedures specified in the Brewing Package provided by Boston Brewing Company to Genesee on June 8, 1995. Genesee shall produce any new Core Product or any Other Products using the brewing formula and procedures specified in the Brewing Package provided by Boston Brewing to Genesee for such Core Product or Other Products. Boston Brewing 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 Brewing and, provided further, that the specified ingredients are readily available in the necessary time frame.

(b) Genesee shall use its best efforts to meet the specifications for the Core Product attached hereto as Exhibit A. Genesee shall use its best efforts to meet the specifications for any new Core Product or any Other Products which are furnished in writing by Boston Brewing at the time the parties agree to add a new Core Product or Other Products to this Agreement. Boston Brewing has the right to reject batches of the Products which it determines to taste materially different from representative sample of the Products, such rejection not to be arbitrary or unreasonable. Any rejected batches \* by Genesee \* .

(c) The Products shall be brewed and packaged according to Boston Brewing's specifications, including the maintenance of standards and quality control programs furnished to Genesee in writing by Boston Brewing. Boston Brewing shall have ultimate responsibility and authority over every detail of the production process for the Products, with such responsibility and authority as to those parameters affecting beer taste and quality to be the same as if Boston Brewing were the owner of Genesee's brewing facility. Boston Brewing shall have the right, at any time, to monitor and review the practices and procedures of Genesee in the production and packaging of the Products and inspect Genesee's brewing facility. If a decision made by Boston Brewing in the

exercise of its authority under this Subparagraph 13(c) results in \* by the Parties in the negotiations of the Fixed Charge under Paragraphs 1 and 2 hereof, \* . In addition, in the exercise of its authority under this Subparagraph 13(c), Boston Brewing shall not interfere with Genesee's production process for its own proprietary brands.

(d) Consistent with the provisions of Subparagraph 13(c), Genesee and Boston Brewing will, in any and all public statements or comments, recognize that Boston Brewing controls the ingredients, recipe, brewing processes and procedures and quality parameters for all Products produced for Boston Brewing by Genesee, and that Boston Brewing is the brewer of all such Products. Neither Party will make any public statements inconsistent with the foregoing.

14. TRADEMARKS

(a) Genesee 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 Brewing (collectively, the "Trademarks") are granted by this Agreement.

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

15. TEST BREWING

Notwithstanding anything to the contrary in this Agreement, Boston Brewing may, at any time after notice to Genesee engage any other brewer for the purpose of conducting test

production and distribution of the Products in order to ensure the delivery of the Product following termination of this Agreement.

16. COMPETING PRODUCTS

(a) Genesee will not at anytime use the brewing formula for the Products which Boston Brewing has supplied to Genesee or any yeast supplied to Genesee by Boston Brewing 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, Genesee shall not, without the prior written consent of Boston Brewing, produce for or on behalf of any person unaffiliated with Genesee or Boston Brewing a malt beverage product for sale in the United States which \* . The foregoing restriction shall not apply in any calendar year after 1999 unless Boston Brewing has purchased at least \* of the Products during the prior calendar year. The foregoing restriction shall expire after the \* during any Notice Period if Boston Brewing is the party exercising its right to terminate this Agreement.

(c) Boston Brewing acknowledges that Genesee is currently in the business of brewing craft and specialty malt beverage products that are similar to and compete with the Products, and Boston Brewing agrees that nothing in this Agreement shall prevent Genesee from continuing or expanding its craft and specialty business, provided that Genesee shall not intentionally copy the brewing formula for the Products or use any yeast supplied to Genesee by Boston Brewing to produce craft and specialty products for itself or any of its affiliates. All of the Products produced by Genesee for purposes of this Agreement, including all work in process, shall be produced solely for the benefit of Boston Brewing 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 Brewing: C. James Koch, President  
and Alfred W. Rossow, Jr., EVP and CFO  
The Boston Brewing Company  
75 Arlington Street, Fifth Floor  
Boston, Massachusetts 02116  
Telecopier: (617)368-5500

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

If to Genesee: John L. Wehle, Jr., Chairman and  
Chief Executive Officer  
The Genesee Brewing Company, Inc.  
445 St. Paul Street  
Rochester, New York 14605  
Telecopier: (716) 325-1964

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 Brewing may assign this Agreement without the consent of Genesee 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 Brewing, provided that \* . 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, Genesee'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 Brewing 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 Genesee to continue to brew, package and ship any products ordered by

Boston Brewing under this Agreement until Boston Brewing shall have secured a new source for production of its products; provided that under such circumstances Genesee 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

Genesee and Boston Brewing 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 the letter agreement between the parties dated \* 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.

Witness: BOSTON BREWING COMPANY LIMITED PARTNERSHIP  
By: Boston Beer Company, Inc., General Partner

By:  
C. James Koch, President

Witness: THE GENESEE BREWING COMPANY, INC.

By:  
John L. Wehle, Jr., Chairman  
and Chief Executive Officer

## Exhibit 11

STATEMENT REGARDING COMPUTATION OF NET EARNINGS PER SHARE  
(IN THOUSANDS, EXCEPT PER SHARE DATA)  
(UNAUDITED)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 28, 1997 ----	JUNE 28, 1996 ----	JUNE 28, 1997 ----	JUNE 28, 1996 ----
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	20,330,292	19,899,280	20,217,236	19,861,405
ADD: COMMON EQUIVALENT SHARES REPRESENTING				
SHARES ISSUABLE UPON CONVERSION OF STOCK OPTIONS	135,808	420,233	206,833	422,934
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES	20,466,100 =====	20,319,513 =====	20,424,069 =====	20,284,339 =====
NET INCOME	\$ 1,435 =====	\$ 2,361 =====	\$ 3,015 =====	\$ 5,001 =====
PRIMARY EARNINGS PER SHARE	\$ 0.07 =====	\$ 0.12 =====	\$ 0.15 =====	\$ 0.25 =====
FULLY DILUTED EARNINGS PER SHARE	\$ 0.07 =====	\$ 0.12 =====	\$ 0.15 =====	\$ 0.25 =====

<ARTICLE>

5

<LEGEND>

SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BOSTON BEER COMPANY, INC.'S CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENTS OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FINANCIAL STATEMENTS.

</LEGEND>

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1,000

<CURRENCY>

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DEC-29-1997

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JUN-28-1997

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<FN>

<F1> THIS NUMBER INCLUDES 16,301,848 SHARES OF CLASS A COMMON STOCK WITH A PAR VALUE OF \$163,000 AND 4,107,355 SHARES OF CLASS B STOCK WITH A PAR VALUE OF \$41,000.

</FN>