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, 2014

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 28, 2014 was 19,074,222.

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, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 1,469	$ 2,726
Accounts receivable, net	11,069	11,370
Inventories	19,152	16,639
Deferred income tax asset, net	1,686	1,345
Other current assets	3,297	3,403
Total current assets	36,673	35,483
Property, equipment and leasehold improvements, net	109,577	104,193
Goodwill	12,917	12,917
Intangible and other assets, net	17,568	17,693
Total assets	$ 176,735	$ 170,286
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 14,657	$ 14,742
Accrued salaries, wages and payroll taxes	5,677	4,616
Refundable deposits	8,449	8,252
Other accrued expenses	2,256	1,381
Current portion of long-term debt and capital lease obligations	1,208	710
Total current liabilities	32,247	29,701
Long-term debt and capital lease obligations, net of current portion	10,845	11,050
Fair value of derivative financial instruments	340	-
Deferred income tax liability, net	18,247	17,719
Other liabilities	629	584
Total liabilities	62,308	59,054
Commitments and contingencies		
Common shareholders' equity:		
Common stock, $0.005 par value. Authorized 50,000,000 shares; issued and outstanding 19,074,222 and 18,972,247	95	95
Additional paid-in capital	138,018	136,972
Accumulated other comprehensive loss	(210)	-
Accumulated deficit	(23,476)	(25,835)
Total common shareholders' equity	114,427	111,232
Total liabilities and common shareholders' equity	$ 176,735	$ 170,286

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,	
	2014	2013	2014	2013
Sales	$ 55,871	$ 53,022	$ 163,616	$ 145,113
Less excise taxes	3,798	3,668	11,031	10,143
Net sales	52,073	49,354	152,585	134,970
Cost of sales	37,428	34,512	107,526	96,221
Gross profit	14,645	14,842	45,059	38,749
Selling, general and administrative expenses	13,554	11,602	40,824	36,312
Operating income	1,091	3,240	4,235	2,437
Interest expense	(111)	(62)	(317)	(374)
Other income (expense), net	(54)	(58)	(51)	(75)
Income before income taxes	926	3,120	3,867	1,988
Income tax provision	361	1,228	1,508	775
Net income	$ 565	$ 1,892	$ 2,359	$ 1,213
Basic and diluted net income per share	$ 0.03	$ 0.10	$ 0.12	$ 0.06
Shares used in basic per share calculations	19,052	18,937	19,019	18,916
Shares used in diluted per share calculations	19,103	19,067	19,086	19,010

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	$ 565	$ 1,892	$ 2,359	$ 1,213
Unrealized gain (loss) on derivative hedge transactions, net of tax	19	18	(210)	135
Comprehensive income	$ 584	$ 1,910	$ 2,149	$ 1,348

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, 2014	2013
Cash flows from operating activities:		
Net income	$ 2,359	$ 1,213
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,432	6,079
Deferred income taxes	316	224
Stock-based compensation	805	632
Excess tax benefit from employee stock plans	(191)	(42)
Other	(253)	514
Changes in operating assets and liabilities:		
Accounts receivable, net	301	(1,501)
Inventories	(2,287)	(4,084)
Other current assets	106	638
Accounts payable and other accrued expenses	861	3,263
Accrued salaries, wages and payroll taxes	1,061	(503)
Refundable deposits	1,188	1,129
Net cash provided by operating activities	10,698	7,562
Cash flows from investing activities:		
Expenditures for property, equipment and leasehold improvements	(12,936)	(7,361)
Proceeds from sale of property, equipment and leasehold improvements	236	-
Net cash used in investing activities	(12,700)	(7,361)
Cash flows from financing activities:		
Principal payments on debt and capital lease obligations	(458)	(475)
Proceeds from capital lease financing	841	-
Proceeds from issuances of common stock	321	119
Tax payments related to performance shares issued	(150)	-
Excess tax benefit from employee stock plans	191	42
Net cash provided by (used in) financing activities	745	(314)
Decrease in cash and cash equivalents	(1,257)	(113)
Cash and cash equivalents:		
Beginning of period	2,726	5,013
End of period	$ 1,469	$ 4,900
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 401	$ 494
Cash paid for income taxes, net	889	30
Supplemental disclosure of non-cash information:		
Purchases of Property, equipment and leasehold improvements included in Accounts payable	$ 331	$ 679

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, 2013 (“2013 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 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 2014-15
In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40)". ASU 2014-15 provides guidance related to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosure. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for interim and annual periods thereafter. Early application is permitted. We do not expect the adoption of ASU 2014-15 to have a material effect on our financial position, results of operations or cash flows.

ASU 2014-12
In June 2014, the FASB issued ASU No. 2014-12, “Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period .” This ASU requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2015. We do not expect the adoption of ASU 2014-12 to have a material effect on our financial position, results of operations or cash flows.

ASU 2014-09
In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” ASU 2014-09 affects any entity using U.S. GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). ASU 2014-09 is effective for annual periods beginning after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. We are still evaluating the effect of the adoption of ASU 2014-09.

ASU 2014-08
In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) and Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 amends the definition for what types of asset disposals are to be considered discontinued operations, as well as amending the required disclosures for discontinued operations and assets held for sale. ASU 2014-08 is effective for annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2014. We do not expect the adoption of ASU 2014-08 to have a material effect on our financial position, results of operations or cash flows.

ASU 2013-11

In July 2013, the FASB issued ASU No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU 2013-11 amends the guidance related to the presentation of unrecognized tax benefits and allows for the reduction of a deferred tax asset for a net operating loss ("NOL") carryforward whenever the NOL or tax credit carryforward would be available to reduce the additional taxable income or tax due if the tax position is disallowed. ASU 2013-11 is effective for annual and interim periods for fiscal years beginning after December 15, 2013. The adoption of ASU 2013-11 in January 2014 did not have any effect on our financial position, results of operations or cash flows.

Note 3. Cash and 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, 2014, and December 31, 2013, bank overdrafts of $0.4 million and $0.7 million, respectively, were included in Accounts payable on our Consolidated Balance Sheets. Changes in book 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 on our Consolidated Balance Sheets.

Inventories consisted of the following (in thousands):

	September 30, 2014	December 31, 2013
Raw materials	$ 3,191	$ 4,934
Work in process	3,595	3,313
Finished goods	9,047	5,927
Packaging materials	1,016	442
Promotional merchandise	1,713	1,539
Pub food, beverages and supplies	590	484
	$ 19,152	$ 16,639

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

Note 5. Related Party Transactions

Note Payable

In connection with our merger with Kona Brewing Company ("KBC") in 2010, we assumed an obligation for a promissory note payable ("Related Party Note") to a counterparty that was a significant KBC shareholder and remains a shareholder of Craft Brew Alliance, Inc. The Related Party Note is secured by the equipment comprising a photovoltaic cell generation system installed at our brewery located in Kailua-Kona, Hawaii. Accrued interest on the Related Party Note is due and payable monthly at a fixed interest rate of 4.75%, with monthly loan payments of $16,129. Any unpaid principal and unpaid accrued interest will be due and payable on November 15, 2014. The balance on the Related Party Note was $24,000 and $165,000 as of September 30, 2014 and December 31, 2013, respectively.

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,	
	2014	2013	2014	2013
Gross sales to A-B	$ 45,905	$ 44,054	$ 136,155	$ 121,181
Margin fee paid to A-B, classified as a reduction of Sales	670	501	2,031	1,422
Handling, inventory management, royalty and other fees paid to A-B, classified in Cost of sales	116	101	296	312

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

	September 30, 2014	December 31, 2013
Amounts due from A-B related to beer sales pursuant to the A-B distributor agreement	$ 7,740	$ 8,457
Refundable deposits due to A-B	(2,804)	(2,728)
Amounts due to A-B for services rendered	(2,005)	(1,852)
Net amount due from A-B	$ 2,931	$ 3,877

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,	
2014	2013	2014	2013
$ 31	$ 32	$ 95	$ 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 5.00% 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,	
2014	2013	2014	2013
$ 120	$ 111	$ 351	$ 322

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"), to hedge the variability of interest payments associated with our variable-rate borrowings under our Term Loan with BofA. On July 1, 2013 our previous swap contract terminated. The current swap contract terminates on September 29, 2023, and had a total notional value of $7.9 million as of September 30, 2014. 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 0.15% at September 30, 2014. 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, 2014, unrealized net losses of $340,000 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 nine months of 2014 or 2013.

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

Fair Value of Derivative Instrument

	September 30, 2014	December 31, 2013
Fair value of interest rate swap	$ (340)	$ -

The effect of the interest rate swap contracts that were accounted for as a derivative instrument on our Consolidated Statements of Operations for the three and nine-month periods ended September 30, 2014 and 2013 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,			
2014	$ 30	**Interest expense**	$ 55
2013	$ 29	**Interest expense**	$ -
Nine Months Ended September 30,			
2014	$ (340)	**Interest expense**	$ 151
2013	$ 219	**Interest expense**	$ 188

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 assets and (liabilities) measured at fair value on a recurring basis (in thousands):

Fair Value at September 30, 2014	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,000	$ -	$ -	$ 1,000
Interest rate swap	-	(340)	-	(340)
	$ 1,000	$ (340)	$ -	$ 660
Fair Value at December 31, 2013	`			
Money market funds	$ 2,650	$ -	$ -	$ 2,650

We did not have any financial liabilities recorded at fair value on a recurring basis at December 31, 2013.

The fair value of our money market funds was based on statements from our financial institution. 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 nine months ended September 30, 2014.

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, 2014	December 31, 2013
Fixed-rate debt on balance sheet	$ 1,539	$ 960
Fair value of fixed-rate debt	$ 1,596	$ 985

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,			
2014	**Beer Related**	**Pubs**	**Total**
Net sales	$ 44,663	$ 7,410	$ 52,073
Gross profit	$ 13,447	$ 1,198	$ 14,645
Gross margin	30.1%	16.2%	28.1%
2013			
Net sales	$ 42,267	$ 7,087	$ 49,354
Gross profit	$ 13,701	$ 1,141	$ 14,842
Gross margin	32.4%	16.1%	30.1%

Nine Months EndedSeptember 30,			
2014	**Beer Related**	**Pubs**	**Total**
Net sales	$ 132,520	$ 20,065	$ 152,585
Gross profit	$ 42,153	$ 2,906	$ 45,059
Gross margin	31.8%	14.5%	29.5%
2013			
Net sales	$ 116,514	$ 18,456	$ 134,970
Gross profit	$ 36,319	$ 2,430	$ 38,749
Gross margin	31.2%	13.2%	28.7%

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,**	
2014	**2013**	**2014**	**2013**
81.0%	82.1%	82.0%	82.5%

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

September 30, 2014	**December 31, 2013**
69.9%	74.4%

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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,	
	2014	**2013**	**2014**	**2013**
Selling, general and administrative expense	$ 320	$ 236	$ 720	$ 514
Cost of sales	41	48	85	118
Total Stock-based compensation expense	$ 361	$ 284	$ 805	$ 632

At September 30, 2014, we had total unrecognized stock-based compensation expense of $2.2 million, which will be recognized over the weighted average remaining vesting period of 3.1 years.

Note 10. Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Weighted average common shares used for basic EPS	19,052	18,937	19,019	18,916
Dilutive effect of stock-based awards	51	130	67	94
Shares used for diluted EPS	19,103	19,067	19,086	19,010
Stock-based awards not included in diluted per share calculations as they would be antidilutive	144	-	79	38

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, 2013 ("2013 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 2013 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, Inc. is an independent craft brewing company that was formed through the merger of leading Pacific Northwest craft brewers – Widmer Brothers Brewing and Redhook Ale Brewery – in 2008. Since our formation, we have remained focused on preserving and growing one-of-a-kind craft beers and brands. Today, we are comprised of five unique and pioneering craft beer and cider brands:

- Redhook Ale Brewery founded by Gordon Bowker and Paul Shipman in 1981 in Seattle, Washington;
- Widmer Brothers Brewing founded by brothers Kurt and Rob Widmer in 1984 in Portland, Oregon;
- Kona Brewing Co. founded by father and son team Cameron Healy and Spoon Khalsa in 1994 in Kailua-Kona, Hawaii;
- Omission Beer, internally developed by our brewing team as the first beer brand specially crafted to remove gluten, and launched in 2012 in Portland, Oregon; and
- Square Mile Cider Company, the first non-beer brand family created by Craft Brew Alliance, and launched in 2013.

Since our formation, we have focused our business activities on satisfying consumers through the brewing, marketing and selling of high-quality craft beers in the United States. Today, as an independent craft brewer, we possess several distinct advantages unique in the craft beer category. These advantages derive from the combination of: i) our innovative portfolio of distinct craft beer and cider brand families; ii) evolving national brewing footprint with national sales and marketing reach; iii) expertise in developing partnerships and new growth strategies; iv) leadership team with significant beer and growth-company expertise; v) proven ability to manage brand lifecycles, from development to turnaround; and vi) successful track record managing mergers, divestitures and acquisitions.

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. Redhook and Widmer Brothers beers are distributed in all 50 states and Kona beers are distributed in 40 states. Omission Beer continues to expand into new markets in the U.S. and internationally. Square Mile is currently available in 10 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 sale of craft beers and cider from our breweries, both domestically and internationally. 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
2014	$152.6 million	$2.4 million	632,400
2013	$135.0 million	$1.2 million	569,900

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,	
	2014	2013	2014	2013
Sales	107.3%	107.4%	107.2%	107.5%
Less excise tax	7.3	7.4	7.2	7.5
Net sales	100.0	100.0	100.0	100.0
Cost of sales	71.9	69.9	70.5	71.3
Gross profit	28.1	30.1	29.5	28.7
Selling, general and administrative expenses	26.0	23.5	26.8	26.9
Operating income	2.1	6.6	2.8	1.8
Interest expense	(0.2)	(0.1)	(0.2)	(0.3)
Other income (expense), net	(0.1)	(0.1)	(0.0)	(0.1)
Income before income taxes	1.8	6.3	2.5	1.5
Income tax provision	0.7	2.5	1.0	0.6
Net income	1.1%	3.8%	1.5%	0.9%

(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,			
2014	**Beer Related**	**Pubs**	**Total**
Net sales	$ 44,663	$ 7,410	$ 52,073
Gross profit	$ 13,447	$ 1,198	$ 14,645
Gross margin	30.1%	16.2%	28.1%
2013			
Net sales	$ 42,267	$ 7,087	$ 49,354
Gross profit	$ 13,701	$ 1,141	$ 14,842
Gross margin	32.4%	16.1%	30.1%

Nine Months Ended September 30,			
2014	**Beer Related**	**Pubs**	**Total**
Net sales	$ 132,520	$ 20,065	$ 152,585
Gross profit	$ 42,153	$ 2,906	$ 45,059
Gross margin	31.8%	14.5%	29.5%
2013			
Net sales	$ 116,514	$ 18,456	$ 134,970
Gross profit	$ 36,319	$ 2,430	$ 38,749
Gross margin	31.2%	13.2%	28.7%

Sales by Category

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

Sales by Category	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Dollar Change	% Change
A-B and A-B related	$ 45,235	$ 43,553	$ 1,682	3.9%
Contract brewing and beer related(1)	3,226	2,382	844	35.4%
Excise taxes	(3,798)	(3,668)	(130)	3.5%
Net beer related sales	44,663	42,267	2,396	5.7%
Pubs(2)	7,410	7,087	323	4.6%
Net sales	$ 52,073	$ 49,354	$ 2,719	5.5%

Sales by Category	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Dollar Change	% Change
A-B and A-B related	$ 134,124	$ 119,759	$ 14,365	12.0%
Contract brewing and beer related(1)	9,427	6,898	2,529	36.7%
Excise taxes	(11,031)	(10,143)	(888)	8.8%
Net beer related sales	132,520	116,514	16,006	13.7%
Pubs(2)	20,065	18,456	1,609	8.7%
Net sales	$ 152,585	$ 134,970	$ 17,615	13.1%

(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,	2014 Shipments	2013 Shipments	Barrel Change	% Change	Change in Depletions(1)
A-B and A-B related	198,300	194,100	4,200	2.2%	6%
Contract brewing and beer related(2)	13,700	9,400	4,300	45.7%	
Pubs	3,300	3,500	(200)	(5.7)%	
Total	215,300	207,000	8,300	4.0%	

Nine Months Ended September 30,	2014 Shipments	2013 Shipments	Barrel Change	% Change	Change in Depletions(1)
A-B and A-B related	584,000	533,800	50,200	9.4%	8%
Contract brewing and beer related(2)	40,000	27,200	12,800	47.1%	
Pubs	8,400	8,900	(500)	(5.6)%	
Total	632,400	569,900	62,500	11.0%	

(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 increases in sales to A-B and A-B related in the three and nine-month periods ended September 30, 2014 compared to the same periods of 2013 were primarily due to increases in shipments, shifts in package mix towards bottle, which has a higher selling price per barrel than draft, and price increases.

The increases in contract brewing and beer related sales in the three and nine-month periods ended September 30, 2014 compared to the same periods of 2013 were primarily due to increases in international shipments of our beers, which sell at a higher rate per barrel than contract brewing sales, as well as increases in contract brewing shipments.

Pubs sales increased in the three and nine-month periods ended September 30, 2014 compared to the same periods of 2013. This sales growth was driven by higher guest counts combined with higher revenue per guest. The Redhook Pub in Woodinville, Washington was closed for twelve weeks during the nine-month period ended September 30, 2013 for a full remodel and re-opened at the end of May 2013 after being closed for twelve weeks in total.

The increases in excise taxes in the three and nine-month periods ended September 30, 2014 compared to the same periods of 2013 were due to the increases in shipments.

Shipments by Brand

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

Three Months Ended September 30,	2014 Shipments	2013 Shipments	Increase (Decrease)	% Change	Change in Depletions
Kona	79,700	70,000	9,700	13.9%	15%
Widmer Brothers	69,700	70,000	(300)	(0.4)%	4%
Redhook	55,500	60,100	(4,600)	(7.7)%	(2)%
Total(1)	204,900	200,100	4,800	2.4%	6%

Nine Months Ended September 30,	2014 Shipments	2013 Shipments	Increase	% Change	Change in Depletions
Kona	234,400	196,300	38,100	19.4%	14%
Widmer Brothers	200,400	190,000	10,400	5.5%	2%
Redhook	167,600	161,700	5,900	3.6%	5%
Total(1)	602,400	548,000	54,400	9.9%	8%

(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, 2014 compared to the same periods of 2013 were primarily due to the release of Castaway IPA on the mainland and continued sales growth of our Big Wave Golden Ale and Longboard Lager.

The decrease in our Widmer Brothers brand shipments in the three-month period ended September 30, 2014 compared to the same period of 2013 was primarily due to a decline in shipments of Rotator IPA, which was discontinued in the second quarter of 2014, and Hefeweizen; these declines were partially offset by an increase in shipments of Upheaval IPA, a new beer for the Widmer Brothers brand, and Omission beer. The increase in our Widmer Brothers brand shipments in the nine-month period ended September 30, 2014 compared to the same period of 2013 was primarily due to increases in shipments of the Omission brand and Upheaval IPA, partially offset by declines in sales of Rotator IPA and Hefeweizen.

The decrease in our Redhook brand shipments in the three-month period ended September 30, 2014 compared to the same period of 2013 was primarily the result of cycling the launch of Game Changer Ale and declines in ESB, partially offset by our new KCCO Black Lager, a craft beer developed in partnership with theChive, a photo entertainment website. The increase in shipments in the nine-month period ended September 30, 2014 compared to the same period of 2013 was primarily the result of increased sales of KCCO Black Lager, as well as further penetration into existing markets, particularly by our Long Hammer IPA, partially offset by declines in sales of ESB and Audible Ale.

The differences between the percentage changes in shipments and percentage changes in depletions for the three and nine-month periods ended September 30, 2014 compared to the same periods of 2013 were a result of continuing the optimization of our supply chain processes, including brewing, to more closely align with the seasonality of our beer sales.

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,	2014 Shipments	2014 % of Total	2013 Shipments	2013 % of Total
Draft	52,700	25.7%	58,400	29.2%
Packaged	152,200	74.3%	141,700	70.8%
Total	204,900	100.0%	200,100	100.0%

Nine Months Ended September 30,	2014 Shipments	2014 % of Total	2013 Shipments	2013 % of Total
Draft	151,400	25.1%	160,800	29.3%
Packaged	451,000	74.9%	387,200	70.7%
Total	602,400	100.0%	548,000	100.0%

The shifts in package mix from draft to packaged in the three and nine-month periods ended September 30, 2014 compared to the same periods of 2013 were primarily the result of the increases in volumes on our Kona, Omission and Redhook packaged beers and lower volumes on our Widmer Brothers draft beer. Increased competition across the industry, as a result of both the entry of large, multi-national brewers into the craft beer segment and the significant increase in small, local breweries nationally, is making on-premise draft sales more challenging.

Cost of Sales

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

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

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Dollar Change	% Change
Beer Related	$ 31,216	$ 28,566	$ 2,650	9.3%
Pubs	6,212	5,946	266	4.5%
Total	$ 37,428	$ 34,512	$ 2,916	8.4%

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Dollar Change	% Change
Beer Related	$ 90,367	$ 80,195	$ 10,172	12.7%
Pubs	17,159	16,026	1,133	7.1%
Total	$ 107,526	$ 96,221	$ 11,305	11.7%

The increases in Beer Related Cost of sales in the three and nine-month periods ended September 30, 2014 compared to the same periods of 2013 were primarily due to the increases in shipments discussed above, as well as the mix shift from draft to packaged product as the per barrel equivalent cost of packaged product is higher than draft. In the nine-month period ended September 30, 2014 compared to the same period in 2013, these cost increases were partially offset by increased efficiencies, primarily through better capacity utilization of our breweries.

Also contributing to the increases in Beer Related Cost of sales were various costs incurred as a result of initiating brewing operations in Memphis, Tennessee. Due to the efficient and successful launch in July 2014, we were able to balance production in the three-month period ended September 30, 2014 and meet shipping demands from buffer stock brewed during the three months ended June 30, 2014 to ensure adequate supply in the event our Memphis brewery experienced any initial challenges. This resulted in utilization rates that were slightly lower than typically seen in prior three-month periods ended September 30, and significantly lower than the three-month period ended September 30, 2013, when we were responding to out-of-stock issues that surfaced during the summer of 2013. We also realized incremental startup costs for initial shipments out of the Memphis brewery as a result of launching during the peak selling season. The impact of decreased production and higher shipment costs represented approximately $1.4 million, or $840,000 after tax, reflected in Beer Related Cost of sales in the three-month period ended September 30, 2014. For the nine-month period ended September 30, 2014, the additional costs related to initiating brewing in Memphis totaled approximately $0.7 million, or $420,000 after tax.

Pubs Cost of sales increased in the three and nine-month periods ended September 30, 2014 compared to the same periods of 2013, primarily due to the increases in sales and cost increases across various categories, including labor, merchandise and administrative costs.

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,	
	2014	2013	2014	2013
Capacity utilization	75%	77%	77%	71%

In June 2014, we initiated full-scale brewing with our brewing partner in Memphis, Tennessee. This partnership provides us scalable capacity and we anticipate producing up to 100,000 barrels at this location over the next 12 months.

Gross Profit

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

	Three Months Ended September 30,		Dollar	
	2014	2013	Change	% Change
Beer Related	$ 13,447	$ 13,701	$ (254)	(1.9)%
Pubs	1,198	1,141	57	5.0%
Total	$ 14,645	$ 14,842	$ (197)	(1.3)%

	Nine Months Ended September 30,		Dollar	
	2014	2013	Change	% Change
Beer Related	$ 42,153	$ 36,319	$ 5,834	16.1%
Pubs	2,906	2,430	476	19.6%
Total	$ 45,059	$ 38,749	$ 6,310	16.3%

The decrease in gross profit in the three-month period ended September 30, 2014 compared to the same period of 2013 was primarily due to the additional costs incurred related to initiating brewing in Memphis, Tennessee, as discussed above. The increase in gross profit in the nine-month period ended September 30, 2014 compared to the same period of 2013 was primarily due to the increases in shipment volumes, as well as increased pricing, improved operating efficiencies of our breweries and optimization of our supply chain, partially offset by the additional costs incurred related to initiating brewing in Memphis, Tennessee, as discussed above.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Beer Related	30.1%	32.4%	31.8%	31.2%
Pubs	16.2%	16.1%	14.5%	13.2%
Total	28.1%	30.1%	29.5%	28.7%

The decrease in the Beer Related gross margin rates in the three-month period ended September 30, 2014 compared to the same period of 2013 was due to the additional costs incurred related to initiating brewing in Memphis, Tennessee, as discussed above, as well as the effect of changes in our product mix. Additionally, the three-month-period ended September 30, 2013 benefited from increased brewing to establish appropriate inventory levels after shortages during the three-month period ended June 30, 2013. The increase in the Beer Related gross margin rates in the nine-month period ended September 30, 2014 compared to the same period of 2013 was due to the improved operating efficiencies of our breweries, as discussed above, optimization of our supply chain, and increases in pricing, partially offset by the effect of changes in product mix and additional costs incurred related to initiating brewing in Memphis, Tennessee. The increases in the Pubs gross margin rates in the three and nine-month periods ended September 30, 2014 compared to the same periods of 2013 were primarily due to the 2013 closure and post-renovation ramp-up of our Woodinville, Washington Pub, as discussed above.

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, 2014	Three Months Ended September 30, 2013	Dollar Change	% Change
	$ 13,554	$ 11,602	$ 1,952	16.8%
As a % of Net sales	26.0%	23.5%		

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Dollar Change	% Change
	$ 40,824	$ 36,312	$ 4,512	12.4%
As a % of Net sales	26.8%	26.9%		

The increases in SG&A for the three and nine-month periods ended September 30, 2014 compared to the same periods of 2013 were primarily due to the planned increases in SG&A spending, primarily for Kona television advertising in select markets, in 2014 when compared to 2013, as well as the timing of certain promotional activity. SG&A increased as a percentage of Net sales in the three-month period ended September 30, 2014 compared to the same period of 2013 primarily due to the planned increases in SG&A spending in 2014 compared to 2013 as discussed above. SG&A decreased as a percentage of Net sales in the nine-month period ended September 30, 2014 compared to the same period of 2013 primarily due to the increase in our Net sales, partially offset by the planned increase in spending.

Interest Expense

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

Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Dollar Change	% Change
$ 111	$ 62	$ 49	79.0%

Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Dollar Change	% Change
$ 317	$ 374	$ (57)	(15.2)%

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Average debt outstanding	$ 12,152	$ 12,613	$ 11,826	$ 12,800
Average interest rate	1.85%	1.99%	1.88%	1.95%

The increase in Interest expense in the three-month period ended September 30, 2014 compared to the same period of 2013 was due to the impact of our current interest rate swap contract. The decrease in Interest expense in the nine-month period ended September 30, 2014 compared to the same period of 2013 was due to lower average outstanding borrowings, as well as lower average interest rates.

Income Tax Provision
Our effective income tax rate was 39.0% for the first nine months of 2014 and 2013. The effective income tax rates reflect the impact of non-deductible expenses, primarily state and local taxes, meals and entertainment expenses, and tax credits.

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, 2014 primarily from cash flows generated from operations. In addition, we may borrow under our line of credit facility as the need arises. Capital resources available to us at September 30, 2014 included $1.5 million of Cash and cash equivalents and $22 million available under our line of credit facility.

We had $4.4 million of working capital and our debt as a percentage of total capitalization (total debt and common shareholders' equity) was 9.5% at September 30, 2014.

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

	Nine Months Ended September 30,	
	2014	2013
Cash flows provided by operating activities	$ 10,698	$ 7,562
Cash flows used in investing activities	(12,700)	(7,361)
Cash flows provided by (used in) financing activities	745	(314)
Decrease in Cash and cash equivalents	$ (1,257)	$ (113)

Cash provided by operating activities of $10.7 million in the first nine months of 2014 resulted from our Net income of $2.4 million, net non-cash expenses of $7.1 million and changes in our operating assets and liabilities as discussed in more detail below.

Accounts receivable, net, decreased $0.3 million to $11.1 million at September 30, 2014 compared to $11.4 million at December 31, 2013. This decrease was primarily due to a $0.7 million decrease in our receivable from A-B, which totaled $7.7 million at September 30, 2014. Historically, we have not had collection problems related to our accounts receivable.

Inventories increased $2.6 million to $19.2 million at September 30, 2014 compared to $16.6 million at December 31, 2013, primarily to support an expected increase in shipment volume, as well as an updated inventory policy.

As of September 30, 2014, 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 $32,000, tax-effected; and
- federal alternative minimum tax ("AMT") credit carry forwards of $178,000.

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 $12.9 million in the first nine months of 2014 were primarily directed to beer production capacity and efficiency improvements and Pubs remodeling. As of September 30, 2014 we had an additional $0.3 million of expenditures recorded in Accounts payable on our Consolidated Balance Sheets, level with December 31, 2013. In June 2014, we entered into a capital lease financing arrangement related to equipment already purchased and included in the $12.9 million above, and received cash proceeds of $0.8 million. The lease term is 84 months with an effective interest rate of 2.98% per annum and payments due monthly. We anticipate capital expenditures of approximately $16 million to $18 million in all of 2014 primarily for capacity and efficiency improvements, quality initiatives and restaurant and retail.

We have a loan agreement (as amended, the "Loan Agreement") with Bank of America, N.A., which is presently comprised 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 $10.5 million term loan ("Term Loan"). We may draw upon the Line of Credit for working capital and general corporate purposes. At September 30, 2014, we had no borrowings outstanding under the Line of Credit and we were in compliance with the financial covenants associated with the Loan Agreement.

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 2013 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, 2013.

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 2013 Annual Report on Form 10-K, which was filed with the SEC on March 6, 2014.

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 2014, 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 2013 Annual Report on Form 10-K, which was filed with the SEC on March 6, 2014.

Item 6. Exhibits

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

10.1	Letter of Agreement between the Registrant and J. Scott Mennen dated August 4, 2014
10.2	Letter of Agreement between the Registrant and John W. Glick dated August 5, 2014
10.3	Letter of Agreement between the Registrant and Kenneth C. Kunze dated August 5, 2014
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 5, 2014
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 5, 2014

BY: /s/ Joseph K. O'Brien

Joseph K. O'Brien

Controller and Chief Accounting Officer

Exhibit 10.1

August 4, 2014

J. Scott Mennen
Craft Brew Alliance, Inc.
929 North Russell Street
Portland, OR 97227

Dear Scott:

This letter sets forth our understanding about your employment with Craft Brew Alliance, Inc. (the "Company"), as its Vice President, Brewery Operations, effective January 1, 2014 (the "Effective Date"). This letter supersedes and replaces any prior offer letter or other agreement regarding your employment by the Company as of the Effective Date.

Your employment is "at-will," which means you or the Company may end the employment relationship at any time. Our mutual agreement regarding your salary, severance, and other benefits and obligations is set forth below.

Compensation and Benefits

As of the Effective Date, your annual base salary rate is $200,000 (before standard tax withholdings and other payroll deductions). Your base salary level will be reviewed annually for adjustment by the Compensation Committee of the Company's Board of Directors (the "Board"), with salary adjustments, if any, generally made effective as of January 1. In addition, you are entitled to participate in all of the Company's employee benefit programs for which you are eligible, including long-term incentive awards approved by the Compensation Committee for executive officers from time to time.

You will be eligible for an annual bonus payable following certification of the Company's financial results for the prior fiscal year under the Company's Annual Cash Incentive Bonus Plan for Executive Officers. Your target bonus amount for 2014 is 50% of your base salary rate. The bonus target amount in future years will be determined by the Compensation Committee. All or a portion of target bonus amounts may be conditioned upon achieving certain performance targets approved by the Compensation Committee or the Board. You must remain employed through the payment date to be eligible for a bonus.

You will also be eligible to participate in the Long Term Incentive Program under the terms and conditions of that program. Your target incentive potential for 2014 is 50% of your base salary rate.

You are eligible to receive relocation reimbursement at the executive level package, not to exceed $40,000, under the terms of the relocation agreement entered into between you and the Company. The Company will also pay 50% of the real estate commission on the sale of your home in Hermosa Beach, California. To the extent that any reimbursement or in-kind benefit constitutes deferred compensation, the following rules will apply: (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, in one taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, (ii) all reimbursements will be made on or before the last day of the calendar year following the calendar year in which you incurred such reimbursable expense, and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit. If you voluntarily terminate your employment with the Company within two years following your relocation for any reason, you will repay a pro-rata share of the relocation expenses for which you were reimbursed.

You will receive a signing bonus of $70,000, grossed up to account for applicable taxes, payable in two installments as follows: $35,000 paid on the first payroll date on or after January 1, 2014, and $35,000 paid on the first payroll date on or after July 1, 2014, provided that you remain employed through each date. Tax gross up payments will be made no later than the end of the calendar year next following the calendar year in which you remit the related taxes. If you voluntarily terminate your employment with the Company for any reason before May 10, 2015, you will repay the full amount of the signing bonus to the Company.

You have been credited with 5 days of Paid Time Off ("PTO") as of May 10, 2013, and additional days of PTO will accrue from that date in accordance with the Company's PTO Plan as outlined in the Company's Made True Guide.

Severance

In the event that your employment with the Company is terminated by the Company for any reason other than "for cause" or terminated by you due to "good reason," the Company will provide you with severance benefits payable based on your weekly base salary rate in effect at the date of termination for a period of time (the "Severance Period") as follows: Commencing on the day following termination, two weeks' severance will be payable in accordance with the Company's normal payroll schedule for each full year of service with the Company; provided that in no event shall the Severance Period be less than six months or more than 12 months.

In addition, the Company will promptly (in no event later than March 15 of the calendar year after the year in which your employment terminated) make a cash payment to you in an amount equal to 100% of your unused PTO hours accrued through the date of termination in accordance with the provisions of the Company's PTO Plan then in effect.

If you become entitled to severance benefits under this agreement, the Company will also continue to provide you, for the Severance Period, the same health benefits as were being provided to you at the time of termination; provided, however, that such benefits shall terminate in the event you find new employment with comparable health coverage.

For purposes of this letter, "for cause" means that (i) you have engaged in conduct which has substantially and adversely impaired the interests of the Company, or would be likely to do so if you were to remain employed by the Company; (ii) you have engaged in fraud, dishonesty or self-dealing relating to or arising out of your employment with the Company; (iii) you have violated any criminal law relating to your employment or to the Company; (iv) you have 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 (v) you have repeatedly refused to obey lawful directions of the Board or the Company's Chief Executive Officer.

For purposes of this letter, "good reason" means the occurrence of one or more of the following events without your consent: (a) a material reduction in your authority, duties, or responsibilities as the Company's Vice President, Brewery Operations; (b) a material reduction in the authority, duties, or responsibilities of the person or persons to whom you report (including, if applicable, a requirement that you report to a Company officer or employee instead of reporting directly to the Board); or (c) a relocation of your principal office to a location that is more than 100 miles from Portland, Oregon; provided, however, that "good reason" shall only be deemed to have occurred if: (i) within 90 days after the initial existence of the circumstances constituting "good reason," you provide the Company with a written notice describing such circumstances, (ii) the Company fails to cure the circumstances within 30 days after the Company receives your notice, and (iii) you terminate your employment with the Company and all the members of the Company's controlled group within 90 days following the date of your notice.

For purposes of this letter, a termination of your employment will be deemed to occur only when or if there has been a "separation from service" as such term is defined in Treasury Regulation Section 1.409A-1(h).

If, during the Severance Period, you become employed or associated with a brewing or other company that the Company determines, in its reasonable discretion, is a competitor of the Company or Anheuser-Busch, Inc., your severance payments and benefits under this letter agreement will terminate as of the effective date of such employment or association.

J. Scott Mennen
Craft Brew Alliance, Inc.
929 North Russell Street
Portland, OR 97227

The total amount of severance payments and benefits (except benefits designated as "short-term deferral" payments or as described in Treasury Regulation Sections 1.409A-1(a)(5) or 1.409A-1(b)(9)(v)) provided to you pursuant to this letter agreement shall not exceed two times the lesser of (i) the sum of your annualized compensation based upon your annual salary in the year preceding the year in which your employment is terminated (adjusted for any increase during that year that was expected to continue indefinitely if your employment had not terminated) or (ii) the applicable dollar limit under Section 401(a)(17) of the Internal Revenue Code for the calendar year in which your employment is terminated.

The severance payments and other benefits under this letter are intended to be exempt from the requirements of Section 409A of the Internal Revenue Code by reason of all payments under this letter agreement being either "short-term deferrals" within the meaning of Treasury Regulation Section 1.409A-1(b)(4) or separation pay due to involuntary separation from service under Treasury Regulation Section 1.409A-1(b)(9)(iii). All provisions of this letter shall be interpreted in a manner consistent with preserving these exemptions.

The Company will require you to execute an appropriate general release of claims that you may have relating to your employment at the Company and termination of your employment as a condition to your receipt of any severance payments or other benefits other than those required by law or provided to employees generally. If such general release of claims is not executed within 30 days following the date your employment with the Company is terminated, all severance payments and other benefits payable after such 30-day period will be forfeited, and you agree to repay any severance payments, and the value of other benefits, paid to you during such period.

Code of Conduct

By your signature below, you agree to comply with the Company's Code of Conduct and Ethics as in effect from time to time, and to be subject to the Company's policies and procedures in effect from time to time for senior executives of the Company.

We appreciate your continued efforts on behalf of the Company and look forward to having you as a member of our team for years to come.

Sincerely,

/s/ Andrew J. Thomas
Andrew J. Thomas
Chief Executive Officer

Acknowledged and Agreed:

/s/ J. Scott Mennen
J. Scott Mennen
Date: August 4, 2014

Exhibit 10.2

August 5, 2014

John W. Glick
Craft Brew Alliance, Inc.
929 North Russell Street
Portland, OR 97227

Dear John:

This letter sets forth our understanding about your employment with Craft Brew Alliance, Inc. (the "Company"), as its Vice President, Supply Chain and Logistics, effective January 1, 2014 (the "Effective Date"). This letter incorporates by reference the Employee Confidentiality/Proprietary Information Agreement dated July 11, 2011, and supersedes and replaces any prior offer letter or other agreement regarding your employment by the Company as of the Effective Date.

Your employment is "at-will," which means you or the Company may end the employment relationship at any time. Our mutual agreement regarding your salary, severance, and other benefits and obligations is set forth below.

<u>Compensation and Benefits</u>

As of the Effective Date, your annual base salary rate is $200,000 (before standard tax withholdings and other payroll deductions). Your base salary level will be reviewed annually for adjustment by the Compensation Committee of the Company's Board of Directors (the "Board"), with salary adjustments, if any, generally made effective as of January 1. In addition, you are entitled to participate in all of the Company's employee benefit programs for which you are eligible, including long-term incentive awards approved by the Compensation Committee for executive officers from time to time.

You will be eligible for an annual bonus payable following certification of the Company's financial results for the prior fiscal year under the Company's Annual Cash Incentive Bonus Plan for Executive Officers. Your target bonus amount for 2014 is 40% of your base salary rate. The bonus target amount in future years will be determined by the Compensation Committee. All or a portion of target bonus amounts may be conditioned upon achieving certain performance targets approved by the Compensation Committee or the Board. You must remain employed through the payment date to be eligible for a bonus.

You will also be eligible to participate in the Long Term Incentive Program under the terms and conditions of that program. Your target incentive potential for 2014 is 50% of your base salary rate.

Severance

In the event that your employment with the Company is terminated by the Company for any reason other than "for cause" or terminated by you due to "good reason," the Company will provide you with severance benefits payable based on your weekly base salary rate in effect at the date of termination for a period of time (the "Severance Period") as follows: Commencing on the day following termination, two weeks' severance will be payable in accordance with the Company's normal payroll schedule for each full year of service with the Company; provided that in no event shall the Severance Period be less than six months or more than 12 months.

In addition, the Company will promptly (in no event later than March 15 of the calendar year after the year in which your employment terminated) make a cash payment to you in an amount equal to 100% of your unused Paid Time Off ("PTO") hours accrued through the date of termination in accordance with the provisions of the Company's PTO Plan then in effect.

If you become entitled to severance benefits under this agreement, the Company will also continue to provide you, for the Severance Period, the same health benefits as were being provided to you at the time of termination; provided, however, that such benefits shall terminate in the event you find new employment with comparable health coverage.

For purposes of this letter, "for cause" means that (i) you have engaged in conduct which has substantially and adversely impaired the interests of the Company, or would be likely to do so if you were to remain employed by the Company; (ii) you have engaged in fraud, dishonesty or self-dealing relating to or arising out of your employment with the Company; (iii) you have violated any criminal law relating to your employment or to the Company; (iv) you have 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 (v) you have repeatedly refused to obey lawful directions of the Board or the Company's Chief Executive Officer.

For purposes of this letter, "good reason" means the occurrence of one or more of the following events without your consent: (a) a material reduction in your authority, duties, or responsibilities as the Company's Vice President, Supply Chain and Logistics; (b) a material reduction in the authority, duties, or responsibilities of the person or persons to whom you report (including, if applicable, a requirement that you report to a Company officer or employee instead of reporting directly to the Board); or (c) a relocation of your principal office to a location that is more than 100 miles from Portland, Oregon; provided, however, that "good reason" shall only be deemed to have occurred if: (i) within 90 days after the initial existence of the circumstances constituting "good reason," you provide the Company with a written notice describing such circumstances, (ii) the Company fails to cure the circumstances within 30 days after the Company receives your notice, and (iii) you terminate your employment with the Company and all the members of the Company's controlled group within 90 days following the date of your notice.

For purposes of this letter, a termination of your employment will be deemed to occur only when or if there has been a "separation from service" as such term is defined in Treasury Regulation Section 1.409A-1(h).

If, during the Severance Period, you become employed or associated with a brewing or other company that the Company determines, in its reasonable discretion, is a competitor of the Company or Anheuser-Busch, Inc., your severance payments and benefits under this letter agreement will terminate as of the effective date of such employment or association.

The total amount of severance payments and other benefits (except benefits designated as "short-term deferral" payments or as described in Treasury Regulation Sections 1.409A-1(a)(5) or 1.409A-1(b)(9)(v)) provided to you pursuant to this letter agreement shall not exceed two times the lesser of (i) the sum of your annualized compensation based upon your annual salary in the year preceding the year in which your employment is terminated (adjusted for any increase during that year that was expected to continue indefinitely if your employment had not terminated) or (ii) the applicable dollar limit under Section 401(a)(17) of the Internal Revenue Code for the calendar year in which your employment is terminated.

The severance payments and other benefits under this letter are intended to be exempt from the requirements of Section 409A of the Internal Revenue Code by reason of all payments under this letter agreement being either "short-term deferrals" within the meaning of Treasury Regulation Section 1.409A-1(b)(4) or separation pay due to involuntary separation from service under Treasury Regulation Section 1.409A-1(b)(9)(iii). All provisions of this letter shall be interpreted in a manner consistent with preserving these exemptions.

The Company will require you to execute an appropriate general release of claims that you may have relating to your employment at the Company and termination of your employment as a condition to your receipt of any severance payments or other benefits other than those required by law or provided to employees generally. If such general release of claims is not executed within 30 days following the date your employment with the Company is terminated, all severance payments and other benefits payable after such 30-day period will be forfeited, and you agree to repay any severance payments, and the value of other benefits, paid to you during such period.

Code of Conduct

By your signature below, you agree to comply with the Company's Code of Conduct and Ethics as in effect from time to time, and to be subject to the Company's policies and procedures in effect from time to time for senior executives of the Company.

John W. Glick
Craft Brew Alliance, Inc.
929 North Russell Street
Portland, OR 97227

We appreciate your continued efforts on behalf of the Company and look forward to having you as a member of our team for years to come.

Sincerely,

/s/ Andrew J. Thomas
Andrew J. Thomas
Chief Executive Officer

Acknowledged and Agreed:

/s/ John W. Glick
John W. Glick

Date: August 5, 2014

Exhibit 10.3

August 5, 2014

Kenneth C. Kunze
Craft Brew Alliance, Inc.
929 North Russell Street
Portland, OR 97227

Dear Ken:

This letter sets forth our understanding about your employment with Craft Brew Alliance, Inc. (the "Company"), as its Vice President, Chief Marketing Officer, effective January 1, 2014 (the "Effective Date"). This letter supersedes and replaces any prior offer letter or other agreement regarding your employment by the Company as of the Effective Date.

Your employment is "at-will," which means you or the Company may end the employment relationship at any time. Our mutual agreement regarding your salary, severance, and other benefits and obligations is set forth below.

Compensation and Benefits

As of the Effective Date, your annual base salary rate is $228,000 (before standard tax withholdings and other payroll deductions). Your base salary level will be reviewed annually for adjustment by the Compensation Committee of the Company's Board of Directors (the "Board"), with salary adjustments, if any, generally made effective as of January 1. In addition, you are entitled to participate in all of the Company's employee benefit programs for which you are eligible, including long-term incentive awards approved by the Compensation Committee for executive officers from time to time.

You will be eligible for an annual bonus payable following certification of the Company's financial results for the prior fiscal year under the Company's Annual Cash Incentive Bonus Plan for Executive Officers. Your target bonus amount for 2014 is 55% of your base salary rate. The bonus target amount in future years will be determined by the Compensation Committee. All or a portion of target bonus amounts may be conditioned upon achieving certain performance targets approved by the Compensation Committee or the Board. You must remain employed through the payment date to be eligible for a bonus.

You will also be eligible to participate in the Long Term Incentive Program under the terms and conditions of that program. Your target incentive potential for 2014 is 50% of your base salary rate.

You are eligible to receive relocation reimbursement at the executive level package, not to exceed $45,000. You will continue to receive an interim living expense allowance of $4,000 per month through August 31, 2014. The Company will also continue to provide you with one round-trip airfare per month through August 31, 2014, for the purpose of personal travel to your home in Darien, Connecticut. To the extent that any reimbursement or in-kind benefit constitutes deferred compensation, the following rules will apply: (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, in one taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, (ii) all reimbursements will be made on or before the last day of the calendar year following the calendar year in which you incurred such reimbursable expense, and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit. If you voluntarily terminate your employment with the Company before November 4, 2015, for any reason other than a "good reason" (as defined below), you will repay a pro-rata share of the relocation expenses for which you were reimbursed.

You will be paid a signing bonus of $60,000, grossed up to account for applicable taxes, in two installments as follows: $30,000 paid on the first payroll date on or after February 1, 2014, and $30,000 paid on the first payroll date on or after August 1, 2014, provided that you remain employed through each date. You will also receive a lump sum, non-performance based bonus of $20,000, grossed up to account for applicable taxes, on the first payroll date on or after January 1, 2015, provided that you remain employed through that date. Tax gross up payments will be made no later than the end of the calendar year next following the calendar year in which you remit the related taxes.

You have been credited with 5 days of Paid Time Off ("PTO") as of November 4, 2013, and additional days of PTO will accrue from that date in accordance with the Company's PTO Plan as outlined in the Company's Made True Guide.

Severance

In the event that your employment with the Company is terminated by the Company for any reason other than "for cause" or terminated by you due to "good reason," the Company will provide you with severance benefits payable based on your weekly base salary rate in effect at the date of termination for a period of time (the "Severance Period") as follows: Commencing on the day following termination, two weeks' severance will be payable in accordance with the Company's normal payroll schedule for each full year of service with the Company; provided that in no event shall the Severance Period be less than six months or more than 12 months.

In addition, the Company will promptly (in no event later than March 15 of the calendar year after the year in which your employment terminated) make a cash payment to you in an amount equal to 100% of your unused PTO hours accrued through the date of termination in accordance with the provisions of the Company's PTO Plan then in effect.

If you become entitled to severance benefits under this agreement, the Company will also continue to provide you, for the Severance Period, the same health benefits as were being provided to you at the time of termination; provided, however, that such benefits shall terminate in the event you find new employment with comparable health coverage.

For purposes of this letter, "for cause" means that (i) you have engaged in conduct which has substantially and adversely impaired the interests of the Company, or would be likely to do so if you were to remain employed by the Company; (ii) you have engaged in fraud, dishonesty or self-dealing relating to or arising out of your employment with the Company; (iii) you have violated any criminal law relating to your employment or to the Company; (iv) you have 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 (v) you have repeatedly refused to obey lawful directions of the Board or the Company's Chief Executive Officer.

For purposes of this letter, "good reason" means the occurrence of one or more of the following events without your consent: (a) a material reduction in your authority, duties, or responsibilities as the Company's Vice President, Chief Marketing Officer; (b) a material reduction in the authority, duties, or responsibilities of the person or persons to whom you report (including, if applicable, a requirement that you report to a Company officer or employee instead of reporting directly to the Board); or (c) a relocation of your principal office to a location that is more than 100 miles from Portland, Oregon; provided, however, that "good reason" shall only be deemed to have occurred if: (i) within 90 days after the initial existence of the circumstances constituting "good reason," you provide the Company with a written notice describing such circumstances, (ii) the Company fails to cure the circumstances within 30 days after the Company receives your notice, and (iii) you terminate your employment with the Company and all the members of the Company's controlled group within 90 days following the date of your notice.

For purposes of this letter, a termination of your employment will be deemed to occur only when or if there has been a "separation from service" as such term is defined in Treasury Regulation Section 1.409A-1(h).

If, during the Severance Period, you become employed or associated with a brewing or other company that the Company determines, in its reasonable discretion, is a competitor of the Company or Anheuser-Busch, Inc., your severance payments and benefits under this letter agreement will terminate as of the effective date of such employment or association.

Kenneth C. Kunze
Craft Brew Alliance, Inc.
929 North Russell Street
Portland, OR 97227

The total amount of severance payments and benefits (except benefits designated as "short-term deferral" payments or as described in Treasury Regulation Sections 1.409A-1(a)(5) or 1.409A-1(b)(9)(v)) provided to you pursuant to this letter agreement shall not exceed two times the lesser of (i) the sum of your annualized compensation based upon your annual salary in the year preceding the year in which your employment is terminated (adjusted for any increase during that year that was expected to continue indefinitely if your employment had not terminated) or (ii) the applicable dollar limit under Section 401(a)(17) of the Internal Revenue Code for the calendar year in which your employment is terminated.

The severance payments and other benefits under this letter are intended to be exempt from the requirements of Section 409A of the Internal Revenue Code by reason of all payments under this letter agreement being either "short-term deferrals" within the meaning of Treasury Regulation Section 1.409A-1(b)(4) or separation pay due to involuntary separation from service under Treasury Regulation Section 1.409A-1(b)(9)(iii). All provisions of this letter shall be interpreted in a manner consistent with preserving these exemptions.

The Company will require you to execute an appropriate general release of claims that you may have relating to your employment at the Company and termination of your employment as a condition to your receipt of any severance payments or other benefits other than those required by law or provided to employees generally. If such general release of claims is not executed within 30 days following the date your employment with the Company is terminated, all severance payments and other benefits payable after such 30-day period will be forfeited, and you agree to repay any severance payments, and the value of other benefits, paid to you during such period.

Code of Conduct

By your signature below, you agree to comply with the Company's Code of Conduct and Ethics as in effect from time to time, and to be subject to the Company's policies and procedures in effect from time to time for senior executives of the Company.

We appreciate your continued efforts on behalf of the Company and look forward to having you as a member of our team for years to come.

Sincerely,

/s/ Andrew J. Thomas
Andrew J. Thomas
Chief Executive Officer

Acknowledged and Agreed:

/s/ Kenneth C. Kunze
Kenneth C. Kunze
Date: August 5, 2014

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 5, 2014

By: /s/ Andrew J. Thomas

Andrew J. Thomas
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Mark D. Moreland, 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 5, 2014

By: /s/ Mark D. Moreland

Mark D. Moreland
Executive Vice President, Chief Financial Officer and Treasurer

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, 2014, as filed with the Securities and Exchange Commission on November 5, 2014 (the "Report"), Andrew J. Thomas, the Chief Executive Officer of the Registrant, and Mark D. Moreland, the Chief Financial Officer and Treasurer 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 5, 2014

BY: /s/ Andrew J. Thomas

Andrew J. Thomas
Chief Executive Officer
(Principal Executive Officer)

BY: /s/ Mark D. Moreland

Mark D. Moreland
Chief Financial Officer and Treasurer
(Principal Financial Officer)

EXHIBIT 99.1

FOR IMMEDIATE RELEASE

CRAFT BREW ALLIANCE ANNOUNCES THIRD QUARTER 2014 RESULTS

Reports Quarterly Net Sales and Depletions Growth of 6% Despite Tough Comparison over Prior Year; Reconfirms Tightened 2014 Full Year Guidance

Portland, Ore. (November 5, 2014) – Craft Brew Alliance, Inc. ("CBA") (Nasdaq: BREW), an independent craft brewing company, today reported its financial results for the third quarter ended September 30, 2014. The results for the third quarter are in line with management's expectations, and the Company reconfirms previously tightened 2014 full year guidance as reported in a press release issued October 28.

"Our third quarter results represent another deliberate step forward in CBA's long-term quest to continue sustainably growing our topline while driving significant gross margin improvements," said Andy Thomas, chief executive officer, CBA. "In fact, taking into account the Memphis start-up costs and the tough comparisons over last year's third quarter, our gross margin rate was in line with our expectations and shows solid growth, allowing us to tighten and even accelerate our long-term gross margin guidance by a full year."

Significant third quarter and nine months ended financial highlights include:

- Depletion volume grew 6% from the third quarter in 2013, and 8% for the nine months ended compared to the same period last year, which is squarely within our tightened full year depletion growth estimate of 7-9%.
- Net sales and total beer shipments increased 6% and 4%, respectively, for the quarter. Nine months ended net sales and total beer shipments grew to 13% and 11%, respectively, over the same period of 2013.
- Our third quarter gross margin rate declined 200 basis points to 28.1% from the third quarter in 2013, primarily due to startup costs associated with the launch of Memphis operations. The impact of decreased production, as a result of using buffer stock brewed in the second quarter to cover any challenges as Memphis started up, and higher shipment costs represented approximately $1.4 million, or $840,000 after tax. This resulted in a negative impact on our gross margin of 270 basis points for the quarter.
- Our gross margin rate for the nine months ended September 30, 2014 improved 80 basis points to 29.5% over the same period of 2013, reflecting the improved operating efficiencies in our breweries during the first half of the year. The benefit from the improved efficiencies were partially offset in the third quarter by the additional costs related to initiating brewing in Memphis that, for the nine-month period ended September 30, 2014, totaled approximately $0.7 million, or $420,000 after tax, and had a negative impact on our gross margin of 50 basis points.
- As a percentage of net sales, our selling, general and administrative expense ("SG&A") increased to 26% in the third quarter, compared to 24% for the third quarter of last year. SG&A growth of 12% to $40.8 million for the first nine months of 2014 reflects the planned increases in SG&A spending, primarily for Kona television advertising in select markets.
- Diluted earnings per share ("EPS) for the third quarter were $0.03, compared to $0.10 for the third quarter last year. EPS for the nine months ended September 30, 2014 was $0.12 compared to $0.06 for the same period of 2013.

Components of anticipated 2014 financial results and developments

Based on year-to-date financial results in line with expectations, and the successful launch of Memphis, CBA tightened its full year 2014 guidance ranges and accelerated its long-range gross margin guidance by a full year:

- Depletion growth estimate of 7% to 9%.
- Average price increases of approximately 1.5%.
- Growth in contract brewing revenue of approximately 40%.
- Gross margin rate of 29% to 30%. As we continue to optimize our brewing locations and further leverage our Memphis operation, we expect a long-range guidance target of 35% in 2017.
- SG&A expense of $52 million to $53 million.
- Capital expenditures of approximately $16 million to $18 million.

“Our third quarter results are consistent with our expectations as reflected in our tightened full year guidance ranges, giving us further confidence in the long term,” said Chief Financial Officer Mark Moreland. “As we stated earlier in the year, quarterly volatility is to be expected given the challenging operating environment and increased competition in our market.”

In a separate press release issued today, CBA announced that Mark Moreland will be transitioning out of the role of chief financial officer at the end year. He will remain as a senior consultant to the company through the first half of 2015.

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 depletions and sales growth, the level or effect of SG&A expense, the amount of 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, 2013. 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 an independent, publicly traded craft brewing company that was formed through the merger of leading Pacific Northwest craft brewers – Widmer Brothers Brewing and Redhook Ale Brewery – in 2008. With an eye toward preserving and growing one-of-a-kind craft beers and brands, CBA welcomed Kona Brewing Company in 2010, and then launched Omission beer in 2012 and Square Mile Cider Company in 2013.

When Kurt & Rob Widmer founded Widmer Brothers Brewing in 1984, they didn't confine their brewing exploration to strict style guidelines. To this day, Widmer Brothers continues to create craft beers with a unique and unconventional twist on traditional styles that are award winning and please a wide range of craft beer lovers. Redhook began in a Seattle transmission shop in 1981 and those colorful roots are reflected in the brand's personality to this day. The eminently drinkable beers consistently win awards and please crowds across the United States. Kona Brewing was founded in 1994 by the father and son team of Cameron Healy and Spoon Khalsa, who dreamed of crafting fresh, local-island brews with spirit, passion and quality. As the largest craft brewery in Hawaii, Kona personifies the laid-back, passionate lifestyle and environmental respect of the Hawaiian people and culture. Omission beer is the first craft beer brand in the United States focused exclusively on brewing great tasting craft beers with traditional beer ingredients, including malted barley, that are specially crafted to remove gluten. Square Mile Cider was inspired by the fortitude and perseverance of the original pioneers and reinvigorates an enduringly classic beverage.

For more information, visit: www.craftbrew.com.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Sales	$ 55,871	$ 53,022	$ 163,616	$ 145,113
Less excise taxes	3,798	3,668	11,031	10,143
Net sales	52,073	49,354	152,585	134,970
Cost of sales	37,428	34,512	107,526	96,221
Gross profit	14,645	14,842	45,059	38,749
As percentage of net sales	28.1%	30.1%	29.5%	28.7%
Selling, general and administrative expenses	13,554	11,602	40,824	36,312
Operating income	1,091	3,240	4,235	2,437
Interest expense	(111)	(62)	(317)	(374)
Other expense, net	(54)	(58)	(51)	(75)
Income before income taxes	926	3,120	3,867	1,988
Income tax provision	361	1,228	1,508	775
Net income	$ 565	$ 1,892	$ 2,359	$ 1,213
Income per share:				
Basic and diluted net income per share	$ 0.03	$ 0.10	$ 0.12	$ 0.06
Weighted average shares outstanding:				
Basic	19,052	18,937	19,019	18,916
Diluted	19,103	19,067	19,086	19,010
Total shipments (in barrels):				
Core Brands	204,900	200,100	602,400	548,000
Contract Brewing	10,400	6,900	30,000	21,900
Total shipments	215,300	207,000	632,400	569,900
Change in depletions (1)	6%	14%	8%	11%

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

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

	September 30, 2014	September 30, 2013
Current assets:		
Cash and cash equivalents	$ 1,469	$ 4,900
Accounts receivable, net	11,069	12,014
Inventories	19,152	15,377
Deferred income tax asset, net	1,686	1,633
Other current assets	3,297	3,170
Total current assets	36,673	37,094
Property, equipment and leasehold improvements, net	109,577	104,898
Goodwill	12,917	12,917
Intangible and other non-current assets, net	17,568	17,456
Total assets	$ 176,735	$ 172,365
Current liabilities:		
Accounts payable	$ 14,657	$ 15,782
Accrued salaries, wages and payroll taxes	5,677	4,764
Refundable deposits	8,449	9,108
Other accrued expenses	2,256	1,483
Current portion of long-term debt and capital lease obligations	1,208	671
Total current liabilities	32,247	31,808
Long-term debt and capital lease obligations, net of current portion	10,845	11,851
Other long-term liabilities	19,216	18,414
Total common shareholders' equity	114,427	110,292
Total liabilities and common shareholders' equity	$ 176,735	$ 172,365

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

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Cash Flows From Operating Activities:		
Net income	$ 2,359	$ 1,213
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,432	6,079
Deferred income taxes	316	224
Other, including stock-based compensation and excess tax benefit from employee stock plans	361	1,104
Changes in operating assets and liabilities:		
Accounts receivable	301	(1,501)
Inventories	(2,287)	(4,084)
Other current assets	106	638
Accounts payable and other accrued expenses	861	3,263
Accrued salaries, wages and payroll taxes	1,061	(503)
Refundable deposits	1,188	1,129
Net cash provided by operating activities	10,698	7,562
Cash Flows from Investing Activities:		
Expenditures for property, equipment and leasehold improvements	(12,936)	(7,361)
Proceeds from sale of property, equipment and leasehold improvements	236	-
Net cash used in investing activities	(12,700)	(7,361)
Cash Flows from Financing Activities:		
Principal payments on debt and capital lease obligations	(458)	(475)
Proceeds from capital lease financing	841	-
Proceeds from issuances of common stock	321	119
Tax payments related to performance shares issued	(150)	-
Excess tax benefit from employee stock plans	191	42
Net cash provided by (used in) financing activities	745	(314)
Decrease in cash and cash equivalents	(1,257)	(113)
Cash and cash equivalents, beginning of period	2,726	5,013
Cash and cash equivalents, end of period	$ 1,469	$ 4,900

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,	
	2014	**2013**	**2014**	**2013**
Net income	$ 565	$ 1,892	$ 2,359	$ 1,213
Interest expense	111	62	317	374
Income tax provision	361	1,228	1,508	775
Depreciation expense	2,117	2,026	6,251	5,892
Amortization expense	60	62	181	187
Stock-based compensation	361	284	805	632
Loss on disposal of assets	56	66	75	187
Adjusted EBITDA	$ 3,631	$ 5,620	$ 11,496	$ 9,260

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).