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

FORM 10-Q

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

For The Quarterly Period Ended September 30, 2015

OR

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

For the transition period from ________________ to _______________

Commission File Number 0-26542

CRAFT BREW ALLIANCE, INC.
(Exact name of registrant as specified in its charter)

Washington	**91-1141254**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

929 North Russell Street
Portland, Oregon 97227
(Address of principal executive offices)

(503) 331-7270
(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 ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act). Check one:

Large Accelerated Filer ☐	Accelerated Filer ☒
Non-accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

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

The number of shares of the registrant's common stock outstanding as of October 27, 2015 was 19,171,887.

CRAFT BREW ALLIANCE, INC.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CRAFT BREW ALLIANCE, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands, except per share amounts)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 1,816	$ 981
Accounts receivable, net	18,719	11,741
Inventory, net	18,276	18,971
Deferred income tax asset, net	1,802	1,670
Other current assets	3,831	4,413
Total current assets	44,444	37,776
Property, equipment and leasehold improvements, net	112,964	110,350
Goodwill	12,917	12,917
Intangible and other assets, net	16,914	17,558
Total assets	$ 187,239	$ 178,601
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 17,420	$ 12,987
Accrued salaries, wages and payroll taxes	5,775	5,114
Refundable deposits	7,934	8,152
Other accrued expenses	2,008	2,316
Current portion of long-term debt and capital lease obligations	503	1,157
Total current liabilities	33,640	29,726
Long-term debt and capital lease obligations, net of current portion	16,242	13,720
Fair value of derivative financial instruments	641	503
Deferred income tax liability, net	18,865	18,570
Other liabilities	717	665
Total liabilities	70,105	63,184
Commitments and contingencies		
Common shareholders' equity:		
Common stock, $0.005 par value. Authorized 50,000,000 shares; issued and outstanding 19,171,887 and 19,115,396	96	96
Additional paid-in capital	139,234	138,391
Accumulated other comprehensive loss	(397)	(312)
Accumulated deficit	(21,799)	(22,758)
Total common shareholders' equity	117,134	115,417
Total liabilities and common shareholders' equity	$ 187,239	$ 178,601

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Sales	$ 58,460	$ 55,871	$ 165,717	$ 163,616
Less excise taxes	3,771	3,798	10,788	11,031
Net sales	54,689	52,073	154,929	152,585
Cost of sales	37,830	37,428	108,218	107,526
Gross profit	16,859	14,645	46,711	45,059
Selling, general and administrative expenses	15,497	13,554	44,713	40,824
Operating income	1,362	1,091	1,998	4,235
Interest expense	(148)	(111)	(419)	(317)
Other income (expense), net	7	(54)	20	(51)
Income before income taxes	1,221	926	1,599	3,867
Income tax expense	489	361	640	1,508
Net income	$ 732	$ 565	$ 959	$ 2,359
Basic and diluted net income per share	$ 0.04	$ 0.03	$ 0.05	$ 0.12
Shares used in basic per share calculations	19,171	19,052	19,144	19,019
Shares used in diluted per share calculations	19,180	19,103	19,171	19,086

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Net income	$ 732	$ 565	$ 959	$ 2,359
Unrealized gain (loss) on derivative hedge transactions, net of tax	(117)	19	(85)	(210)
Comprehensive income	$ 615	$ 584	$ 874	$ 2,149

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

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

	Nine Months Ended September 30,	
	2015	**2014**
Cash flows from operating activities:		
Net income	$ 959	$ 2,359
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,221	6,432
Loss on sale or disposal of Property, equipment and leasehold improvements	318	74
Deferred income taxes	217	316
Stock-based compensation	880	805
Excess tax benefit from employee stock plans	(50)	(191)
Other	(227)	(327)
Changes in operating assets and liabilities:		
Accounts receivable, net	(6,978)	301
Inventories	1,375	(2,287)
Other current assets	581	106
Accounts payable and other accrued expenses	2,893	861
Accrued salaries, wages and payroll taxes	661	1,061
Refundable deposits	452	1,188
Net cash provided by operating activities	8,302	10,698
Cash flows from investing activities:		
Expenditures for Property, equipment and leasehold improvements	(9,772)	(12,936)
Proceeds from sale of Property, equipment and leasehold improvements	410	236
Net cash used in investing activities	(9,362)	(12,700)
Cash flows from financing activities:		
Principal payments on debt and capital lease obligations	(968)	(458)
Proceeds from capital lease financing	—	841
Net borrowings under revolving line of credit	2,900	—
Proceeds from issuances of common stock	64	321
Tax payments related to performance shares issued	(151)	(150)
Excess tax benefit from employee stock plans	50	191
Net cash provided by financing activities	1,895	745
Increase (decrease) in Cash and cash equivalents	835	(1,257)
Cash and cash equivalents:		
Beginning of period	981	2,726
End of period	$ 1,816	$ 1,469
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 482	$ 401
Cash paid for income taxes, net	58	889
Supplemental disclosure of non-cash information:		
Purchases of Property, equipment and leasehold improvements included in Accounts payable at end of period	$ 1,917	$ 331

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

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

Note 1. Basis of Presentation

The accompanying consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014 ("2014 Annual Report"). These consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements are unaudited but, in the opinion of management, reflect all material adjustments necessary to present fairly our consolidated financial position, results of operations and cash flows for the periods presented. All such adjustments were of a normal, recurring nature. The results of operations for such interim periods are not necessarily indicative of the results of operations for the full year.

Note 2. Recent Accounting Pronouncements

ASU 2015-15
In August 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-15, "Interest - Imputation of Interest (Subtopic 835-30)." ASU 2015-15 provides guidance as to the presentation and subsequent measurement of debt issuance costs associated with line of credit arrangements. We do not expect the adoption of ASU 2015-15 to have a material effect on our financial position, results of operations or cash flows.

ASU 2015-14
In August 2015, the FASB issued ASU No. 2015-14, Revenue From Contracts With Customers (Topic 606)." The amendments in this ASU defer the effective date of ASU 2014-09. Public business entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We are still evaluating the effect of the adoption of ASU 2014-09.

ASU 2015-11
In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory (Topic 330)." ASU 2015-11 simplifies the accounting for the valuation of all inventory not accounted for using the last-in, first-out ("LIFO") method by prescribing that inventory be valued at the lower of cost and net realizable value. ASU 2015-11 is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016 on a prospective basis. We do not expect the adoption of ASU 2015-11 to have a material effect on our financial position, results of operations or cash flows.

ASU 2015-05
In April 2015, the FASB issued ASU 2015-05, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)." ASU 2015-05 provides guidance regarding the accounting for a customer's fees paid in a cloud computing arrangement; specifically about whether a cloud computing arrangement includes a software license, and if so, how to account for the software license. ASU 2015-05 is effective for public companies' annual periods, including interim periods within those fiscal years, beginning after December 15, 2015 on either a prospective or retrospective basis. Early adoption is permitted. We do not expect the adoption of ASU 2015-05 to have a material effect on our financial position, results of operations or cash flows.

ASU 2015-03
In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments are effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The amendments are to be applied on a retrospective basis, wherein the balance sheet of each individual period presented is adjusted to reflect the period-specific effects of applying the new guidance. We do not expect the adoption of ASU 2015-03 to have a material effect on our financial position, results of operations or cash flows.

ASU 2015-02

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," which is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The ASU focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. In addition to reducing the number of consolidation models from four to two, the new standard simplifies the FASB Accounting Standards Codification and improves current U.S. GAAP by placing more emphasis on risk of loss when determining a controlling financial interest, reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a variable interest entity ("VIE"), and changing consolidation conclusions for companies in several industries that typically make use of limited partnerships or VIEs. The ASU will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. We do not expect the adoption of ASU 2015-02 to have a material effect on our financial position, results of operations or cash flows.

Note 3. Cash and Cash Equivalents

We maintain cash balances with financial institutions that may exceed federally insured limits. We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of September 30, 2015 and December 31, 2014, we did not have any cash equivalents.

Under our cash management system, we utilize a controlled disbursement account to fund cash distribution checks presented for payment by the holder. Checks issued but not yet presented to banks may result in overdraft balances for accounting purposes. As of September 30, 2015 and December 31, 2014, there were no bank overdrafts. Changes in bank overdrafts from period to period are reported in the Consolidated Statements of Cash Flows as a component of operating activities within Accounts payable and Other accrued expenses.

Note 4. Inventories

Inventories, except for pub food, beverages and supplies, are stated at the lower of standard cost or market. Pub food, beverages and supplies are stated at the lower of cost or market.

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

Inventories consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Raw materials	$ 4,742	$ 4,414
Work in process	3,147	2,781
Finished goods	7,430	8,986
Packaging materials	893	627
Promotional merchandise	1,413	1,531
Pub food, beverages and supplies	651	632
	$ 18,276	$ 18,971

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

Note 5. Related Party Transactions

Transactions with Anheuser-Busch, LLC ("A-B")

Transactions with A-B consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Gross sales to A-B	$ 47,943	$ 45,905	$ 135,890	$ 136,155
Margin fee paid to A-B, classified as a reduction of Sales	693	670	1,978	2,031
Inventory management and other fees paid to A-B, classified in Cost of sales	102	116	294	296

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

	September 30, 2015	December 31, 2014
Amounts due from A-B related to beer sales pursuant to the A-B distributor agreement	$ 12,960	$ 7,846
Refundable deposits due to A-B	(2,429)	(2,629)
Amounts due to A-B for services rendered	(2,073)	(1,821)
Net amount due from A-B	$ 8,458	$ 3,396

Operating Leases

We lease our headquarters office space, restaurant and storage facilities located in Portland, Oregon, as well as the land and certain equipment, from two limited liability companies, both of whose members include our current Board Chair and a nonexecutive officer. Lease payments to these lessors were as follows (in thousands):

Three Months Ended September 30,		Nine Months Ended September 30,	
2015	2014	2015	2014
$ 30	$ 31	$ 90	$ 95

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

Three Months Ended September 30,		Nine Months Ended September 30,	
2015	2014	2015	2014
$ 131	$ 120	$ 392	$ 351

Note 6. Derivative Financial Instruments

Interest Rate Swap Contract

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

We have assessed our vulnerability to certain business and financial risks, including interest rate risk associated with our variable-rate long-term debt. To mitigate this risk, effective January 23, 2014, we entered into an interest rate swap contract with Bank of America, N.A. ("BofA") for 75% of the Term Loan balance, to hedge the variability of interest payments associated with our variable-rate borrowings under our Term Loan with BofA. The current swap contract terminates on September 29, 2023, and had a total notional value of $7.6 million as of September 30, 2015. Through this swap agreement, we pay interest at a fixed rate of 2.86% and receive interest at a floating-rate of the one-month LIBOR, which was 0.20% at September 30, 2015. Since the interest rate swap hedges the variability of interest payments on variable rate debt with similar terms, it qualifies for cash flow hedge accounting treatment. As of September 30, 2015, unrealized net losses of $641,000 were recorded in Accumulated other comprehensive loss as a result of this hedge. The effective portion of the gain or loss on the derivative is reclassified into Interest expense in the same period during which we record Interest expense associated with the Term Loan. There was no hedge ineffectiveness during the first three quarters of 2015 or 2014.

The fair value of our derivative instrument is as follows (in thousands):

Fair Value of Derivative Instrument

	September 30, 2015	December 31, 2014
Fair value of interest rate swap	$ (641)	$ (503)

The effect of our interest rate swap contract that was accounted for as a derivative instrument on our Consolidated Statements of Operations for the three- and nine-month periods ended September 30, 2015 and 2014 was as follows (in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in Accumulated OCI (Effective Portion)	Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)
Three Months Ended September 30,			
2015	$ (188)	**Interest expense**	$ 52
2014	$ 30	**Interest expense**	$ 55
Nine Months Ended September 30,			
2015	$ (137)	**Interest expense**	$ 156
2014	$ (340)	**Interest expense**	$ 151

See also Note 7.

Note 7. Fair Value Measurements

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

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

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

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

Fair Value at September 30, 2015	Level 1	Level 2	Level 3	Total
Interest rate swap	$ —	$ (641)	$ —	$ (641)
Fair Value at December 31, 2014				
Interest rate swap	$ —	$ (503)	$ —	$ (503)

We did not have any assets measured at fair value on a recurring basis at September 30, 2015 or December 31, 2014.

The fair value of our interest rate swap was based on quarterly statements from the issuing bank. There were no changes to our valuation techniques during the third quarter of 2015.

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

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

	September 30, 2015	December 31, 2014
Fixed-rate debt on balance sheet	$ 705	$ 1,456
Estimated fair value of fixed-rate debt	$ 740	$ 1,513

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

Note 8. Segment Results and Concentrations

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

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

	Three Months Ended September 30,		
2015	**Beer Related**	**Pubs**	**Total**
Net sales	$ 46,940	$ 7,749	$ 54,689
Gross profit	$ 15,633	$ 1,226	$ 16,859
Gross margin	33.3%	15.8%	30.8%
2014			
Net sales	$ 44,663	$ 7,410	$ 52,073
Gross profit	$ 13,447	$ 1,198	$ 14,645
Gross margin	30.1%	16.2%	28.1%

	Nine Months Ended September 30,		
2015	**Beer Related**	**Pubs**	**Total**
Net sales	$ 133,727	$ 21,202	$ 154,929
Gross profit	$ 43,914	$ 2,797	$ 46,711
Gross margin	32.8%	13.2%	30.1%
2014			
Net sales	$ 132,520	$ 20,065	$ 152,585
Gross profit	$ 42,153	$ 2,906	$ 45,059
Gross margin	31.8%	14.5%	29.5%

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

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

Sales to wholesalers through the A-B Distributor Agreement represented the following percentage of our Sales:

Three Months Ended September 30,		Nine Months Ended September 30,	
2015	2014	2015	2014
80.8%	81.0%	80.8%	82.0%

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

September 30, 2015	December 31, 2014
69.2%	66.8%

Note 9. Significant Stock-Based Plan Activity and Stock-Based Compensation

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Selling, general and administrative expense	$ 254	$ 320	$ 810	$ 720
Cost of sales	21	41	70	85
Total stock-based compensation expense	$ 275	$ 361	$ 880	$ 805

At September 30, 2015, we had total unrecognized stock-based compensation expense of $2.2 million, which will be recognized over the weighted average remaining vesting period of 3.0 years.

Note 10. Earnings Per Share

The following table reconciles shares used for basic and diluted earnings per share ("EPS") and provides other information (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Weighted average common shares used for basic EPS	19,171	19,052	19,144	19,019
Dilutive effect of stock-based awards	9	51	27	67
Shares used for diluted EPS	19,180	19,103	19,171	19,086
Stock-based awards not included in diluted per share calculations as they would be antidilutive (in thousands)	275	144	223	79

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

This quarterly report on Form 10-Q includes forward-looking statements. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "will," "may," "plan" and similar expressions or their negatives identify forward-looking statements, which generally are not historical in nature. These statements are based upon assumptions and projections that we believe are reasonable, but are by their nature inherently uncertain. Many possible events or factors could affect our future financial results and performance, and could cause actual results or performance to differ materially from those expressed, including those risks and uncertainties described in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014 ("2014 Annual Report"), and those described from time to time in our future reports filed with the Securities and Exchange Commission (the "SEC"). Caution should be taken not to place undue reliance on these forward-looking statements, which speak only as of the date of this quarterly report.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto included herein, as well as the audited Consolidated Financial Statements and Notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our 2014 Annual Report. The discussion and analysis includes period-to-period comparisons of our financial results. Although period-to-period comparisons may be helpful in understanding our financial results, we believe that they should not be relied upon as an accurate indicator of future performance.

Overview

Craft Brew Alliance is a leading craft brewing company that brews, brands and markets some of the world's most respected and best-loved American craft beers.

We are home to three of the earliest pioneers in craft beer: Redhook Ale Brewery, Washington's largest craft brewery, founded in 1981; Widmer Brothers Brewing, Oregon's largest craft brewery, founded in 1984; and Kona Brewing Company, Hawaii's oldest and largest craft brewery, founded in 1994. As part of Craft Brew Alliance, these craft brewing legends have expanded their reach across the U.S. and more than 15 international markets.

In addition to growing and nurturing distinctive brands rooted in local heritage, Craft Brew Alliance is committed to developing innovative new category leaders, such as Omission Beer, which is the #1 beer in the gluten-free beer segment, and Square Mile Cider, a tribute to the early American settlers who purchased the first plots of land in the Pacific Northwest.

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

We proudly brew our craft beers in four company-owned breweries located in Portland, Oregon; the Seattle suburb of Woodinville, Washington; Portsmouth, New Hampshire; and Kailua-Kona, Hawaii; and one brewery in Memphis, Tennessee owned by our brewing partner. Additionally, we own and operate two small innovation breweries, primarily used for small batch production and innovative brews, in Portland, Oregon and Portsmouth, New Hampshire.

We distribute our beers to retailers through independent wholesalers that are aligned with the Anheuser-Busch, LLC ("A-B") network. These sales are made pursuant to a Master Distributor Agreement (the "A-B Distributor Agreement") with A-B. As a result of this distribution arrangement, we believe that, under alcohol beverage laws in a majority of states, these wholesalers would own the exclusive right to distribute our beers in their respective markets if the A-B Distributor Agreement expires or is terminated. Kona, Redhook and Widmer Brothers beers are distributed in all 50 states. Omission Beer continues to expand into new markets in the U.S. and internationally, while Square Mile Cider is currently available in 12 states in the West. Separate from our A-B wholesalers, we maintain an internal independent sales and marketing organization with resources across the key functions of brand management, field marketing, field sales, and national retail sales.

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

Following is a summary of our financial results:

Nine Months Ended September 30,	Net sales	Net income	Number of Barrels Sold
2015	$154.9 million	$1.0 million	626,600
2014	$152.6 million	$2.4 million	632,400

Results of Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Sales	106.9 %	107.3 %	107.0 %	107.2 %
Less excise taxes	(6.9)	(7.3)	(7.0)	(7.2)
Net sales	100.00	100.0	100.00	100.0
Cost of sales	69.2	71.9	69.9	70.5
Gross profit	30.8	28.1	30.1	29.5
Selling, general and administrative expenses	28.3	26.0	28.9	26.8
Operating income	2.5	2.1	1.3	2.8
Interest expense	(0.3)	(0.2)	(0.3)	(0.2)
Other income (expense), net	0.0	(0.1)	0.0	0.0
Income before income taxes	2.2	1.8	1.0	2.5
Income tax expense	0.9	0.7	0.4	1.0
Net income	1.3 %	1.1 %	0.6 %	1.5 %

(1) Percentages may not add due to rounding.

Segment Information

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

	Three Months Ended September 30,		
2015	**Beer Related**	**Pubs**	**Total**
Net sales	$ 46,940	$ 7,749	$ 54,689
Gross profit	$ 15,633	$ 1,226	$ 16,859
Gross margin	33.3%	15.8%	30.8%
2014			
Net sales	$ 44,663	$ 7,410	$ 52,073
Gross profit	$ 13,447	$ 1,198	$ 14,645
Gross margin	30.1%	16.2%	28.1%

	Nine Months Ended September 30,		
2015	**Beer Related**	**Pubs**	**Total**
Net sales	$ 133,727	$ 21,202	$ 154,929
Gross profit	$ 43,914	$ 2,797	$ 46,711
Gross margin	32.8%	13.2%	30.1%
2014			
Net sales	$ 132,520	$ 20,065	$ 152,585
Gross profit	$ 42,153	$ 2,906	$ 45,059
Gross margin	31.8%	14.5%	29.5%

Sales by Category

The following table sets forth a comparison of sales by category (dollars in thousands):

	Three Months Ended September 30,		Dollar	
Sales by Category	**2015**	**2014**	**Change**	**% Change**
A-B and A-B related	$ 47,250	$ 45,235	$ 2,015	4.5 %
Contract brewing and beer related(1)	3,461	3,226	235	7.3 %
Excise taxes	(3,771)	(3,798)	27	(0.7)%
Net beer related sales	46,940	44,663	2,277	5.1 %
Pubs(2)	7,749	7,410	339	4.6 %
Net sales	$ 54,689	$ 52,073	$ 2,616	5.0 %

	Nine Months Ended September 30,		Dollar	
Sales by Category	**2015**	**2014**	**Change**	**% Change**
A-B and A-B related	$ 133,912	$ 134,124	$ (212)	(0.2)%
Contract brewing and beer related(1)	10,603	9,427	1,176	12.5 %
Excise taxes	(10,788)	(11,031)	243	(2.2)%
Net beer related sales	133,727	132,520	1,207	0.9 %
Pubs(2)	21,202	20,065	1,137	5.7 %
Net sales	$ 154,929	$ 152,585	$ 2,344	1.5 %

(1) Beer related includes international beer sales.
(2) Pubs sales include sales of promotional merchandise and sales of beer directly to customers.

Shipments by Category

Shipments by category were as follows (in barrels):

Three Months Ended September 30,	2015 Shipments	2014 Shipments	Increase (Decrease)	% Change	Change in Depletions[1]
A-B and A-B related	200,800	198,300	2,500	1.3 %	0%
Contract brewing and beer related[2]	16,100	13,700	2,400	17.5 %	
Pubs	3,100	3,300	(200)	(6.1)%	
Total	220,000	215,300	4,700	2.2 %	

Nine Months Ended September 30,	2015 Shipments	2014 Shipments	Increase (Decrease)	% Change	Change in Depletions[1]
A-B and A-B related	571,000	584,000	(13,000)	(2.2)%	0%
Contract brewing and beer related[2]	47,600	40,000	7,600	19.0 %	
Pubs	8,000	8,400	(400)	(4.8)%	
Total	626,600	632,400	(5,800)	(0.9)%	

(1) Change in depletions reflects the year-over-year change in barrel volume sales of beer by wholesalers to retailers.
(2) Contract brewing and beer related includes international shipments of our beers.

The increase in sales to A-B and A-B related in the three-month period ended September 30, 2015 compared to the same period of 2014 was primarily due to an increase in shipments, an increase in pricing and a shift in package mix from draft to packaged, which has a higher selling price per barrel than draft. The increase in shipments was due to the continued successful focus on national distribution of Kona and Omission, partially offset by lower shipments of Redhook and Widmer brands where the focus has shifted to the home markets.

The decrease in sales to A-B and A-B related in the nine-month period ended September 30, 2015 compared to the same period of 2014 was primarily due to reductions in our wholesaler inventory levels in the first quarter of 2015. During the same period of 2014, wholesalers were building inventory levels in response to low levels at the end of 2013. The decrease in sales was partially offset by an increase in pricing and a shift in package mix from draft to packaged, which has a higher selling price per barrel than draft.

The increases in Contract brewing and beer related sales in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014 were primarily due to increases in international shipments of our beers, which sell at a higher rate per barrel than contract brewing sales, as we expanded into additional countries, as well as increases in our contract brewing sales.

Pubs sales increased in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014, primarily as a result of higher guest counts at both of our pubs in Hawaii. The Hawaii pubs also have higher revenue per guest than the Redhook and Widmer Brothers pubs, which additionally experienced lower guest counts at the Portland and Woodinville locations. The increases in pub sales in the nine months ended September 30, 2015 were partially offset by the closure of the Redhook Pub in Portsmouth, New Hampshire for seven days due to inclement weather, closure of our Kona Pub on the island of Oahu for three weeks for a full remodel in the first quarter of 2015, and the decrease in beer shipment volume through our Pubs.

Excise taxes vary directly with the volume of beer shipped.

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

Three Months Ended September 30,	2015 Shipments	2014 Shipments	Increase (Decrease)	% Change	Change in Depletions
Kona	97,800	79,700	18,100	22.7 %	16 %
Redhook	48,500	55,500	(7,000)	(12.6)%	(15)%
Widmer Brothers	50,800	56,100	(5,300)	(9.4)%	(9)%
Omission	14,600	13,600	1,000	7.4 %	7 %
Total(1)	211,700	204,900	6,800	3.3 %	0 %

Nine Months Ended September 30,	2015 Shipments	2014 Shipments	Increase (Decrease)	% Change	Change in Depletions
Kona	266,000	234,400	31,600	13.5 %	13 %
Redhook	143,000	167,600	(24,600)	(14.7)%	(13)%
Widmer Brothers	149,200	162,600	(13,400)	(8.2)%	(6)%
Omission	40,300	37,800	2,500	6.6 %	14 %
Total(1)	598,500	602,400	(3,900)	(0.6)%	0 %

(1) Total shipments by brand include international shipments and exclude shipments produced under our contract brewing arrangements.

The increases in our Kona brand shipments in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014 were primarily due to increases in shipments of Big Wave Golden Ale and Island Hopper variety pack, and the reintroduction of Pipeline Porter during the third quarter of 2015. The increase in the nine-month period ended September 30, 2015 was partially offset by decreases in Koko Brown.

The decreases in our Redhook brand shipments in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014 were primarily due to decreases in our KCCO series, a craft beer brand developed in partnership with theChive, a photo entertainment website, Audible Ale, ESB and Longhammer IPA.

The decreases in our Widmer Brothers brand shipments in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014 were primarily due to decreases in Okto Festival Ale, Hefeweizen draft and Alchemy Ale, partially offset by the summer seasonal which switched to Hefe Shandy from Citra Blonde. The decrease in the nine-month period ended September 30, 2015 was partially offset by an increase in Hefeweizen packaged beer which has benefited from the introduction of the new Hefeweizen packaging in collaboration with the Portland Timbers.

The increases in our Omission brand shipments in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014 were primarily due to the continued success of, and demand for, the IPA, Lager and Pale Ale styles.

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

Three Months Ended September 30,	2015 Shipments	2015 % of Total	2014 Shipments	2014 % of Total
Draft	49,800	23.5%	52,700	25.7%
Packaged	161,900	76.5%	152,200	74.3%
Total	211,700	100.0%	204,900	100.0%

Nine Months Ended September 30,	2015 Shipments	2015 % of Total	2014 Shipments	2014 % of Total
Draft	139,700	23.3%	151,400	25.1%
Packaged	458,800	76.7%	451,000	74.9%
Total	598,500	100.0%	602,400	100.0%

The shifts in package mix from draft to packaged in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014 were primarily the result of our Kona brand family becoming a larger share of our overall shipments by brand family, which is more heavily weighted to packaged sales, and the growth of Omission, which is only available in packaged.

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

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Dollar Change	% Change
Beer Related	$ 31,307	$ 31,216	$ 91	0.3 %
Pubs	6,523	6,212	311	5.0 %
Total	$ 37,830	$ 37,428	$ 402	1.1 %

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Dollar Change	% Change
Beer Related	$ 89,813	$ 90,367	$ (554)	(0.6)%
Pubs	18,405	17,159	1,246	7.3 %
Total	$ 108,218	$ 107,526	$ 692	0.6 %

The increase in Beer Related Cost of sales in the three-month period ended September 30, 2015 compared to the same period of 2014 was primarily due to the increase in shipment volume and the mix shift from draft to packaged beers, as the cost per barrel of packaged beer is higher than draft. The increase in Cost of sales was partially offset by more favorable distribution costs per barrel and decreases in our cost of component materials.

The decrease in Beer Related Cost of sales in the nine-month period ended September 30, 2015 compared to the same period of 2014 was primarily due to more favorable distribution costs per barrel, the decrease in shipment volume and decreases in our cost of component materials. The decrease in Cost of sales was partially offset by an increase in brewery costs per barrel at our owned breweries, and the mix shift from draft to packaged beers, as the cost per barrel of packaged beer is higher than draft.

Pubs Cost of sales increased in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014, primarily due to increases in Sales and employee-related costs. The increase in the nine-month period ended September 30, 2015, is also due to additional labor costs relating to training and overhead following the closure of our Kona Pub on the island of Oahu for three weeks for a full remodel in the first quarter of 2015.

Capacity utilization is calculated by dividing total shipments from our owned breweries by the approximate working capacity of these breweries and was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Capacity utilization	75%	75%	72%	77%

In anticipation of initiating full-scale brewing with our brewing partner in Memphis, Tennessee in June 2014, we intentionally increased production during the second quarter of 2014 at our owned breweries, which contributed to the higher utilization rate for the nine-month period ended September 30, 2014. This partnership provides us scalable capacity and we anticipate producing up to 100,000 barrels at this location in 2015.

Gross Profit

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

	Three Months Ended September 30,		Dollar	
	2015	2014	Change	% Change
Beer Related	$ 15,633	$ 13,447	$ 2,186	16.3 %
Pubs	1,226	1,198	28	2.3 %
Total	$ 16,859	$ 14,645	$ 2,214	15.1 %

	Nine Months Ended September 30,		Dollar	
	2015	2014	Change	% Change
Beer Related	$ 43,914	$ 42,153	$ 1,761	4.2 %
Pubs	2,797	2,906	(109)	(3.8)%
Total	$ 46,711	$ 45,059	$ 1,652	3.7 %

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Beer Related	33.3%	30.1%	32.8%	31.8%
Pubs	15.8%	16.2%	13.2%	14.5%
Overall	30.8%	28.1%	30.1%	29.5%

The increases in Gross profit in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014 were primarily due to lower distribution costs per barrel, favorable pricing increases, and decreases in our component materials costs. In the nine-month period ended September 30, 2015, the increase in Gross profit was partially offset by an increase in brewery costs per barrel at our owned breweries.

The increases in the Beer Related gross margin in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014 were primarily due to lower distribution costs per barrel, favorable pricing increases, and decreases in our component materials costs. The increases were partially offset by higher brewery costs per barrel, as well as the mix shift from draft to packaged beers.

The decreases in the Pubs gross margin in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014 were primarily due to higher employee related costs, as well as lower guest counts in the Portland and Woodinville pubs. The decrease in the Pubs gross margin in the nine-month period ended September 30, 2015 was also due to additional labor costs relating to training and overhead following the closure of our Kona Pub on the island of Oahu for three weeks for a full remodel in the first quarter of 2015.

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

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

	Three Months Ended September 30,		Dollar	
	2015	2014	Change	% Change
	$ 15,497	$ 13,554	$ 1,943	14.3%
As a % of Net sales	28.3%	26.0%		

	Nine Months Ended September 30,		Dollar	
	2015	2014	Change	% Change
	$ 44,713	$ 40,824	$ 3,889	9.5%
As a % of Net sales	28.9%	26.8%		

The increases in SG&A for the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014 were primarily due to increases in employee-related costs, as well as planned increases in sales and marketing spending. SG&A increased as a percentage of Net sales in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014 primarily due to the deceleration in Net sales while maintaining the planned increases in SG&A expense.

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

Three Months Ended September 30,		Dollar	
2015	2014	Change	% Change
$ 148	$ 111	$ 37	33.3%

Nine Months Ended September 30,		Dollar	
2015	2014	Change	% Change
$ 419	$ 317	$ 102	32.2%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Average debt outstanding	$ 17,957	$ 12,152	$ 18,953	$ 11,826
Average interest rate	2.13%	1.85%	1.85%	1.88%

The increases in Interest expense in the three- and nine-month periods ended September 30, 2015 compared to the same periods of 2014 were primarily due to the increase in our average debt outstanding. Our average debt outstanding increased as we have borrowed on our line of credit facility to support our expansion and growth plans, and to fund our working capital needs.

Income Tax Provision
Our effective income tax rate was 40.0% for the first nine months of 2015 and 39.0% in the first nine months of 2014. The effective income tax rates reflect the impact of non-deductible expenses (primarily meals and entertainment expenses), state and local taxes, tax credits, and income excluded from taxation under the domestic production activities exclusion.

Liquidity and Capital Resources

We have required capital primarily for the construction and development of our production breweries, to support our expansion and growth plans, and to fund our working capital needs. Historically, we have financed our capital requirements through cash flows from operations, bank borrowings and the sale of common and preferred stock. We anticipate meeting our obligations for the twelve months beginning October 1, 2015 primarily from cash flows generated from operations and borrowing under our line of credit facility as the need arises. Capital resources available to us at September 30, 2015 included $1.8 million of Cash and cash equivalents and $16.1 million available under our line of credit facility.

At September 30, 2015 and December 31, 2014, we had $10.8 million and $8.0 million of working capital, respectively, and our debt as a percentage of total capitalization (total debt and common shareholders' equity) was 12.5% and 11.4%, respectively.

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

	Nine Months Ended September 30,	
	2015	**2014**
Net cash provided by operating activities	$ 8,302	$ 10,698
Net cash used in investing activities	(9,362)	(12,700)
Net cash provided by financing activities	1,895	745
Increase (decrease) in Cash and cash equivalents	$ 835	$ (1,257)

Cash provided by operating activities of $8.3 million in the first nine months of 2015 resulted from our Net income of $1.0 million, net non-cash expenses of $8.4 million and changes in our operating assets and liabilities as discussed in more detail below.

Accounts receivable, net, increased $7.0 million to $18.7 million at September 30, 2015 compared to $11.7 million at December 31, 2014. This increase was primarily due to the timing of shipments and a $5.1 million increase in our receivable from A-B, which totaled $13.0 million at September 30, 2015. Historically, we have not had collection problems related to our accounts receivable.

Inventories decreased $0.7 million to $18.3 million at September 30, 2015 compared to $19.0 million at December 31, 2014. The decrease from December 31, 2014 is due to the timing of shipments in the third quarter of 2015.

Accounts payable increased $4.4 million to $17.4 million at September 30, 2015 compared to $13.0 million at December 31, 2014, primarily due to timing of payments related to capital expenditures, raw and component materials and marketing.

As of September 30, 2015, we had the following net operating loss carryforwards ("NOLs") and federal credit carry forwards available to offset payment of future income taxes:

- state NOLs of $31,000, tax-effected; and
- federal alternative minimum tax ("AMT") credit carry forwards of $305,000.

We anticipate that we will utilize the remaining NOLs and federal credit carry forwards in the near future and, accordingly, once utilized, we will be required to satisfy all of our income tax obligations with cash.

Capital expenditures of $9.8 million in the first nine months of 2015 were primarily directed to beer production capacity and efficiency improvements and Pubs remodeling. As of September 30, 2015, we had an additional $1.9 million of expenditures recorded in Accounts payable on our Consolidated Balance Sheets, compared to $0.6 million at December 31, 2014. We anticipate capital expenditures of approximately $16 million to $19 million in 2015 primarily for capacity and efficiency improvements, quality initiatives and restaurant and retail. Beginning in 2015, we will be investing approximately $10 million in our Oregon Brewery to expand capacity to 750,000 barrels per year, with expected completion in the first half of 2017. Also beginning in 2015 through expected completion in early 2017, we will be investing approximately $15 million in a new Hawaiian Brewery to expand capacity to 100,000 barrels per year. Both of these projects are included in the anticipated capital expenditures of $16 million to $19 million in 2015. We also anticipate total capital expenditures of $17 million to $21 million in 2016, including spending for the expansion projects.

We have a loan agreement (as amended, the "Loan Agreement") with Bank of America, N.A., which consists of a $22.0 million revolving line of credit ("Line of Credit"), including provisions for cash borrowings and up to $2.5 million notional amount of letters of credit, and a $10.1 million term loan ("Term Loan"). We may draw upon the Line of Credit for working capital and general corporate purposes until expiration on October 31, 2018. The maturity date of the Term Loan is September 30, 2023. At September 30, 2015, we had $5.9 million of borrowings outstanding under the Line of Credit and $10.1 million outstanding under the Term Loan.

Critical Accounting Policies and Estimates

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

Our critical accounting policies, as described in our 2014 Annual Report, relate to goodwill, indefinite-lived intangible assets, long-lived assets, refundable deposits on kegs, revenue recognition and deferred taxes. There have been no changes to our critical accounting policies since December 31, 2014.

Seasonality

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

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our reported market risks and risk management policies since the filing of our 2014 Annual Report on Form 10-K, which was filed with the SEC on March 4, 2015.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting
During the third quarter of 2015, no changes in our internal control over financial reporting were identified in connection with the evaluation required by Exchange Act Rule 13a-15 or 15d-15 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Risk Factors

There have been no changes in our reported risk factors and no new risk factors have been identified since the filing of our 2014 Annual Report on Form 10-K, which was filed with the SEC on March 4, 2015.

Item 6. Exhibits

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

31.1	Certification of Chief Executive Officer of Craft Brew Alliance, Inc. pursuant to Exchange Act Rule 13a-14(a)
31.2	Certification of Chief Financial Officer of Craft Brew Alliance, Inc. pursuant to Exchange Act Rule 13a-14(a)
32.1	Certification pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350
99.1	Press Release dated November 4, 2015
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

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

CRAFT BREW ALLIANCE, INC.

November 4, 2015

BY: /s/ Joseph K. Vanderstelt

Joseph K. Vanderstelt
Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Andrew J. Thomas, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 4, 2015

By: /s/ Andrew J. Thomas

Andrew J. Thomas

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Joseph K. Vanderstelt, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 4, 2015

By: /s/ Joseph K. Vanderstelt

Joseph K. Vanderstelt

Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report of Craft Brew Alliance, Inc. (the “Registrant”) on Form 10-Q for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on November 4, 2015 (the “Report”), Andrew J. Thomas, the Chief Executive Officer of the Registrant, and Joseph K. Vanderstelt, the Chief Financial Officer of the Registrant, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

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

Date: November 4, 2015

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

BY: /s/ Joseph K. Vanderstelt
Joseph K. Vanderstelt
Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.1

FOR IMMEDIATE RELEASE

CRAFT BREW ALLIANCE ANNOUNCES THIRD QUARTER 2015 RESULTS AND RECONFIRMS 2015 GUIDANCE

5% Net Sales Growth, 15% Gross Profit Growth, and Gross Margin Expansion of 270 Basis Points Reflect Continued Progress against Long-Term Strategy

Kona Brewing Continues to Flourish as Cornerstone of CBA's Portfolio Strategy, Delivers 16% Growth in Depletions

Portland, Ore. (Nov. 4, 2015) - Craft Brew Alliance, Inc. ("CBA") (Nasdaq: BREW), a leading craft brewing company, today reported its financial results for the third quarter ended September 30, 2015.

The Company reported net sales of $54.7 million, an increase of $2.6 million or 5.0% over the third quarter of 2014, driven by a 2.2% increase in shipment volume and higher net sales per barrel. Gross profit for the quarter increased 15.1% to $16.9 million, and gross margin expanded by 270 basis points to 30.8%, primarily as a result of increased pricing, better brewery balance, and lower distribution costs compared to the same period last year. SG&A expense increased by $1.9 million, primarily due to increased employee-related costs and continued investments in sales infrastructure and marketing.

Third quarter 2015 financial highlights include:

- Across CBA's portfolio, overall depletion volume was flat compared to the third quarter of 2014, which reflects strong growth in both of our national brand families, Kona Brewing Co. and Omission, offset by declines in Redhook and Widmer Brothers outside of their home markets, as well as the impact from increasing competition in California.
  - Kona, now a top 10 national craft beer brand and the lead brand in our portfolio, and Omission, the #1 selling beer for consumers seeking to avoid gluten, delivered solid depletion growth in the third quarter. Kona grew depletions by 16% over the third quarter of 2014, and Omission delivered 7% depletion growth over the third quarter of 2014.
  - Our international business continued to grow, with international shipments increasing by 120% over the third quarter of 2014, driven by the continued strength of our Kona brand family.
- Net sales and total beer shipments increased 5.0% and 2.2%, respectively, compared to the third quarter of 2014. The net sales increase reflects increased shipment volume and pricing, higher pub sales, and a shift in package mix from draft to bottles and cans, which have a higher selling price per barrel than draft.
- Our beer gross margin rate increased 320 basis points to 33.3% in the third quarter, compared to 30.1% in the third quarter last year. This increase was primarily due to pricing, lower distribution costs, and better brewery balance and performance. Our pub gross margin rate decreased by 40 basis points to 15.8%, compared to 16.2% in the third quarter last year, primarily due to maintenance and weather-related closures in three of our pubs. As a result, our combined third quarter gross margin rate increased 270 basis points to 30.8%, compared to 28.1% for the third quarter last year.
- Owned capacity utilization was 75% in the third quarter of both 2015 and 2014.
- As a percentage of net sales, our selling, general and administrative expense ("SG&A") increased to 28.3% in the third quarter, compared to 26.0% in the third quarter of 2014, due to planned increases in labor, marketing and other expenses, offset by lower-than-anticipated net sales.
- Diluted income per share for the third quarter of 2015 increased to $0.04, compared to $0.03 for the same period last year.

- As we look to build on our proven home market strategy and more fully leverage our brewing footprint, we announced our second strategic partnership in September, with Nantucket, MA-based Cisco Brewers, including a master distribution agreement and alternating proprietorship. Additionally, we expanded our strategic partnership with Boone, NC-based Appalachian Mountain Brewery to include an alternating proprietorship with our Portsmouth brewery.

"We continued to make steady forward progress in the third quarter, posting strong results despite facing unprecedented competition and market challenges," said Andy Thomas, chief executive officer, CBA. "Kona's consistent double digit growth, Widmer Brothers' and Redhook's continued solidification in their home markets, and disciplined pricing and selling drove strong increases in net sales. We also started seeing the benefits of our gross margin initiatives, which delivered a 15% increase in gross profit, while continuing to take meaningful steps towards building our future with the addition of our newest strategic partner, Cisco Brewers. Looking ahead, we believe that the work and progress we are making to strengthen our foundation will set us up for long-term growth and success."

Year to date 2015 financial highlights include:

- Net sales were up 1.5% for the nine month period ended September 30, 2015 over the same period in 2014, while total beer shipments decreased by 0.9% compared to the first nine months in 2014, reflecting ongoing efforts to synchronize shipments and depletions and ensure our wholesalers are carrying optimum levels of inventory.

- Kona, Omission and Square Mile grew depletions by 14% over the first nine months in 2014, offset by a decline in Widmer Brothers and Redhook.

    - In our home markets of Hawaii, Oregon, and Washington, depletion volume for Kona, Widmer Brothers and Redhook grew 7% over the first nine months of 2014.

- Our beer gross margin rate increased by 100 basis points to 32.8% in the first nine months, compared to 31.8% in the first nine months last year, reflecting increased pricing, lower distribution costs per barrel, and better brewery balance.

    - Owned capacity utilization decreased to 72% in the first nine months of 2015 compared to 77% in the first nine months of 2014, which primarily reflects the addition of our brewing operations in Memphis.

- Our pub gross margin rate decreased by 130 basis points to 13.2% in the first nine months of 2015, compared to 14.5% in the same period of 2014, due to closures resulting from inclement weather and the three-week closure of our Koko pub for a full remodel.

- As a result, our combined year-to-date gross margin rate increased 60 basis points to 30.1%, compared to 29.5% for the first nine months last year.

- As a percentage of net sales, our SG&A increased to 28.9% in the first nine months of 2015 from 26.8% in the first nine months of 2014, primarily due to increased investments in sales infrastructure and marketing, offset by lower volumes.

- Diluted income per share for the first nine months of 2015 was $0.05, compared to $0.12 for the same period last year.

Trailing twelve-month financial highlights include:

- To address the wide variances in quarterly results and provide a more representative view into our financial performance, we are sharing trailing 12-month comparisons for the periods ended September 30, 2015 and September 30, 2014.

    - For those periods, our beer shipments increased 0.6%, depletions increased 1%, and net sales increased 2.8%.
    - Our beer gross margin expanded by 160 basis points to 32.6% and pub/restaurant gross margin contracted by 170 basis points to 12.5% for the comparable 12-month periods, for a combined gross margin expansion of 110 basis points to 29.8%, compared to 28.7%.

"Our performance in the third quarter - which includes net sales growth of 5%, steady gross margin expansion, and net income growth - underscores the continued progress we're making in executing our strategy," said Joe

Vanderstelt, chief financial officer, CBA. “For the remainder of the year, we will continue to focus on maintaining a healthy balance between our overall depletions and shipments, enhancing gross margin, driving tighter cost management and improving the financial returns on our investments, while preparing for a strong 2016.”

Components of anticipated 2015 financial results and developments

We are confirming our previously issued guidance regarding our anticipated full year 2015 results:

- Owned beer shipment growth between 1% and 3%.
- Average price increase of 1% to 2%. We also expect further improvements in our revenue per barrel as we experience a favorable shift in our product mix.
- Contract brewing revenue is expected to be flat compared to 2014.
- Gross margin rate of 30.5% to 31.5%, based on our continued efforts to optimize our brewing locations and improve our capacity utilization as we steer towards our gross margin expansion target of 35% in 2017.
- SG&A expense ranging from $58 million to $61 million. We are committed to keeping our SG&A expenses in line with topline performance, while ensuring the commercial programming is fully supported.
- Capital expenditures of approximately $16 million to $19 million. We continue to anticipate capital expenditures of approximately $17 million to $21 million in 2016. Our capital expenditures will support the recently announced brewery expansion projects, as well as continued investments in quality, safety, sustainability, capacity and efficiency.

Forward-Looking Statements

Statements made in this press release that state the Company’s or management’s intentions, hopes, beliefs, expectations or predictions of the future, including shipments and sales growth, price increases, level of contract brewing revenue and gross margin rate improvement, the level or effect of SG&A expense and business development, anticipated capital spending, and the benefits or improvements to be realized from strategic initiatives and capital projects, are forward-looking statements. It is important to note that the Company’s actual results could differ materially from those projected in such forward-looking statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in the Company’s SEC filings, including, but not limited to, the Company’s report on Form 10-K for the year ended December 31, 2014. Copies of these documents may be found on the Company’s website, www.craftbrew.com, or obtained by contacting the Company or the SEC.

About Craft Brew Alliance

CBA is a leading craft brewing company, which brews, brands and markets some of the world’s most respected and best-loved American craft beers.

We are home to three of the earliest pioneers in craft beer: Redhook Ale Brewery, Washington’s largest craft brewery founded in 1981; Widmer Brothers Brewing, Oregon’s largest craft brewery founded in 1984; and Kona Brewing Company, Hawaii’s oldest and largest craft brewery founded in 1994. As part of Craft Brew Alliance, these craft brewing legends have expanded their reach across the U.S. and more than 15 international markets.

In addition to growing and nurturing distinctive brands rooted in local heritage, Craft Brew Alliance is committed to developing innovative new category leaders, such as Omission Beer, which is the #1 beer in the gluten free beer segment, and Square Mile Cider, a tribute to the early American settlers who purchased the first plots of land in the Pacific Northwest.

Publicly traded on NASDAQ under the ticker symbol BREW, Craft Brew Alliance is headquartered in Portland, OR and operates five breweries and five pub restaurants across the U.S. For more information about CBA and its brands, please visit www.craftbrew.com.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Sales	$ 58,460	$ 55,871	$ 165,717	$ 163,616
Less excise taxes	3,771	3,798	10,788	11,031
Net sales	54,689	52,073	154,929	152,585
Cost of sales	37,830	37,428	108,218	107,526
Gross profit	16,859	14,645	46,711	45,059
As percentage of net sales	30.8%	28.1%	30.1%	29.5%
Selling, general and administrative expenses	15,497	13,554	44,713	40,824
Operating income	1,362	1,091	1,998	4,235
Interest expense	(148)	(111)	(419)	(317)
Other income (expense), net	7	(54)	20	(51)
Income before income taxes	1,221	926	1,599	3,867
Income tax expense	489	361	640	1,508
Net income	$ 732	$ 565	$ 959	$ 2,359
Income per share:				
Basic and diluted net income per share	$ 0.04	$ 0.03	$ 0.05	$ 0.12
Weighted average shares outstanding:				
Basic	19,171	19,052	19,144	19,019
Diluted	19,180	19,103	19,171	19,086
Total shipments (in barrels):				
Core Brands	211,700	204,900	598,500	602,400
Contract Brewing	8,300	10,400	28,100	30,000
Total shipments	220,000	215,300	626,600	632,400
Change in depletions (1)	0%	6%	0%	8%

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

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

	September 30,	
	2015	**2014**
Current assets:		
Cash and cash equivalents	$ 1,816	$ 1,469
Accounts receivable, net	18,719	11,069
Inventory, net	18,276	19,152
Deferred income tax asset, net	1,802	1,686
Other current assets	3,831	3,297
Total current assets	44,444	36,673
Property, equipment and leasehold improvements, net	112,964	109,577
Goodwill	12,917	12,917
Intangible and other assets, net	16,914	17,568
Total assets	$ 187,239	$ 176,735
Current liabilities:		
Accounts payable	$ 17,420	$ 14,657
Accrued salaries, wages and payroll taxes	5,775	5,677
Refundable deposits	7,934	8,449
Other accrued expenses	2,008	2,256
Current portion of long-term debt and capital lease obligations	503	1,208
Total current liabilities	33,640	32,247
Long-term debt and capital lease obligations, net of current portion	16,242	10,845
Other long-term liabilities	20,223	19,216
Total common shareholders' equity	117,134	114,427
Total liabilities and common shareholders' equity	$ 187,239	$ 176,735

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

	Nine Months Ended September 30,	
	2015	**2014**
Cash flows from operating activities:		
Net income	$ 959	$ 2,359
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,221	6,432
Loss on sale or disposal of Property, equipment and leasehold improvements	318	74
Deferred income taxes	217	316
Other, including stock-based compensation and excess tax benefit from employee stock plans	603	287
Changes in operating assets and liabilities:		
Accounts receivable, net	(6,978)	301
Inventories	1,375	(2,287)
Other current assets	581	106
Accounts payable and other accrued expenses	2,893	861
Accrued salaries, wages and payroll taxes	661	1,061
Refundable deposits	452	1,188
Net cash provided by operating activities	8,302	10,698
Cash flows from investing activities:		
Expenditures for Property, equipment and leasehold improvements	(9,772)	(12,936)
Proceeds from sale of Property, equipment and leasehold improvements	410	236
Net cash used in investing activities	(9,362)	(12,700)
Cash Flows from Financing Activities:		
Principal payments on debt and capital lease obligations	(968)	(458)
Proceeds from capital lease financing	—	841
Net borrowings under revolving line of credit	2,900	—
Proceeds from issuances of common stock	64	321
Tax payments related to performance shares issued	(151)	(150)
Excess tax benefit from employee stock plans	50	191
Net cash provided by financing activities	1,895	745
Increase (decrease) in Cash and cash equivalents	835	(1,257)
Cash and cash equivalents, beginning of period	981	2,726
Cash and cash equivalents, end of period	$ 1,816	$ 1,469

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

	Twelve Months Ended September 30, 2015	Twelve Months Ended September 30, 2014	Change		% Change
Net sales	$ 202,366	$ 196,795	$ 5,571		2.8 %
Gross profit	$ 60,362	$ 56,571	$ 3,791		6.7 %
As percentage of net sales	29.8%	28.7%	110	bps	
Selling, general and administrative expenses	56,889	50,973	5,916		11.6 %
Operating income	$ 3,473	$ 5,598	$ (2,125)		(38.0)%
Net income	$ 1,677	$ 3,105	$ (1,428)		(46.0)%
Basic and diluted net income per share	$ 0.09	$ 0.16	$ (0.07)		(43.8)%
Total shipments (in barrels):					
Core Brands	786,600	780,700	5,900		0.8 %
Contract Brewing	37,800	38,400	(600)		(1.6)%
Total shipments	824,400	819,100	5,300		0.6 %
Change in depletions (1)	1%	8%			

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

Supplemental Disclosures Regarding Non-GAAP Financial Information

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Net income	$ 732	$ 565	$ 959	$ 2,359
Interest expense	148	111	419	317
Income tax expense	489	361	640	1,508
Depreciation expense	2,433	2,117	7,040	6,251
Amortization expense	61	60	181	181
Stock-based compensation	275	361	898	805
Loss on disposal of assets	12	55	318	74
Adjusted EBITDA	$ 4,150	$ 3,630	$ 10,455	$ 11,495

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

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