

CRAFT BREWERS ALLIANCE, INC.
Form DEF 14A
April 28, 2009

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
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Craft Brewers Alliance, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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CRAFT BREWERS ALLIANCE, INC.
929 N. Russell Street
Portland, Oregon 97227

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held at 1:00 p.m. Pacific Daylight Time on Friday, May 29, 2009

TO THE HOLDERS OF COMMON STOCK
OF CRAFT BREWERS ALLIANCE, INC.:

The Annual Meeting of Shareholders of Craft Brewers Alliance, Inc., a Washington corporation (the Company), will be held on **Friday, May 29, 2009, at 1:00 p.m.** Pacific Daylight Time, at the Portland, Oregon Brewery, located at 924 N. Russell Street, Portland, Oregon 97227, for the following purposes as more fully described in the accompanying Proxy Statement:

1. To elect seven directors to serve until the 2010 Annual Meeting of Shareholders and until their successors are elected and qualified;
2. To ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for its fiscal year ending December 31, 2009; and
3. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The board of directors of Craft Brewers Alliance, Inc. has fixed the close of business on April 6, 2009 as the record date for the meeting. Only shareholders of record of the Company's common stock on April 6, 2009 are entitled to notice of and to vote at the meeting. You are requested to fill in and sign the enclosed form of proxy, which is being solicited by the board of directors, and to mail it promptly in the enclosed postage-prepaid envelope. Any proxy may be revoked by delivery of a later dated proxy. Shareholders of record who attend the annual meeting may vote in person, even if they have previously delivered a signed proxy.

By order of the Board of Directors,

Kurt R. Widmer
Chairman of the Board

Portland, Oregon
April 28, 2009

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
SHAREHOLDER MEETING TO BE HELD ON MAY 29, 2009:**
The Proxy Statement for the 2009 Annual Meeting of Shareholders and
2008 Annual Report to shareholders are available at
<http://phx.corporate-ir.net/phoenix.zhtml?c=95666&p=irol-proxy>

YOUR VOTE IS IMPORTANT!

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE POSTAGE-PREPAID ENVELOPE PROVIDED. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY CARD.

CRAFT BREWERS ALLIANCE, INC.

**929 N. Russell Street
Portland, Oregon 97227**

**PROXY STATEMENT
FOR 2009 ANNUAL MEETING OF SHAREHOLDERS
to be held on May 29, 2009 at 1:00 p.m. PDT**

This proxy statement and the enclosed form of proxy are furnished in connection with solicitation of proxies by our board directors for use at an annual meeting of shareholders to be held on May 29, 2009, and any postponements or adjournments thereof.

On or about April 28, 2009, this proxy statement and the accompanying form of proxy are being mailed to each shareholder of record at the close of business on April 6, 2009.

The information provided in the question and answer format below is for your convenience only and is merely a summary of the information contained in this proxy statement. You should read this entire proxy statement carefully.

What matters am I voting on?

You will be voting on:

the election of seven directors to hold office until the next annual meeting of shareholders and until their successors are elected and qualified;

a proposal to ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009;

any other business that may properly come before the meeting.

Who is entitled to vote?

Holders of our common stock as of the close of business on April 6, 2009, the record date, may vote at the meeting. As of the record date, we had 16,948,063 shares of common stock. In deciding all matters at the meeting other than the election of directors, each shareholder will be entitled to one vote for each share of common stock held on the record date. For the election of directors, cumulative voting applies, so the number of votes each shareholder will have will be equal to the number of shares held on the record date multiplied by seven, the number of directors to be elected. Each shareholder may cast all such votes for a single nominee, distribute them among the seven nominees for directors equally, or distribute them among the seven nominees in any other way the shareholder deems fit. If a shareholder voting by proxy wishes to distribute votes among the nominees for director, the shareholder may do so on the enclosed proxy card in the space provided. If votes are not distributed on the proxy card, the persons named as proxies will use their discretion to distribute such votes FOR each of the seven individuals nominated to serve as director.

Where is the 2009 Annual Meeting of Shareholders being held?

The 2009 Annual Meeting of Shareholders will be held at the Portland, Oregon Brewery, 924 North Russell Street, Portland, Oregon 97227 at 1:00 p.m. Pacific Daylight Time.

What is the effect of giving a proxy?

Proxies in the form enclosed are solicited by and on behalf of our board. The persons named in the proxy have been designated as proxies by our board. If you sign and return the proxy in accordance with the procedures set forth in this proxy statement, the persons designated as proxies by the board will vote your shares at the meeting as specified in your proxy.

If you sign and return your proxy in accordance with the procedures set forth in this proxy statement but you do not provide any instructions as to how your shares should be voted, your shares will be voted as follows:

FOR the election as directors of the nominees listed below under Proposal No. 1;

FOR the approval of the proposal to ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009.

If you give your proxy, your shares also will be voted in the discretion of the proxies named on the proxy card with respect to any other matters properly brought before the meeting.

Can I change my vote after I return my proxy card?

You may revoke your proxy at any time before it is exercised by:

delivering written notification of your revocation to our secretary;

voting in person at the meeting; or

delivering another proxy bearing a later date.

Please note that your attendance at the meeting will not alone serve to revoke your proxy.

What is a quorum?

A quorum is the minimum number of shares required to be present at the annual meeting for the meeting to be properly held under our bylaws and Washington state law. The presence, in person or by proxy, of a majority of all issued and outstanding shares of common stock entitled to vote at the meeting will constitute a quorum at the meeting. A proxy submitted by a shareholder may indicate that all or a portion of the shares represented by the proxy are not being voted (shareholder withholding) with respect to a particular matter. Similarly, a broker may not be permitted to vote stock (broker non-vote) held in street name on a particular matter in the absence of instructions from the beneficial owner of the stock. The shares subject to a proxy which are not being voted on a particular matter because of either shareholder withholding or broker non-vote will count for purposes of determining the presence of a quorum. Abstentions are voted neither for nor against a matter but are also counted in the determination of a quorum.

How may I vote?

You may vote your shares by mail. Date, sign and return the accompanying proxy in the envelope enclosed for that purpose (to which no postage need be affixed if mailed in the United States). You may specify your choices by marking the appropriate boxes on the proxy card. If you attend the meeting, you may deliver your completed proxy card in person or fill out and return a ballot that will be supplied to you.

How many votes are needed for approval of each matter?

The election of directors requires a plurality vote of the shares of common stock voted at the meeting. Plurality means that the individuals who receive the largest number of votes cast FOR are elected as directors. Consequently, any shares not voted FOR a particular nominee (whether as a result of shareholder withholding or a broker non-vote) will not be counted in such nominee's favor and will have no effect on the outcome of the election. See Who is entitled to vote? above for an explanation of cumulative voting in the election of directors.

Proposal No. 2 must be approved by the affirmative vote of a majority of the votes cast by the holders of shares represented in person or by proxy at the meeting and entitled to vote thereon. Shareholder withholding, broker non-votes, and abstentions from voting on this proposal will have no effect on the outcome of this proposal.

How may my brokerage firm or other intermediary vote my shares if I fail to provide timely directions?

Brokerage firms and other intermediaries holding shares of common stock in street name for customers are generally required to vote such shares in the manner directed by their customers. In the absence of timely directions, brokerage firms and other intermediaries generally will have discretion to vote their customers' shares in the election of directors and on the proposal to ratify the appointment of Moss Adams LLP.

BOARD OF DIRECTORS

The business of the Company is currently managed under the direction of the Board of Directors, which consists of the following seven directors: Kurt R. Widmer (Chair), Timothy P. Boyle, Andrew R. Goeler, Kevin R. Kelly, David R. Lord, John D. Rogers Jr. and Anthony J. Short.

The full Board of Directors met seven times, including three special meetings, during the Company's fiscal year ended December 31, 2008. No incumbent member attended fewer than 75% of the total number of meetings of the Board of Directors and of any Board committees of which he was a member during 2008. Directors are encouraged to attend the Annual Meeting of Shareholders. At the 2008 Annual Meeting, three incumbent directors were in attendance. The term for the other four current directors began after the 2008 Annual Meeting as these individuals became directors as a result of the July 1, 2008 merger (the Merger) of the Company with Widmer Brothers Brewing Company (Widmer) and were not directors or director nominees when the 2008 Annual Meeting was held.

Director Independence

The Company's common stock is listed on The Nasdaq Stock Market and, accordingly, the Company is subject to the requirement in Nasdaq Marketplace Rule 5605(b)(1) that a majority of its directors be independent as defined in Marketplace Rule 5605(a)(2). Current nominees Messrs. Boyle, Kelly, Lord and Rogers are non-employee directors of the Company, do not have any relationship that would disqualify them as independent directors under Marketplace Rule 5605(a)(2) and, in the opinion of the Board of Directors, do not have any other relationship that would interfere with their exercise of independent judgment in carrying out their responsibilities as directors. Therefore, the Board of Directors believes that Messrs. Boyle, Kelly, Lord and Rogers are independent directors as defined in Marketplace Rule 5605(a)(2). The Board of Directors believes that Messrs. Goeler and Short, who are non-employee directors, have a relationship as Anheuser-Busch, Inc. (A-B) designees to the Board of Directors that precludes them from meeting the definition of independent director in Marketplace Rule 5605(a)(2). Mr. Widmer, as an employee director of the Company, does not meet the definition of independent director in Marketplace Rule 5605(a)(2). All independent directors meet in executive session, at which only independent directors are present, at least twice a year, in conjunction with a regularly scheduled board meeting.

Nominees for Director

The following seven individuals have been nominated for re-election at the meeting. Each of the nominees currently serves as a director of the Company.

Timothy P. Boyle (59) Mr. Boyle has served as a director since the Merger. He had served as a director of Widmer from May 1999 until July 1, 2008. Since 1989, Mr. Boyle has served as President and Chief Executive Officer of Columbia Sportswear Company, an active outdoor apparel and footwear company headquartered in Portland, Oregon. He began working with Columbia Sportswear Company in 1970. Mr. Boyle serves as a director on the boards of Columbia Sportswear Company, Northwest Natural Gas Company and Oregon Trout. He is a trustee of Reed College and the Youth Outdoor Legacy Fund and a past member of the Young Presidents' Organization and the University of Oregon Foundation.

Andrew R. Goeler (52) Mr. Goeler has served as a director since the Merger. He had served as a director of Widmer from August 2005 until July 1, 2008. He currently serves as Vice President, Import, Craft and Specialty Group for A-B. Mr. Goeler has been employed by A-B since 1980. Since 1995, Mr. Goeler has held various positions in the Marketing Division at A-B, including heading up the Bud Light and Budweiser brands.

Mr. Goeler is one of two directors on the Company's Board of Directors designated by A-B; see Related Person Transactions *Transactions with A-B*.

Kevin R. Kelly (59) Mr. Kelly has served as a director since the Merger. He had served as a director of Widmer from September 1995 until July 1, 2008. He has been the Chief Executive Officer and owner of McCall Heating and Cooling, an oil sales and heating/cooling contractor since 1994. Prior to that, he was President of U.S. Bancorp, and held various roles with U.S. Bancorp and its subsidiaries from 1977, including Chief Executive Officer and President of U.S. Bank of Oregon. Mr. Kelly serves as a director on the boards of Northwest Bank and the Sisters of Providence Pension Trustees. Mr. Kelly earned a Ph.D. and a Master's Degree in Economics from the University of Oregon after receiving a bachelor's degree from Santa Clara University.

David R. Lord (60) Mr. Lord has served as a director since May 2003. Beginning in January 2009, Mr. Lord serves as the Vice Chairman of Pioneer Newspapers, Inc., having retired from the position of President, which he had held for the past 17 years. Pioneer Newspapers owns seven daily newspapers and nine weekly, semi-weekly and monthly publications in the western United States. Prior to joining Pioneer Newspapers, Mr. Lord had practiced law, both in private practice and as a criminal deputy prosecuting attorney. Mr. Lord currently serves as President of the PAGE Co-op board of directors, and as a director on the boards of Associated Press, the Newspaper Association of America and American Press Institute board of directors. He was also a past president and chairman of the Inland Press Association.

John D. Rogers Jr. (65) Mr. Rogers has served as a director since May 2004. He currently serves as Managing Partner of J4 Ranch LLC, an organic berry operation located in Skagit County, Washington. Prior to that, he served as President, Chief Executive Officer and director of Door to Door Storage, Inc. from June 2004 to June 2007. Mr. Rogers has also served in leadership roles at several manufacturing companies, including AWC, Inc., British Steel Alloys and Martin Marietta Aluminum. Mr. Rogers was appointed a Sloan Fellow at Massachusetts Institute of Technology's Graduate School of Business, and graduated with a Masters of Science in Business Administration. Mr. Rogers earned a Master's degree in Business Administration from Southern Methodist University after receiving a Bachelor's degree from the University of Washington.

Anthony J. Short (50) Mr. Short has served as a director since May 2000. Mr. Short is Vice President, Business and Wholesaler Development at A-B and has held this position since September 2002. In this capacity, he is responsible for domestic business development and various initiatives involving A-B's wholesaler sales and distribution system. Mr. Short also currently serves as President of Wholesaler Equity Development Corporation, a wholly-owned subsidiary of A-B. Mr. Short has been employed by A-B since 1986. Mr. Short had previously served as a director on the boards of Widmer and Craft Brands Alliance LLC (Craft Brands), a sales and marketing joint venture between the Company and Widmer. Mr. Short is one of two directors on the Company's Board of Directors designated by A-B; see Related Person Transactions *Transactions with A-B*.

Kurt R. Widmer (57) Mr. Widmer has served as the Chairman of the Board and Director since the Merger. Prior to that, he had served as President, Chief Executive Officer and Chairman of the Board for Widmer from 1984 until July 1, 2008. Mr. Widmer co-founded Widmer with his brother, Robert Widmer. He is a member of the board of directors and past president of the Oregon Brewers Guild.

Criteria for Director Nominees

The specific, minimum qualifications that the Nominating and Governance Committee believes must be met by a nominee for a position on the Company's Board of Directors are:

The nominee must be of the highest ethical character;

The nominee must be able to read and understand financial statements;

The nominee must be over 21 years of age;

The nominee must not have any significant and material conflict, whether personal, financial or otherwise, presented by being a member of the Board;

The nominee must be able to meet regulatory approval; and

The nominee must have the time available to devote to Board activities.

The specific qualities or skills that the Nominating and Governance Committee believes are necessary for one or more of the Company's directors to possess are:

Nominees should have relevant expertise and experience, and be able to offer advice and guidance to the Company's Chief Executive Officer based on that expertise and experience;

Nominees should possess any necessary independence or financial expertise;

Nominees should complement the skills, experience and background of other directors; in making determinations regarding nominations of directors, the Nominating and Governance Committee may take into account the benefits of diverse viewpoints; and

Nominees must be likely to have a constructive working relationship with other directors.

It is also the Company's policy that directors retire from the Board effective at the Annual Meeting of Shareholders following their seventy-third birthday.

Shareholder Recommendations for Nominations to the Board of Directors

The Nominating and Governance Committee will consider candidates for director recommended by any shareholder of the Company who is entitled to vote at the meeting. The committee will evaluate such recommendations in accordance with its charter, the bylaws of the Company and the regular nominee criteria described above. This process is designed to ensure that the Board includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to the business of the Company. Eligible shareholders wishing to recommend a candidate for nomination should follow the procedures set forth in the Company's Amended and Restated Bylaws, as further described below. In connection with its evaluation of a director nominee, the Nominating and Governance Committee may request additional information from the candidate or the recommending shareholder and may request an interview with the candidate. The committee has discretion to decide which individuals to recommend for nomination as directors. Shareholders should submit any recommendations for director nominees to the Company by December 28, 2009.

A shareholder of record can nominate a candidate for election to the Board by complying with the procedures in Article II, Section 2.3.2 of the Company's Amended and Restated Bylaws. Any eligible shareholder who wishes to submit a nomination should review the requirements in the bylaws on nominations by shareholders, which are included in the excerpt from the Amended and Restated Bylaws attached as *Appendix A* to this Proxy Statement. Any nomination should be sent in writing to the Secretary, Craft Brewers Alliance, Inc., 929 N. Russell Street, Portland, OR 97227. Notice must be received by the Company by December 28, 2009.

Committees of the Board

The Board has standing Audit, Compensation, Nominating and Governance, and Strategic Planning Committees. Each of these committees is responsible to the full Board of Directors and its activities are therefore subject to Board approval. Pursuant to an exchange and recapitalization agreement between the Company and A-B, A-B has the right to have one of its designees observe each committee of the Board of Directors of the Company, as described more

fully below under Related Person Transactions *Transactions with A-B*. The activities of each of these committees are summarized in further detail below.

Audit Committee

The Audit Committee is responsible for the engagement of and approval of the services provided by the Company's independent registered public accounting firm. The Audit Committee assists the Company's Board

of Directors in fulfilling its oversight responsibilities by reviewing (i) the financial reports and other pertinent financial information provided by the Company to the public and the Securities and Exchange Commission (SEC), (ii) the Company s systems of internal controls established by management and the Board, and (iii) the Company s auditing, accounting and financial reporting processes generally.

The Audit Committee is currently composed of Messrs. Kelly (Chair), Lord and Rogers, each of whom is an independent director as defined by Nasdaq Marketplace Rule 5605(a)(2) and (c)(2). The Board has also determined that Mr. Kelly, an independent director, qualifies as an audit committee financial expert as defined by the SEC. Mr. Short, as A-B s designee, currently observes the Audit Committee. The Audit Committee met six times during 2008. The Board of Directors has adopted a written charter for the Audit Committee. The charter is reviewed annually and revised as appropriate. A copy of the Audit Committee Charter is available on the Company s website at www.craftbrewers.com (select Investor Relations Governance Highlights).

Compensation Committee

The Compensation Committee is responsible for establishing and approving corporate goals and objectives relevant to the Chief Executive Officer and other members of senior management compensation and evaluating the performance of the Chief Executive Officer and other members of senior management in light of those goals and objectives; the overall compensation policies applicable to the Company s Chief Executive Officer and other members of senior management, which includes various Vice Presidents and the Chief Financial Officer; and annually reviewing and making recommendations to the Board with respect to director compensation and benefits. The Compensation Committee is also responsible for establishing the general policies applicable to the granting, vesting and other terms of stock options, restricted stock, restricted stock units, performance awards and stock appreciation rights and other stock-based awards granted to employees under the Company s stock option and stock incentive plans, and for determining the number and terms of such grants made to the Company s executive officers, among others. While the Compensation Committee has the authority to retain consultants and third-party advisors to advise the Compensation Committee, it did not do so in 2008, but has done so in previous years. The Compensation Committee has the ultimate authority to determine matters of compensation for the Company s senior management; however, it may rely on recommendations from the Company s Chief Executive Officer for matters of compensation involving other members of senior management and with respect to stock options and other stock grants to employees. Additional information on the Compensation Committee s roles, policies and procedures is described in Executive Compensation set forth in this Proxy Statement.

The Compensation Committee is currently composed of Messrs. Lord (Chair), Boyle and Kelly, each of whom is an independent director as defined by Nasdaq Marketplace Rule 5605(a)(2). Mr. Goeler, as A-B s designee, currently observes the Compensation Committee. The Compensation Committee met six times during 2008. The Board has adopted a written charter for the Compensation Committee. A copy of the charter is available on the Company s website at www.craftbrewers.com (select Investor Relations Governance Highlights).

Nominating and Governance Committee

The Nominating and Governance Committee reviews the structure of the Board of Directors, its committee structure and overall size; recommends to the Board nominees for vacant Board positions; reviews and reports to the Board on the nominees to be included in the slate of directors, including any suggested by shareholders, for election at the Annual Meeting of shareholders; recommends directors for each Board committee; develops a plan of succession to be used in the event of the Chief Executive Officer s resignation, disability, removal or death; develops and recommends to the Board a set of corporate governance principles applicable to the Company; and oversees the evaluation of the Board and the Chief Executive Officer.

The Nominating and Governance Committee is currently composed of Messrs. Boyle (Chair), Kelly, and Rogers each of whom is an independent director as defined by Nasdaq Marketplace Rule 5605(a)(2).

Mr. Goeler, as A-B's designee, currently observes the Nominating and Governance Committee. The Nominating and Governance Committee met three times in 2008. The Board of Directors has adopted a written charter for the Nominating and Governance Committee. The charter is reviewed annually and revised as appropriate. A copy of the charter is available on the Company's website at www.craftbrewers.com (select Investor Relations Governance Highlights).

Strategic Planning Committee

The Strategic Planning Committee is responsible for advising Company management in the development of strategic plans; reviewing proposed capital and other significant expenditures proposed by management for consistency with the Company's long term business objectives; and reviewing and recommending to the Board management proposals related to expansion, capital investment, acquisitions, partnerships, joint ventures or alliances, dispositions of capital assets, equity and debt financing, modifications of the existing capital structure and similar issues.

The Strategic Planning Committee currently is comprised of Messrs. Rogers (Chair), Boyle and Lord, each of whom is an independent director as defined by Nasdaq Marketplace Rule 5605(a)(2). Mr. Short, as A-B's designee, currently observes the Strategic Planning Committee. The Strategic Planning Committee met five times in 2008. The Board of Directors has adopted a written charter for the Strategic Planning Committee. The charter is reviewed annually and revised as appropriate. A copy of the charter is available on the Company's website at www.craftbrewers.com (select Investor Relations Governance Highlights).

Director Compensation

The following table sets forth certain information regarding the compensation earned by or awarded to each individual who served on the Company's Board of Directors in 2008, other than individuals who were also executive officers of the Company.

Director Compensation for 2008

Name (a)	Nonqualified Non-Equity Deferred Incentive						Total (h)
	Fees Earned or Paid in Cash (b)	Stock Awards (c)	Option Award (d)	Plan Compensation (e)	Compensation Earnings (f)	All Other Compensation (g)	
Timothy P. Boyle	\$ 17,000	\$	\$	\$	\$	\$	\$ 17,000
Andrew R. Goeler	10,000						10,000
Kevin R. Kelly	19,500						19,500
David R. Lord	32,500	4,902				2,623	40,025
John D. Rogers Jr.	33,000	4,902				2,623	40,525
Anthony J. Short	15,000						15,000
Kurt R. Widmer	112,500					4,577	117,077
Frank H. Clement	15,000	4,902				2,623	22,525
John W. Glick	5,000						5,000
Michael Loughran	17,500	4,902				2,623	25,025

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- (1) Pursuant to the Merger, Messrs. Clement, Glick and Loughran resigned as directors of the Company, effective July 1, 2008.
- (2) Pursuant to the Merger, Messrs. Boyle, Goeler (as an A-B designated director), Kelly and Widmer were appointed to the board of directors to serve as the replacements for the resigning directors, effective July 1, 2008, to the date of the next shareholder meeting. Mr. Widmer was appointed as Chairman of the Board.
- (3) On June 24, 2008, Messrs. Lord, Rogers, Clement and Loughran were each granted 1,140 fully-vested shares of the Company's common stock and a cash payment of \$2,623. The fair value of each stock grant was

computed in accordance with Statement of Financial Accounting Standard (SFAS) No. 123R, *Share-Based Payment* (SFAS 123R). See Note 11 to the Company s audited financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2008. In accordance with the policy of their employer, none of the A-B designated directors, Messrs. Short, Glick or Goeler, received stock grants in 2008.

- (4) Pursuant to the Merger, Mr. Widmer joined the Company July 1, 2008. Prior to joining the Company, Mr. Widmer was employed by Widmer. All other compensation for Mr. Widmer in 2008 represents \$4,577 in 401(k) employer matching contributions.
- (5) As of December 31, 2008, the aggregate number of options to purchase common stock held by Messrs. Lord and Rogers were 12,000 and 8,000, respectively. None of the other non-employee board members who were directors as of December 31, 2008 held any options as of that date.

Non-employee directors of the Company currently receive stock-based and cash compensation for their service on the board of directors. Each non-employee director, except for directors designated by A-B, receives an annual grant of 3,000 shares of the Company s common stock upon election to the board of directors at the Annual Meeting of Shareholders. Each non-employee director is entitled to receive an annual cash retainer of \$20,000, paid quarterly.

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

Material Terms of Mr. Widmer s Employment Agreement.

Mr. Widmer and the Company entered into an employment agreement effective July 1, 2008, with an initial term ending July 31, 2010, under which the initial annual base salary is to be \$225,000, paid in accordance with the Company s normal payroll policies. Mr. Widmer s base salary will be reviewed annually by the Compensation Committee. Upon the expiration of the initial period, if Mr. Widmer continues his employment with the Company, it will be as an at-will employee. Mr. Widmer will be entitled to participate in all of the Company s employee benefit programs for which he is eligible, including any long-term incentive plans developed by the Committee.

Under the employment agreement with Mr. Widmer, the Compensation Committee will establish annual performance goals for Mr. Widmer at the beginning of each fiscal year, based upon the Company s financial performance, which if met, will entitle Mr. Widmer to a bonus, subject to review and approval by the Compensation Committee.

Severance and Change of Control Benefits

Under the Company s employment agreement with Mr. Widmer, severance and change in control benefits are provided for under certain circumstances.

Severance Benefits

Severance benefits become payable to Mr. Widmer in the event that his employment is terminated by the Company for any reason other than for cause or if he tenders his resignation under good reason as discussed below.

Mr. Widmer will be entitled to severance benefits for the conditions discussed above for a period of time as follows:

(1) For a termination effective through July 31, 2010, a severance benefit equal to 24 months at his then current rate of base salary, paid to Mr. Widmer in a lump sum within two months of termination; except in the event of termination due to Mr. Widmer's disability, in which case, Mr. Widmer will receive

the severance benefits over 24 months. In the event Mr. Widmer dies within two years of receiving his first severance payment under disability benefit, the remainder of the unpaid severance benefits is to be paid in a lump sum.

(2) For a termination effective after July 31, 2010, as an at-will employee, Mr. Widmer will not be entitled to severance benefits.

For a termination that is eligible for severance benefits, Mr. Widmer will also be entitled to receive the same health benefits for 18 months that he had been receiving at the time of termination. All health and medical benefits payable under this provision will terminate, if while receiving such benefits, Mr. Widmer accepts employment with another employer who provides similar health benefits.

Under the employment agreement, *for cause* is defined as Mr. Widmer engaging in conduct which has substantially and adversely impaired the interests of the Company, or would be likely to do so if Mr. Widmer were to remain employed by the Company; has engaged in fraud, dishonesty or self-dealing relating to or arising out of his employment with the Company; has violated any criminal law relating to his employment or to the Company; has engaged in conduct which constitutes a material violation of a significant Company policy or the Company's Code of Ethics, including, without limitation, violation of policies relating to discrimination, harassment, use of drugs and alcohol and workplace violence; or has repeatedly refused to obey lawful directions of the Company's Board of Directors.

Under the employment agreement, *good reason* is defined as the occurrence of one or more of the following events without Mr. Widmer's consent: (a) a material reduction in Mr. Widmer's authority, duties, or responsibilities as defined; (b) the Company is declared bankrupt; or a receiver is appointed if the Company ceases business operations; or (c) the Company's material breach of any provision of the agreement; provided, however, that *good reason* shall only be deemed to have occurred if after Mr. Widmer provides the Company with a written notice describing such circumstances, (i) the Company fails to cure the circumstances within 15 days following its receipt of a notice from Mr. Widmer of such circumstances and (ii) Mr. Widmer terminates his employment with the Company.

Change in Control Benefits

The agreement with Mr. Widmer continues even in the event of any change in control in the Company occurring on or before July 31, 2010; however, in the event of a change in control, Mr. Widmer may tender notice of his resignation with the Company upon notice within 30 days, and he shall receive severance benefits equal to 24 months in a lump sum payment, and 18 months of health and medical benefits at a commensurate level received by Mr. Widmer prior to his tendering of the notice.

A *Change in Control* of the Company is defined as the completion of any sale, transfer, merger or consolidation of Company with any other organization if the shareholders of Company before the transaction own less than fifty percent (50%) of the common stock of the organization after the transaction; or the sale or other disposition of all or substantially all of the assets of the Company.

Covenant Not to Compete

For the consideration received above, among others, Mr. Widmer and the Company entered into a separate agreement whereby Mr. Widmer agreed through July 1, 2013, not to engage, or permit or cause any of his affiliates to engage in the manufacturing, advertising, marketing, sale or distribution, whether for himself or for third parties, of any malt beverage, soda beverage or alcoholic beverage product, in North America not produced by the Company. Mr. Widmer also agreed through July 1, 2013 not to encourage any of the Company's employees to leave its employment to join or enter into an employment or service agreement with a competitor, and to not solicit or encourage any of the

Company's customers or potential customers to limit, restrict or cease use of the Company's products or services.

Report of the Audit Committee

The Audit Committee has reviewed and discussed the audited financial statements with management. The Audit Committee has discussed with Moss Adams LLP, the Company's independent registered public accounting firm, the matters required to be discussed under Statement on Auditing Standards No. 61, *Communication with Audit Committees*, which includes a review of the findings of the independent accountant during its examination of the Company's financial statements. The Audit Committee has received the written disclosures and the letter from Moss Adams LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence and has discussed with Moss Adams LLP its independence.

Based upon the review and discussions of the Audit Committee with respect to the items listed above, the Audit Committee has recommended to the Board of Directors that the audited financial statements of the Company be included in the Annual Report on Form 10-K for the year ended December 31, 2008 for filing with the SEC. The Audit Committee has also recommended, subject to shareholder approval, the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for its fiscal year ending December 31, 2009.

Respectfully Submitted,

Kevin Kelly (Chair)

David R. Lord

John D. Rogers, Jr.

Audit Committee Members

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of April 6, 2009, certain information regarding beneficial ownership of the Company's common stock (a) by each person known to the Company to be the beneficial owner of more than five percent of the outstanding common stock, (b) by each director and nominee for director, (c) by the Chief Executive Officer, (d) by the named executive officers (as defined at Executive Compensation *Compensation Objectives*) for the fiscal year ended December 31, 2008, other than the Chief Executive Officer, who were serving as executive officers at December 31, 2008, and (e) by all of the Company's executive officers and directors as a group.

Unless otherwise indicated, the address for each listed director and officer is Craft Brewers Alliance, Inc., 929 N. Russell Street, Portland, Oregon 97227. Except as indicated by footnote, to our knowledge, the persons and entities named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable. Except where noted, percentage of beneficial ownership is based on 16,948,063 shares of common stock outstanding as of April 6, 2009.

Name and Address	Number of Shares of Common Stock Beneficially Owned(1)	Percentage of Common Stock Outstanding(1)
Busch Investment Corporation One Busch Place St. Louis, MO 63118	6,069,047	35.8%
Kurt R. Widmer(2),(3)	1,969,881	11.6%
Robert P. Widmer(3),(4)	1,099,820	6.5%
Timothy P. Boyle(5)	454,660	2.7%
Andrew R. Goeler		
Kevin R. Kelly	22,150	*
David R. Lord(6)	19,213	*
John D. Rogers, Jr.(7)	17,940	*
Anthony J. Short		
Terry E. Michaelson	17,499	*
Mark D. Moreland	2,000	*
V. Sebastian Pastore	22,000	*
All executive officers and directors as a group (10 individuals)(8)	2,525,343	14.9%

* Less than 1%

- (1) Includes shares of common stock subject to options currently exercisable or exercisable within 60 days of April 6, 2009. Shares subject to an option are not deemed outstanding for purposes of computing the percentage ownership of any person other than the person holding the option.
- (2) Includes 38,867 shares held by Mr. Widmer's spouse.
- (3) Kurt R. Widmer and Robert P. Widmer are brothers. Robert P. Widmer holds the position of Vice President of Corporate Quality Assurance and Industry Relations with the Company. Messrs. Widmer acquired their shares of common stock in exchange for their Widmer shares in the Merger.
- (4) Includes 13,279 shares held by Mr. Widmer's spouse.
- (5) Includes 1,818 shares held by Mr. Boyle's spouse.
- (6) Includes 12,000 shares subject to options to purchase common stock currently exercisable.
- (7) Includes 8,000 shares subject to options to purchase common stock currently exercisable. Also includes 3,000 shares held by Mr. Roger's spouse.
- (8) Includes 20,000 shares subject to options to purchase common stock currently exercisable.

RELATED PERSON TRANSACTIONS

Statement of Policy on Related Person Transactions