

BOSTON BEER CO INC  
Form DEF 14A  
April 20, 2009

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**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No.     )**

**Filed by the Registrant ☒ x**

**Filed by a Party other than the Registrant ☐ o**

Check the appropriate box:

- ☐ o Preliminary Proxy Statement
- ☒ x Definitive Proxy Statement
- ☐ o Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12
- ☐ o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

**The Boston Beer Company, Inc.**

*(Name of Registrant as Specified In Its Charter)*

**The Boston Beer Company, Inc.**

*(Name of Person(s) Filing Proxy Statement)*

**Payment of Filing Fee (Check the appropriate box):**

- ☒ x No fee required.
  - ☐ o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
    - 1) Title of each class of securities to which transaction applies:
    - 2) Aggregate number of securities to which transaction applies:
    - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
    - 4) Proposed maximum aggregate value of transaction:
    - 5) Total fee paid:
  - ☐ o Fee paid previously with preliminary materials.
  - ☐ o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
    - 1) Amount Previously Paid:
    - 2) Form, Schedule or Registration Statement No.:
    - 3) Filing Party:
    - 4) Date Filed:
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**THE BOSTON BEER COMPANY, INC.**

**NOTICE OF THE 2009 ANNUAL MEETING OF STOCKHOLDERS**

**June 2, 2009**

To our Stockholders:

The 2009 Annual Meeting of the Stockholders of THE BOSTON BEER COMPANY, INC. (the Company) will be held on Tuesday, June 2, 2009, at 9:00 a.m. at The Brewery located at 30 Germania Street, Boston, Massachusetts, for the following purposes:

1. The election by the holders of the Class A Common Stock of three (3) Class A Directors, each to serve for a term of one (1) year, as more fully described in the accompanying Proxy Statement.
2. The election by the sole holder of the Class B Common Stock of five (5) Class B Directors, each to serve for a term of one (1) year.
3. To consider and act upon any other business which may properly come before the meeting.

The Board of Directors has fixed the close of business on April 3, 2009 as the record date for the meeting. Only stockholders of record on that date are entitled to notice of and to vote at the meeting.

The foregoing items of business are more fully described in the Proxy Statement accompanying this letter.

**WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, WE URGE YOU TO VOTE YOUR SHARES OVER THE INTERNET OR VIA THE TOLL-FREE NUMBER AS DESCRIBED IN THE ENCLOSED MATERIALS. IF YOU RECEIVED A COPY OF THE PROXY CARD BY MAIL, YOU MAY SIGN, DATE AND MAIL THE PROXY CARD IN THE ENVELOPE PROVIDED.**

By order of the Board of Directors

C. James Koch,  
*Secretary/Clerk*

Boston, Massachusetts  
April 20, 2009

**Important Notice Regarding the Availability of Proxy Materials for the  
Annual Meeting of Stockholders to be Held on June 2, 2009**

The Notice of Annual Meeting, Proxy Statement and the Annual Report to Stockholders are available on the Internet. If your shares are held in your name, you may access the materials at <http://bnymellon.mobular.net/bnymellon/sam>. If your shares are held in the name of a bank, broker or other holder of record, you may access the materials at [www.proxyvote.com](http://www.proxyvote.com).

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**THE BOSTON BEER COMPANY, INC.**

**PROXY STATEMENT**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of The Boston Beer Company, Inc. (the Company) for use at the 2009 Annual Meeting of Stockholders to be held on Tuesday, June 2, 2009, at the time and place set forth in the notice of the meeting, and at any adjournments thereof.

**Proxy Materials are Available Electronically**

As permitted by the Securities and Exchange Commission (SEC) rules, the Company is making this proxy statement and its annual report available to its stockholders electronically via the Internet. On or about April 20, 2009, the Company mailed to its stockholders a Notice containing instructions on how to access this proxy statement and the Company's annual report online. Those stockholders who received a Notice by mail will not receive a printed copy of the proxy materials in the mail. Instead, the Notice provides instructions on how to access and review all of the important information contained in the proxy statement and annual report and how stockholders may submit their proxy over the Internet. Stockholders who received a Notice by mail and would like to receive a printed copy of the Company's proxy materials should follow the instructions for requesting such materials contained in the Notice.

**Information about Voting**

Stockholders can vote in person at the Annual Meeting or by proxy.

*If your shares are held in your name*, there are three ways to vote by proxy: by Internet, by toll-free telephone or by mail. If you access the Company's proxy materials via the Internet, you may vote electronically, by telephone or request a proxy card to mail. If you request a printed copy of the Company's proxy materials, by following the instructions on the proxy card, you can vote by Internet, by telephone (toll-free) or by signing, dating and mailing the proxy card that is enclosed.

*If your shares are held in the name of a bank, broker or other holder of record*, you will receive instructions from the holder of record. You must follow the instructions of the holder of record in order for your shares to be voted. Telephone and Internet voting also will be offered to stockholders owning shares through certain banks and brokers. If your shares are not registered in your own name and you plan to vote your shares in person at the Annual Meeting, you must contact your broker or agent to obtain a legal proxy or broker's proxy card and bring it to the Annual Meeting in order to vote.

Internet and telephone voting facilities for stockholders of record will be available 24 hours a day and will close at 11:59 p.m. (EDT) on June 1, 2009.

If you vote by proxy, the individuals named on the proxy card (your proxies) will vote your shares in the manner you indicate. You may specify whether your shares should be voted for or against all, some or none of the nominees for director. If you sign and return the proxy card without indicating your instructions, your shares will be voted FOR the election of the three (3) nominees for Class A Directors. In addition, if other matters come before the meeting, the persons named in the accompanying proxy and acting thereunder will have discretion to vote on these matters in accordance with their best judgment.

You may revoke or change your proxy at any time before it is exercised by (1) delivering to the Company a signed proxy card with a date later than your previously delivered proxy, (2) voting in person at the Annual Meeting, (3) granting a subsequent proxy through the Internet or telephone, or (4) sending a written revocation to the Company's

Corporate Secretary, Kathleen H. Wade. Your most current proxy card or telephone or Internet proxy is the one that is counted.

The holders of a majority in interest of the issued and outstanding Class A Common Stock are required to be present in person or to be represented by proxy at the meeting in order to constitute a quorum for the election of the Class A Directors. The election of each of the nominees for Class A Director, as set forth below in this Proxy Statement in greater detail, will be decided by plurality vote of the holders of Class A Common Stock present in person or represented by proxy at the Meeting. The affirmative vote of the sole holder of the outstanding shares of

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Class B Common Stock, voting in person or by proxy at the meeting, is required to elect the Class B Directors, also as set forth below in this Proxy Statement in greater detail.

Abstentions and non-votes are counted as present in determining whether the quorum requirement is satisfied. A non-vote occurs when a nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner. Abstentions and broker non-votes will not be taken into account in determining the outcome of the election of directors.

The Company will bear the cost of the solicitation. Officers and regular employees of the Company, without being additionally compensated, may solicit proxies by mail, telephone, telegram, facsimile or personal contact. All reasonable proxy soliciting expenses will be paid by the Company in connection with the solicitation of votes for the Annual Meeting.

The Company's principal executive offices are located at One Design Center Place, Suite 850, Boston, Massachusetts 02210, telephone number (617) 368-5000.

**RECORD DATE AND VOTING SECURITIES**

Only stockholders of record at the close of business on April 3, 2009, are entitled to notice of and to vote at the meeting. On that date, the Company had outstanding and entitled to vote 10,150,762 shares of Class A Common Stock, \$.01 par value per share, and 4,107,355 shares of Class B Common Stock, \$.01 par value per share. Each outstanding share of the Company's Class A and Class B Common Stock entitles the record holder to one (1) vote on each matter properly brought before the Class.

**Items 1 and 2. *ELECTION OF CLASS A AND CLASS B DIRECTORS***

Upon the recommendation of the Nominating/Governance Committee, the Board of Directors proposes that the initial number of Directors for the ensuing year be fixed at eight (8), consisting of three (3) Class A Directors to be elected by the holders of the Class A Common Stock for a term of one (1) year, and five (5) Class B Directors to be elected by the sole holder of the Class B Common Stock, also for a term of one (1) year, reserving the right of the sole holder of the Class B Common Stock to increase the number of Class B Directors to up to seven (7) at such time as he deems appropriate and to elect up to two (2) additional Class B Directors accordingly.

It is proposed that the holders of the Class A Common Stock elect each of the three (3) nominees for Class A Director to serve for a term of one (1) year and until his successor is duly elected and qualified or until he sooner dies, resigns or is removed.

It is anticipated that the sole holder of the Class B Common Stock will elect each of the five (5) nominees for Class B Director also to serve for a term of one (1) year and until his successor is duly elected and qualified or until he sooner dies, resigns or is removed. Three (3) of the five (5) nominees for Class B Directors are either Executive Officers of the Company or immediate family members of such Executive Officers.

The persons named in the accompanying proxy will vote, unless authority is withheld, for the election as Class A Directors of the three (3) nominees named below. In the event that any of the nominees should become unavailable for election, which is not anticipated, the persons named in the accompanying proxy will vote for such substitute nominees as the incumbent Class A Directors, acting pursuant to Section 4.8 of the Company's By-Laws as a nominating committee, may nominate. As indicated below, none of the nominees for Class A Directors are Executive Officers of the Company or its subsidiaries nor immediate family members of such Executive Officers.





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*Nominees Proposed in Accordance with the Terms of the Articles of Organization, By-Laws of the Company and the Corporate Governance Guidelines.* Set forth below are the nominees for election as Class A and Class B Directors, respectively, for terms ending in 2010 and certain information about each of them.

**Class A Directors:**

<b>Name of Nominee</b>	<b>Age</b>	<b>Year First Elected a Director</b>	<b>Position With the Company or Principal Occupation During the Past Five Years</b>
David A. Burwick	47	2005	Mr. Burwick is currently Senior Vice President and Chief Marketing Officer of PepsiCo North American Beverages, headquartered in New York. Before assuming this position in April 2008, he had been Executive Vice President, Commercial, of PepsiCo International and President of Pepsi-QTG Canada, headquartered in Toronto, a position he held from November 2005 to March 2008. Mr. Burwick has held several positions with Pepsi-Cola North America, including serving as Senior Vice President and Chief Marketing Officer from June 2002 immediately prior to his move to Pepsi-QTG Canada.
Pearson C. Cummin, III	66	1995	Mr. Cummin served as a general partner of Consumer Venture Partners, a Greenwich, Connecticut based venture capital firm, from January 1986 to December 2002. Mr. Cummin also serves as a Director, Chairman of the Compensation Committee and a member of the Nominating/Governance Committee of Pacific Sunwear of California, Inc., a California-based specialty apparel retailer.
Jean-Michel Valette	48	2003	Mr. Valette currently serves as an independent advisor to select branded consumer companies. He is Chairman of the Board and a member of the Audit and Nominating/Governance Committees of Peet's Coffee and Tea Inc., a California-based specialty coffee company, and serves as a Director and Chairman of the Finance Committee and a member of the Audit Committee of Select Comfort Corporation, a Minneapolis-based bed company. Until October 2006, he was also Chairman of Robert Mondavi Winery, a California wine company. Prior to assuming that position, he had served as President and Managing Director of Robert Mondavi Winery from October 2004 to January 2005. Mr. Valette had been a Class B Director of the Company from May 2003 through May 2006.



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<b>Name of Nominee</b>	<b>Age</b>	<b>Year First Elected a Director</b>	<b>Position With the Company or Principal Occupation During the Past Five Years</b>
C. James Koch	59	1995	Mr. Koch founded the Company in 1984 and currently serves as the Chairman and Clerk of the Company. Until January 2001, Mr. Koch also served as the Company's Chief Executive Officer.
Charles J. Koch	86	1995	Mr. Koch, a former brewmaster, is the father of founder C. James Koch. In 1989, Mr. Koch retired as founder and co-owner of Chemicals, Inc., a distributor of brewing and industrial chemicals in southwestern Ohio.
Jay Margolis	60	2006	Mr. Margolis currently is an independent investor. From October 2005 through July 2007, Mr. Margolis served as the President and CEO of the Apparel Group of Limited Brands located in Ohio. Before assuming that position, he had been President and Chief Operating Officer of Massachusetts-based Reebok, Inc. since 2001, where he also served as a Director.
Martin F. Roper	46	1999	Mr. Roper is the Chief Executive Officer of the Company. Prior to assuming that position in January 2001, he had served as the President and Chief Operating Officer of the Company since December 1999. Mr. Roper joined the Company as Vice President of Manufacturing and Business Development in September 1994 and became the Chief Operating Officer in April 1997. In November 2007, Mr. Roper joined the Board of Directors, of Lumber Liquidators, Inc., a Virginia-based hardwood flooring retailer and is Chair of the Compensation Committee and a member of the Audit Committee.
Gregg A. Tanner	52	2007	Mr. Tanner is currently Executive Vice President and Chief Supply Chain Officer of Dean Foods Company of Dallas, TX, a position he has held since November 2007. From July 2006 through October 2007, Mr. Tanner was Senior Vice President, Global Operations for The Hershey Company of Hershey, PA. He was with ConAgra Foods of Omaha, NE from September 2001 through July 2005, holding the position of Senior Vice President, Retail Supply Chain from June 2002 through July 2005. Prior to that, Mr. Tanner held positions of increasing responsibility at the Quaker Oats Company and Ralston Purina Company.

## **CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS**

The Company is committed to having sound corporate governance principles. The Company's Code of Business Conduct and Ethics, which applies to the Company's directors, officers and employees, the Company's Corporate Governance Guidelines and the charters of the Audit, Compensation and Nominating/Governance Committees are available on the Company's website, [www.bostonbeer.com/CorporateGovernance](http://www.bostonbeer.com/CorporateGovernance), and are also available in print to any stockholder who requests them. Such requests should be directed to the Investor Relations Department, The Boston Beer Company, Inc., One Design Center Place, Suite 850, Boston, MA 02210.

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### **Board Independence**

The Board has determined that all of the Class A directors standing for election, namely, Messrs. Burwick, Cummin and Valette, and two (2) of the Class B directors standing for election, namely, Messrs. Margolis and Tanner, together constituting a majority of the Board of Directors, have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and are independent as provided in the New York Stock Exchange ( NYSE ) and Securities and Exchange Commission ( SEC ) director independence standards. In addition, the Board has determined that each member of the Audit, Compensation and Nominating/Governance Committees has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and is independent as provided in the NYSE and SEC director independence standards.

### **Board Meetings and Structure; Committee Composition**

During the Company's 2008 fiscal year, there were five (5) regular meetings of the Board of Directors of the Company. All of the Directors attended, either in person or by telephone, all or a portion of all board meetings and all meetings of the Committees of the Board of Directors on which they served.

The Company strongly encourages all Directors to attend annual meetings of stockholders. All Directors except one attended the last annual meeting of stockholders.

As of the date of this Proxy Statement, the Board has eight (8) Directors and three (3) standing committees, namely, the Audit Committee, the Compensation Committee and the Nominating/Governance Committee. Committee membership during the last fiscal year and the function of each committee are described below. Each of the committees operates under a written charter adopted by the Board.

#### **Audit Committee**

The Audit Committee of the Board of Directors assists the Board in fulfilling its responsibility to oversee management's conduct of the Company's financial reporting process, including overseeing the financial reports and other financial information provided by the Company's systems of internal accounting and financial controls and the annual independent audit of the Company's financial statements. The Audit Committee prepares the Audit Committee report for inclusion in the annual proxy statement; annually reviews the Audit Committee charter and the committee's performance; appoints, evaluates and determines the compensation of the Company's independent auditors; reviews and approves the scope of the annual audit, the audit fee and the financial statements; pre-approves all audit and non-audit services provided to the Company by the Company's independent auditors; reviews the Company's disclosure controls and procedures, internal controls and corporate policies relating to financial information and earnings guidance; reviews other risks that may have a significant impact on the Company's financial statements and periodically reviews the Company's internal audit function with respect to evaluating the Company's activities that support internal risk management, financial and operational controls and governance processes.

The present members of the Audit Committee are Pearson C. Cummin, III (Chair), Gregg A. Tanner, and Jean-Michel Valette. The Audit Committee had four (4) meetings in 2008. The report of the Audit Committee is included in this Proxy Statement on page 23.

#### **Compensation Committee**

The Compensation Committee discharges the Board's responsibilities relating to compensation of the Company's officers and directors and exercises overall responsibility for evaluating and approving compensation programs and

policies of the Company relating to officers and directors; provides general oversight of the Company's compensation structure, including the Company's equity compensation plans; reviews and makes recommendations to the Board concerning policies or guidelines with respect to employment agreements, severance arrangements, change-in-control agreements or arrangements involving senior executive officers and directors of the Company; reviews and approves corporate goals and objectives relevant to the compensation of the Chairman and CEO, evaluates the performance of the Chairman and the CEO in light of those goals and objectives,

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and sets the compensation level for the Chairman and the CEO; reviews and approves the compensation parameters of other senior executives of the Company; makes reports to the Board of Directors on a regular basis; reviews its own performance and reviews and reassesses the adequacy of its charter and recommends any proposed changes to the Board of Directors for its approval; and issues an annual report, including a discussion and analysis of executive compensation, for inclusion in the Company's proxy statement.

The present members of the Compensation Committee are David A. Burwick (Chair), Pearson C. Cummin III, and Jay Margolis. The Compensation Committee held three (3) meetings in 2008. The Compensation Discussion and Analysis and the Report of the Compensation Committee are included in this Proxy Statement beginning on page 10.

## **Nominating/Governance Committee**

The Nominating/Governance Committee assists the Board by identifying individuals qualified to become Board members, recommending nominees for election as Class A Directors to the full Board of Directors, recommending to the Board nominees for each Board committee, developing and recommending to the Board a set of corporate governance principles applicable to the Company and overseeing an annual evaluation of the Board and management. The Nominating/Governance Committee periodically assesses the size and composition of the Board; reviews the adequacy of the Company's corporate governance guidelines and recommends any necessary changes to the full Board for approval; and reviews director independence and financial literacy and expertise of Audit Committee members. The Chairman of the Nominating/Governance Committee receives communications directed to non-management directors.

The present members of the Nominating/Corporate Governance Committee are Jean-Michel Valette (Chair), David A. Burwick and Jay Margolis. The Nominating/Corporate Governance Committee met two (2) times in 2008.

## **Executive Sessions**

Those non-management directors who are independent met in scheduled executive sessions without management five (5) times during the Company's 2008 fiscal year. These sessions were chaired by Jean-Michel Valette.

## **Compensation of Directors**

The first time a non-management director is elected to the Board of Directors, he or she receives an option grant for 5,000 shares of the Company's Class A Common Stock. Thereafter, each year, non-management directors receive \$7,500 as an annual retainer, as well as an option grant for 5,000 shares of the Company's Class A Common Stock. Members of the Audit Committee receive an additional annual retainer of \$9,000, except for the Chair of the Audit Committee who receives an annual retainer of \$11,000 for his services as a member and Chair. The Chairs of the Compensation and Nominating/Governance Committees each receive an additional annual retainer of \$2,500. The other non-management Directors who serve on Committees receive an annual retainer of \$500 for each Committee of which such Director is a member. Non-management directors also receive compensation for attending Board and Committee meetings as follows: \$3,000 for each Board meeting attended in person; \$1,000 for each Board meeting attended by telephone; \$750 for each Committee meeting attended in person; and \$200 for each Committee meeting attended by telephone. All retainers and the annual option grant are pro-rated if the non-management Director is appointed after the annual meeting of stockholders. In 2003, the Board of Directors voted to make a one-time incremental option grant for 5,000 shares to all current non-management directors upon their re-election to the Board.

All options to non-management directors are granted under the Company's Non-Employee Director Stock Option Plan, as amended and restated (the "Director Option Plan"). As provided in the Director Option Plan, options carry an exercise price equal to the fair market value of the underlying shares on the date of grant, are immediately fully vested

and expire ten (10) years after the date of grant or three (3) years after the grantee ceases to be a director of the Company, whichever occurs sooner. In October 2004, the Director Option Plan was amended and restated by action of the sole Class B Stockholder, pursuant to which the number of shares of Class A Common Stock available for issuance under the Plan was increased from 200,000 shares to 350,000 shares.



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The following table sets forth certain information concerning the compensation of all directors who are not named executive officers of the Company for the Company's fiscal year ended December 27, 2008:

**DIRECTOR COMPENSATION  
DURING FISCAL YEAR ENDED DECEMBER 27, 2008(1)**

<b>Name</b>	<b>Fees Earned &amp; Paid in Cash(\$)</b>	<b>Option Awards(\$)(2)</b>	<b>All Other Compensation(\$)</b>	<b>Total(\$)</b>
David A. Burwick	\$ 20,950	\$ 61,844(3)	\$ 0	\$ 82,794
Pearson C. Cummin, III	\$ 35,600(4)	\$ 61,844(3)	\$ 0	\$ 97,444
Charles J. Koch	\$ 12,500	\$ 61,844(3)	\$ 0	\$ 74,344
Jay Margolis	\$ 25,250	\$ 61,844(3)	\$ 0	\$ 87,094
Gregg A. Tanner	\$ 30,850(4)	\$ 61,844(3)	\$ 0	\$ 92,694
Jean-Michel Valette	\$ 34,850(4)	\$ 61,844(3)	\$ 0	\$ 96,694

- (1) None of the directors received any non-equity incentive plan compensation or deferred compensation. As of December 27, 2008, the aggregate number of stock options held by directors who are not named executive officers is shown below:

<b>Name</b>	<b>Number of Options</b>
David A. Burwick	26,000
Pearson C. Cummin, III	52,500
Charles J. Koch	47,500
Jay Margolis	21,000
Gregg A. Tanner	13,000
Jean-Michel Valette	35,000

- (2) Reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 27, 2008, in accordance with Statement of Financial Accounting Standards No. 123 (revised) (SFAS No. 123R), *Share-Based Payment*, of awards pursuant to the Company's 1996 Non-Employee Director Stock Option Plan and includes amounts from awards granted in 2008. The methods used in the calculation of these amounts are described in Notes B and L to the Company's audited financial statements for the fiscal year ended December 27, 2008 included in the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2009. The actual amount realized by the Director will likely vary based on a number of factors, including the Company's performance and stock price fluctuations. The assumptions used in valuing the stock option grants to the respective named directors in accordance with SFAS No. 123R are discussed in Footnote L to the Company's consolidated financial statements in the Annual Report on Form 10-K.
- (3) Each Director was granted an option to purchase 5,000 shares of the Company's Class A Common Stock on May 23, 2008, under the Company's Non-Employee Director Stock Option Plan at an exercise price of \$39.625, the average of the high and low price of such stock on the date of grant. All options are fully vested as of the date of grant.

- (4) Includes payment of \$400 earned in 2008 for two telephonic Audit Committee meetings, but which was paid in February 2009.

#### **Consideration of Nominees for Director**

##### ***Identifying and Evaluating Nominees for the Board of Directors***

The Nominating/Governance Committee employs a variety of methods for identifying and evaluating nominees for director. The Committee assesses and reviews with the full Board at least annually the skills and characteristics that should be reflected in the composition of the Board as a whole. The review includes an examination of the extent to which the requisite skills and characteristics are reflected in the then current Board

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members and seeks to identify any particular qualifications that should be sought in new directors for the purpose of augmenting the skills and experience represented on the Board. The assessment takes into account issues of experience, judgment, age and diversity in aspects of business relevant to the Company's affairs, all in the context of the perceived needs of the Board at that time. Candidates may come to the attention of the Committee through a number of sources, including current Board members, professional search firms, shareholders or other persons. Candidates are evaluated at regular or special meetings of the Nominating/Governance Committee and may be considered at any point during the year.

### ***Shareholder Nominees***

The policy of the Nominating/Governance Committee is to consider properly submitted shareholder nominations for candidates for membership on the Board as described above under Identifying and Evaluating Nominees for the Board Directors. The same process is used for evaluating a director candidate submitted by a shareholder as is used in the case of any other potential nominee. Any shareholder nominations proposed for consideration by the Nominating/Governance Committee should include the nominee's name and qualifications for Board membership and should be addressed to:

Chair, Nominating/Governance Committee  
The Boston Beer Company, Inc.  
One Design Center Place, Suite 850  
Boston, MA 02210

If the Company receives a communication from a shareholder nominating a candidate that is not submitted as described above, it will forward such communication to the Chair of the Nominating/Governance Committee.

### **Communications with the Board**

Stockholders and other interested parties may communicate with the Board of Directors or any individual director by submitting an email to the Company's Board at [bod@bostonbeer.com](mailto:bod@bostonbeer.com). All Directors have access to this email address. Communications that are intended specifically for non-management Directors should be sent to the email address above to the attention of the Chairman of the Nominating/Governance Committee.

## **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding beneficial ownership of the Company's Class A Common Stock and Class B Common Stock as of March 30, 2009 by:

each person (or group of affiliated persons) known by the Company to be the beneficial owner(s) of more than five percent (5%) of the outstanding Class A Common Stock;

each current director of the Company, director nominees and the executive officers of the Company named in the Summary Compensation Table on page 18 (named executive officers); and

all current directors and executive officers of the Company as a group.

The information provided in the table is based on the Company's records, information filed with the SEC and information provided to the Company, except where otherwise noted.

Beneficial ownership is determined under the rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under those rules, beneficial ownership includes any shares as to which the individual has the sole or shared voting power or investment power and also any shares that the individual has the right to acquire under certain circumstances. Unless otherwise indicated, each person named below held sole voting and investment power over the shares listed. All shares are Class A Common Stock, except for shares of Class B Common Stock held by C. James Koch.

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Name of Beneficial Owner	Shares Beneficially Owned(1)	
	Number	Percent
<b>C. James Koch</b> (1)(2)	4,539,377	31.8%
<b>Martin F. Roper</b> (1)(3)	373,059	*
<b>David A. Burwick</b> (1)(4)	26,200	*
<b>Pearson C. Cummin, III</b> (1)(5)	71,423	*
<b>Charles J. Koch</b> (1)(6)	60,000	*
<b>Jay Margolis</b> (1)(7)	26,000	*
<b>Gregg A. Tanner</b> (1)(8)	13,000	*
<b>Jean-Michel Valette</b> (1)(9)	54,500	*
<b>William F. Urich</b> (1)(10)	175,394	*
<b>Robert H. Hall</b> (1)(11)	49,900	*
<b>Thomas W. Lance</b> (1)(12)	30,000	*
<b>John C. Geist</b> (1)(13)	20,850	*
<b>Barclays Global Investors, NA</b> (14) Barclays Global Fund Advisors 45 Fremont Street, San Francisco, CA 94105	694,619	6.8%
<b>Lord, Abbett &amp; Co LLC</b> (14) 90 Hudson Street, Jersey City, NJ 07302	735,094	7.2%
<b>Neuberger Berman Inc.</b> (14) Neuberger Berman, LLC Neuberger Berman Management, LLC Neuberger Berman Equity Funds 605 Third Avenue, New York, NY 10158	1,251,728	12.3%
<b>Renaissance Technologies , LLC and James H. Simons</b> (14) 800 Third Avenue, New York, NY 10022	597,300	5.9%
<b>All Directors, Nominees for Director and Executive Officers as a group</b> (13 people)	5,455,143	36.2%

\* Represents holdings of less than one percent (1%).

- (1) The mailing address for all Directors, nominees and named executive officers is c/o The Boston Beer Company, Inc., One Design Center Place, Suite 850, Boston, MA 02210.
- (2) Includes 4,107,355 shares of Class B Common Stock, constituting all of the outstanding shares of Class B Common Stock, options to acquire 13,800 shares of Class A Common Stock exercisable currently or within sixty (60) days and 298 shares of Class A Common Stock purchased under the Company's Investment Share Plan which are not yet vested. Also includes 27,142 shares of Class A Common Stock held by Mr. Koch as custodian for the benefit of his children for which he has sole voting and investment power, but to which Mr. Koch disclaims any beneficial ownership.
- (3)

Includes options to acquire 353,263 shares of Class A Common Stock exercisable currently or within sixty (60) days and 1,030 shares of Class A Common Stock purchased under the Company's Investment Share Plan which are not yet vested.

- (4) Includes options to acquire 26,000 shares of Class A Common Stock exercisable currently or within sixty (60) days.
- (5) Includes options to acquire 50,000 shares of Class A Common Stock exercisable currently or within sixty (60) days.
- (6) Includes options to acquire 47,500 shares of Class A Common Stock exercisable currently or within sixty (60) days. Does not include 1,000 shares of Class A Common Stock owned by Mr. Koch's spouse nor 3,000 shares held in trust in which Mr. Koch disclaims any beneficial ownership.

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- (7) Includes options to acquire 21,000 shares of Class A Common Stock exercisable currently or within sixty (60) days.
- (8) Consists of options to acquire 13,000 shares of Class A Common Stock exercisable currently or within sixty (60) days.
- (9) Includes options to acquire 35,000 shares of Class A Common Stock exercisable currently or within sixty (60) days.
- (10) Includes options to acquire 172,900 shares of Class A Common Stock exercisable currently or within sixty (60) days and 2,063 shares of Class A Common Stock purchased under the Company's Investment Share Plan which are not yet vested.
- (11) Consists of options to acquire 49,900 shares of Class A Common Stock exercisable currently or within sixty (60) days.
- (12) Includes option to acquire 10,000 shares of Class A Common Stock exercisable currently or within sixty (60) days and 6,000 restricted shares of Class A Common Stock which are not yet vested.
- (13) Consists of options to acquire 17,700 shares of Class A Common Stock exercisable currently or within sixty (60) days and 3,150 shares of Class A Commons Stock purchased under the Company's Investment Share Plan which are not yet vested.
- (14) Information has been derived from Schedule 13G for the year ended December 31, 2008 filed with the SEC.

**COMPENSATION DISCUSSION AND ANALYSIS AND  
REPORT OF THE COMPENSATION COMMITTEE<sup>(1)</sup>**

**Role and Composition of the Compensation Committee**

The Compensation Committee discharges the Board's responsibilities relating to compensation of the Company's officers and directors, with overall responsibility for evaluating and approving compensation programs and policies of the Company relating to officers and directors, as well as the Company's Employee Equity Incentive Plan that applies to all employees of the Company. This includes reviewing the competitiveness of executive compensation programs, evaluating the performance of the Company's executive officers and approving their annual compensation and equity awards. The Committee reviews and approves corporate goals and objectives relevant to the compensation of the Chairman, if a member of management, the Chief Executive Officer (CEO), and other senior executive officers of the Company; evaluates their performance in light of those goals and objectives; and sets the compensation level of the Chairman, the CEO and senior executive officers based on this evaluation. In discharging its responsibilities, the Compensation Committee endeavors to develop compensation structures for individual officers that reflect the responsibilities of their respective positions and past achievements with the Company, compensation awarded to them in the past, and compensation awarded to executives at companies considered comparable by the Compensation Committee, as well as the Company's performance and return to shareholders. The specific authority and responsibilities of the Compensation Committee are described in the Compensation Committee Charter, a copy of which may be found on the Company's web site, [www.bostonbeer.com](http://www.bostonbeer.com).

The Compensation Committee is comprised of three (3) members, each of whom meets the independence requirements established by the New York Stock Exchange. The Committee met three (3) times in 2008, with all

members present and acting throughout. Other independent Directors usually attended each of the meetings, but have no vote. The Chairman and CEO attended each of the meetings, but recused themselves when the matters of their performance evaluation and compensation were discussed.

<sup>(1)</sup> The material in this report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.



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The Committee did not engage any outside advisors in 2008. In 2004, the Committee engaged a nationally-recognized consulting firm specializing in executive compensation to provide it with competitive benchmarking for executive compensation and to assist the Committee in developing a long-term incentive strategy. The consulting firm reported the results of its analysis to the Committee in February 2005. The initial benchmarking study was updated in 2007. The consulting firm was directly accountable to the Committee and has not provided any other services to the Company.

### **Compensation Philosophy and Practice**

The Company operates in the highly competitive alcoholic beverages industry. The key objectives of the Company's executive compensation programs are to attract, motivate and retain executives who drive the Company's success. The Company achieves these objectives through a compensation philosophy that provides employees with a distinctive overall compensation package under which performers have the opportunity to earn competitive compensation over the long term through a combination of base salary and cash and equity awards based on performance. These programs are designed to (i) provide executives with competitive cash and stock compensation with a significant portion of total compensation at risk tied to individual performance and Company performance, as well as the creation of shareholder value; (ii) provide higher compensation to high-value contributors and high performers in the most critical areas of the Company's business; and (iii) encourage executives to act as owners with an equity stake in the Company.

### **Components of Executive Compensation**

Compensation of the Company's executives is substantially weighted towards performance-based compensation. Salary generally constitutes approximately 40% to 60% of the total compensation of the Company's executive officers (excluding the CEO and the Chairman), with the remainder being bonuses and equity compensation, both of which are primarily performance-based. For executives and other senior managers of the Company, the proportion of compensation provided by equity and the proportion of total compensation at risk increases with the level of responsibility and ability to impact the value of the business. In 2008, of the total compensation paid to the Company's current named executive officers other than the CEO and Chairman, salary constituted 43% to 61%, bonuses (based on 2008 performance) constituted 18% to 21%, and equity compensation, all of which was in the form of performance-based stock options, constituted 13% to 31%. The performance criteria for the contingent vesting options granted to certain executive officers in 2008 were not met. As a result, such options lapsed and no compensation was realized by those executive officers in question as a result of the granting of the options.

**Base Salary.** Base salaries are determined based on a variety of factors, including the executive's scope of responsibilities, tenure and a comparison of salaries paid to peers within the Company and to those with similar roles at other companies. Base salaries are set at levels that allow the Company to attract and retain superior managers that will enable the Company to deliver on its business goals. Base salaries are reviewed annually and may be adjusted after considering the above factors.

The CEO makes recommendations to the Compensation Committee for base salaries of each executive officer, excluding the Chairman and the CEO, and the Chairman makes the recommendation to the Compensation Committee for the base salary of the CEO. When setting the base salaries of these executive officers, the Committee, while considering the recommendations of the CEO and the Chairman, makes the final determination based on the factors listed above and each executive officer's performance during the previous year.

**Bonus.** Executives have the opportunity to earn a bonus based on a percentage of their base salary. Criteria for these executive bonuses are determined based on a combination of qualitative and quantitative measures, the details of which are established each year for each executive as performance goals. These goals will vary for each executive

based on his or her responsibilities and role within the Company and may include financial or strategic measures, including, among others, sales, profitability, brand health, quality, cost reductions, customer satisfaction and other strategic initiatives. The goals are intended to require performance beyond the expected that results in matching or exceeding the Company's plan. Individual bonus awards reflect the individual's performance compared to his or her performance goals for the year, as well as the overall performance of the Company.

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The CEO makes recommendations to the Compensation Committee for the Company-wide performance goals and the bonus goals and weighting for each executive officer, including those of the CEO and Chairman. The CEO also provides the Compensation Committee with his assessment of the performance of each executive against his or her bonus goals and proposed bonus payout. When determining the bonus structure and goals and the bonus payout for executive officers, the Compensation Committee, while considering the recommendations of the CEO, makes the final determination based on the factors listed above, each executive officer's performance, and that of the department that he or she led during the year relative to the performance-based goals. The determination of the bonus earned is generally made within the first three months after the end of the fiscal year, allowing sufficient time to assess the achievement of the bonus goals. On occasion, additional bonuses in excess of those calculated to have been earned have been given by the Compensation Committee in recognition of exceptional performance.

## **Equity Compensation**

*Discretionary Stock Options.* Under the Company's Employee Equity Incentive Plan (the "EEIP"), employees are eligible to receive stock option grants. While generally granted on an annual basis, all option grants are discretionary and may be granted by the Board, upon the recommendation of the Compensation Committee, at any time. Although infrequent, under certain circumstances, such as the hiring of a new executive officer, as a part of a performance review, a promotion or making a mid-year compensation adjustment, options may be granted at other times during the year and such options may have vesting and performance criteria that differ from the annual grants.

Most of the options granted by the Company vest over a 5-year period, at the rate of 20% each year, and have a term of 10 years. Recently, options have been granted only to executive officers and other senior managers of the Company and in most cases vesting has been contingent on the Company achieving certain performance criteria in the fiscal year immediately following the date of grant. That is, the number of shares, if any, as to which the option becomes exercisable in any year is dependent upon the Company's performance measured against a benchmark, as determined by the Company's Board of Directors. The performance-based options frequently have two tiers of criteria and provide that, in the event the criteria in either tier or both tiers are not met, the option lapses as to 50% or all of the shares that would have vested had the performance criteria been satisfied. Each year, the conditions for vesting are determined by the Board of Directors for the performance-based options that are granted in that year. The Compensation Committee believes that stock options are an effective way to reward executives and senior managers, as they provide significant equity compensation if the value of the Company increases; and the performance-based vesting is intended to provide such compensation only if the Company's performance exceeds benchmarks.

In October of each year, the CEO makes preliminary recommendations to the Compensation Committee for stock option grants to each of the other executive officers and senior managers, taking into account his assessment of each executive's expected future contributions to the Company, as well as past performance. The CEO also makes recommendations as to the performance criteria to be met for such options to vest. Then, in December, the CEO makes his final recommendations and the Compensation Committee approves its recommendation to the Board of Directors, which may or may not vary from that of the CEO. The full Board of Directors then makes the final determination with respect to all discretionary stock option grants. When determining the number of shares to be subject to a stock option grant and vesting criteria for executive officers, the Compensation Committee, while considering the recommendations of the CEO, makes its determination based on the various factors mentioned above. Generally, all grants are effective January 1 of the following year and are priced at fair market value as of January 1. In the years 1999-2002, some options granted to certain executive officers were priced at a premium to fair market value. These options have now either been exercised or have lapsed. In 2008, contingent-vesting options to all but one executive officer and certain senior managers, excluding the CEO and the Chairman, were granted for a total of 73,500 shares.

*Restricted Stock Awards.* In December 2005, the Board of Directors, acting on the recommendation of the Compensation Committee, amended the EEIP to provide for the issuance of restricted stock to eligible employees. As with discretionary options, restricted stock awards are generally granted on an annual basis on January 1. The first such awards were made on January 1, 2006. These shares of restricted stock vest over a 5-year period, at the rate of 20% per year. Vesting is generally not tied to any performance criteria, although in 2007 two senior managers of the Company were awarded restricted stock with vesting dependent upon certain performance criteria. The

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performance criteria were not met and, hence, these two awards were cancelled in 2008. Restricted stock awards are generally granted to senior managers and key employees of the Company, who are not as directly involved in the overall performance of the Company. Restricted stock has value even if the share price decreases after the date of the award, and, therefore, is a more effective retention tool for these employees. The Company generally does not grant restricted stock awards to its most senior executives (approximately six individuals, including each of the named executive officers), as the Company currently believes that their equity compensation should be tied to the performance of the Company through stock options as described above.

As with options, initially in October and then in December, the CEO makes recommendations to the Compensation Committee for restricted stock awards to senior managers and key employees, along with his assessment of each employee's expected future contributions to the Company and past performance. When determining the number of shares to be subject to a restricted stock award, the Compensation Committee, while taking into consideration the recommendations of the CEO, makes its own determination based on the various factors mentioned above. The Compensation Committee then makes its recommendation to the Board of Directors and the Board of Directors makes the final determination of all restricted stock awards. As with stock options, restricted stock awards are effective January 1 of the following year and are valued at fair market value as of January 1. In 2008, awards of 35,713 shares of restricted stock were made to senior managers and key employees of the Company.

*Investment Shares.* Also under the EEIP, all employees who have been employed by the Company for at least one year may purchase such number of shares of the Company's Class A Common Stock as have a value, as determined pursuant to the EEIP, no greater than 10% of their annual base salary and bonus received in the immediately preceding year, up to a maximum investment of \$17,500. After two full years of service, Investment Shares may be purchased at a discount. The amount of the discount is tied to years of service and the maximum discount is 40%. Investment Shares vest at the rate of 20% per year over the 5-year period commencing on the date of purchase, contingent on continued employment with the Company. In December 2005, the Committee evaluated the participation in this Investment Share program by the CEO and Chairman and concluded that they were receiving adequate equity compensation opportunities through other EEIP programs. Therefore, on the recommendation of the Compensation Committee, the Board of Directors adopted a policy precluding the Chairman and the CEO from further participation in the Investment Share program, effective January 1, 2006. Other executive officers continue to be able to participate in the program.

## **Executive Benefits**

In 2008, the Company's executives were eligible for the same level and offering of benefits as were made available to other employees, including the Company's 401(k) plan and welfare benefit programs. The Company provides no additional benefits to its executives.

## **How Executive Pay Levels are Determined**

The Compensation Committee considers a number of factors in determining executive compensation, including, but not limited to, individual performance, responsibility level and role within the Company, tenure and a comparison of salaries paid to peers within the Company and to those with similar roles at other companies. As noted above, in 2004, the Committee retained a nationally-recognized executive compensation consulting firm to perform a benchmarking executive compensation study of a peer group consisting of 11 companies in the food, beverage and consumer products industry with similar revenue and market capitalization. In the fall of 2007, the firm was retained to provide an updated competitive analysis of executive compensation. For the 2007 study, an expanded peer group of 21 publicly-traded companies in the consumer products industry was selected, including companies with well-known, high-end product brands and revenue and market capitalization similar to the Company. The Company's executives (not including the Chairman) were matched against the market, based on similarity of job content and firm revenue.

All elements of compensation were assessed, namely, base salary, actual total cash compensation (base salary plus the actual bonus paid in the previous year), target total cash compensation (base salary plus target bonus award opportunity) and long-term incentives. The Committee applied the knowledge gained through this study in evaluating executive compensation for 2008.

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The Committee uses tally sheets that ascribe dollar amounts to the components of executive officer compensation, including salary, bonus and equity compensation. It also tabulates gains made by the executive officers through the exercise of options, unrealized gains in vested options and potential gains from unvested options at current market prices.

### **How the Company's Use of Equity Compensation is Determined**

As described above, based upon an overall review of equity compensation in the prior year, using the benchmarking study and a survey of executive officers and senior managers regarding their preference in type of equity compensation, the Company's compensation and retention strategy in 2008 included the use of stock options and restricted stock awards, as well as the continued availability of Investment Shares for purchase by all eligible employees (except the CEO and Chairman). The level of usage of discretionary options and restricted stock awards was determined based on factors such as individual performance and contribution to the Company's performance, the desired mix of cash and equity pay for different individuals, and, to a limited extent, the compensation levels at comparable companies relative to the Company's target compensation levels. Each year, the Compensation Committee, taking into consideration the recommendations of the CEO and the Chairman, determine the appropriate level of equity compensation, balancing these factors against the projected needs of the business, as well as financial considerations, including the projected impact on shareholder dilution. The Company emphasizes differentiation in executive compensation, with greatest emphasis on performers and individuals who significantly impact, or who have the potential to significantly impact, the Company's business.

### **Executive Compensation Recovery Policy**

The Committee has adopted an executive compensation recovery policy which applies to executive officers and the corporate controller. Under this policy, the Company may recover incentive income that was based on achievement of quantitative performance targets, if an executive officer engaged in intentional misconduct that resulted in an increase in his or her incentive income. Incentive income includes income related to annual bonuses, discretionary options and restricted stock awards.

### **Compensation of the Chief Executive Officer**

The Committee reviewed and approved the compensation paid to Martin F. Roper as the Company's CEO during 2008. In February 2008, the Committee set Mr. Roper's annual base salary for the year at \$666,750 and approved a bonus against his 2007 performance objectives of \$584,200.

In December 2007, the Committee established Mr. Roper's 2008 bonus opportunity at 80% of his 2008 salary, with an incremental opportunity equal to 64% of his 2008 salary tied to achieving certain goals that would require substantial out-performance of the Company's financial plan for the year. Mr. Roper's objectives for 2008 as a percentage of his bonus opportunity, including the out-performance goals, were approximately (i) depletions growth 41.7%, (ii) delivered gross profit and margin 11.1%, (iii) successful start-up of Pennsylvania brewery 41.7% and (iv) operational improvements at the Cincinnati brewery, resource efficiencies and cost reductions 5.6%. In February 2009, the Committee reviewed Mr. Roper's achievements against his 2008 bonus opportunities. They determined that he satisfied 60% of his base bonus goals and 15% of his stretch bonus goals and, hence, approved a bonus of \$399,977 for his 2008 performance.

During 2007, the Compensation Committee, working with the Chairman, sought to develop a long-term compensation strategy to provide the CEO with compensation comparable to that which he could receive elsewhere. Using the executive compensation benchmarking study and evaluating various types of equity incentive compensation that might be used to accomplish this objective, the Compensation Committee and the Board of Directors, in a joint

meeting held in December 2007, approved a long-term variable price option grant to Mr. Roper for 753,864 shares of the Company's Class A Common Stock effective January 1, 2008. This option had a value of approximately \$6.34 million at the date of grant. Since the exercise price of the option is indexed to the broader market, subject to a cap, and will have value only to the extent that market price of the Company's Class A Common Stock exceeds the index, the Committee believes that this will provide Mr. Roper with significant incentive to cause the Company to out-perform other companies as well as provide him with a corresponding opportunity to benefit



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from the long-term out-performance of the Company's stock price. The option vests 20% on January 1 in each of the years 2014 through 2018, contingent on Mr. Roper's continued employment with the Company. The option provides for certain acceleration of vesting in the event of a change of control of the Company's Class B Common Stock and Mr. Roper has the right to participate in a transaction giving rise to such a change in control, to the extent that the option then becomes exercisable.

In December 2008, the Committee established bonus opportunities for Mr. Roper in 2009 equal to 80% of his 2008 salary, with an incremental 64% tied to achieving certain goals that would require substantial out-performance of the Company's financial plan for the year. The bonus opportunities and related objectives for 2009 as a percentage of Mr. Roper's 2009 salary, including the out-performance goals, are (i) depletions growth 50%, (ii) delivered gross profit and margin, resource efficiencies and cost reductions 44.4%, and (iii) systematic improvements in internal processes and procedures 5.6%. Due to the national economic challenges that developed in the fourth quarter of 2008 and continued into the first quarter of 2009, the CEO recommended that he not be given a salary increase in 2009. At its February 2009 meeting, the Compensation Committee agreed to hold Mr. Roper's annual base salary for 2009 at \$666,750, the same salary as he was paid in 2008.

The 2004 benchmarking study of executive compensation presented to the Compensation Committee in February 2005 placed Mr. Roper's total cash compensation near the median of the peer group and his long-term equity compensation substantially below the median of the peer group. Since then, the Committee has continued to provide opportunities for bonuses based on performance and has granted three options to purchase a total of 1,233,864 shares of the Company's Class A Common Stock intended to provide long-term incentives based on continued employment with the Company. These options included a 300,000 share grant in June 2005 with vesting contingent on volume growth and increased earnings relative to certain benchmarks, a 180,000 share grant in August 2007 that vests in 2013, and a 753,864 share grant in January 2008 that carries a variable exercise price based on stock performance and begins vesting in 2014. Taking into account the competitive information gained from the 2007 benchmarking analysis, the Committee believes that Mr. Roper's compensation is appropriate based on his responsibilities, performance level and contribution to the Company and is structured in a way to provide Mr. Roper with appropriate incentives and rewards for superior performance.

The Summary Compensation Table sets forth all compensation received by Mr. Roper during fiscal year 2008. There is no Company-sponsored retirement program for Mr. Roper other than the Company's 401(k) plan, and he receives no benefits or perquisites from the Company other than the general Company benefits described above, except that, until October 2006, Mr. Roper did have the benefit of a parking space with a value of \$385 per month. Mr. Roper does not have a change of control arrangement, other than an acceleration of the vesting of the options granted under the EEIP. Mr. Roper does not have a severance arrangement with the Company.

## **Compensation of Chairman**

The Compensation Committee also reviewed and approved the compensation paid to C. James Koch, the Chairman and a full-time employee of the Company, in 2008. In February 2008, the Committee set Mr. Koch's annual base salary for 2008 at \$273,000, a 5% increase over his 2007 base salary, and approved a bonus against his 2007 performance objectives of \$195,000.

In December 2007, the Committee established bonus opportunities for Mr. Koch in 2008 equal to 100% of his 2008 salary. The objectives for 2008 as a percentage of Mr. Koch's bonus opportunities were (i) depletions growth 40%, (ii) delivered gross profit 15%, (iii) successful start-up of the Pennsylvania Brewery 35%, and (iv) effectiveness of the resource efficiency programs 10%. In February 2009, the Committee reviewed Mr. Koch's achievements against his 2008 bonus opportunities and approved a bonus of \$136,475, based on its assessment that Mr. Koch had achieved 50% of those objectives in 2008.

Mr. Koch was granted a contingent vesting option effective January 1, 2008 for 12,000 shares of the Company's Class A Common Stock. In February 2009, the Committee determined that the performance criteria for that option had not been met, and, hence, the option lapsed. In December 2008, upon the recommendation of the Committee, the Board of Directors granted an option to Mr. Koch for 12,000 shares of the Company's Class A Common Stock effective January 1, 2009, with vesting contingent on the Company's performance against a specific

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benchmark. The determination of whether the vesting criteria have been met will be made in the first quarter of 2010 by the independent members of the Company's Board of Directors.

In December 2008, the Compensation Committee established a bonus opportunity for Mr. Koch for 2009 equal to 100% of his 2009 salary. The objectives for 2009 as a percentage of Mr. Koch's bonus opportunities are (i) depletions growth 50%, (ii) delivered gross profit and margin and other resource efficiencies 40%, and (iii) investment of time in craft beer industry initiatives 10%.

The Committee continues to believe that Mr. Koch's compensation is significantly lower than appropriate based on his responsibilities, performance level and contribution to the Company. However, Mr. Koch has declined to accept a base salary that the Committee considers to be competitive, in part because of his significant ownership interest in the Company. Further, due to the national economic challenges that developed in the fourth quarter of 2008 and continued into the first quarter of 2009, Mr. Koch offered to forego a salary increase in 2009. In February 2009, the Committee set Mr. Koch's base salary for 2009 at \$273,000, the same salary as he was paid in 2008.

The Summary Compensation Table sets forth all compensation received by Mr. Koch during fiscal year 2008. There is no Company-sponsored retirement program for Mr. Koch other than the Company's 401(k) plan, and he receives no benefits or perquisites from the Company other than the general Company benefits described above. Mr. Koch does not have a change of control arrangement other than an acceleration of the vesting of the options granted under the EEIP nor does he have a severance arrangement with the Company.

## **Compensation of Executive Officers Other than the CEO and Chairman**

In 2008, the base salary of the current executive officers other than the CEO and Chairman named in the 2007 Proxy Statement ranged from \$312,000 to \$370,000. The Compensation Committee carefully reviewed the data in the 2007 benchmarking study and applied the knowledge gained in evaluating the recommendations made by the CEO for salary adjustments for 2009 and concluded that the base salary for each of the executive officers was within the appropriate range for his job responsibilities.

In 2008, the overall bonus potential for executive officers other than the CEO and the Chairman ranged from 50% to 60% of their respective base salaries, with between 20% and 30% of the bonus potential based on the achievement of Company-wide goals and between 70% and 80% based on the achievement of goals specifically set for each officer. The Company-wide bonus goals consisted of meeting the targeted depletions growth, cost savings and efficiencies and maintaining brand health. In February 2009, the Compensation Committee determined that, although not all of the Company-wide goals had been achieved in 2008, it would award 50% of each such executive's bonus opportunity attributable to the Company-wide goals, as a result of the overall achievements of the Company during 2008. The Committee also reviewed the individual 2008 bonus goals of each such executive officer and the level of achievement against those goals, and other factors regarding each such executive officer's overall performance, and awarded bonuses for 2008 achievements to such executive officers, which ranged from 18% to 21% of base salary.

For 2009, the bonus potential for each such executive officer was set at 50% of his base salary, with 20% to 30% of the bonus potential based on achievement of Company-wide goals and with 70% to 80% based on the achievement of goals specifically set for each officer. As in 2008, the Company-wide goals for 2009 consist of meeting the target growth in depletions, cost savings and brand health.

## **Tax Limitation**

Section 162(m) of the U.S. Internal Revenue Code limits the tax deductibility by a corporation of compensation in excess of \$1,000,000 paid to the Chief Executive Officer and any other of its named executive officers. However,

compensation which qualifies as performance-based is excluded from the \$1,000,000 limit if, among other requirements, the compensation is payable only upon attainment of pre-established, objective performance goals under a plan approved by stockholders. Mr. Roper's bonuses and stock option grants have been approved by the sole holder of the Company's Class B Common Stock, who acts with sole authority on such matters, in accordance with the requirements of Section 162(m).

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The Compensation Committee does not presently expect that total cash compensation to any individual executive that is not performance-based will exceed \$1,000,000. The Compensation Committee will continue to monitor the compensation levels potentially payable under the Company's compensation programs, but intends to retain the flexibility necessary to provide total compensation in line with competitive practice, the Company's compensation philosophy and the Company's best interests. The Company has not adopted a policy that all executive compensation be fully deductible.

**Report of the Compensation Committee**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, promulgated under the Securities Act of 1933, as amended. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K and the Company's Proxy Statement on Schedule 14A.

The Compensation Committee:  
David A. Burwick, Chair  
Pearson C. Cummin, III  
Jay Margolis

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During the fiscal year ended December 27, 2008, the members of the Compensation Committee were David A. Burwick (Chair), Pearson C. Cummin, III and Jay Margolis. No member of the Compensation Committee was an officer or employee of the Company or any of its subsidiaries during fiscal year 2008.

**EXECUTIVE OFFICERS OF THE COMPANY**

Information with respect to executive officers of the Company is set forth below. The executive officers of the Company are elected annually by the Board of Directors and hold office until their successors are elected and qualified, or until their earlier removal or resignation.

C. James Koch, 59, currently serves as Chairman and Clerk/Secretary of the Company. Mr. Koch founded the Company in 1984 and was the Chief Executive Officer from that time until January 2001.

Martin F. Roper, 46, was appointed Chief Executive Officer of the Company in January 2001, and has been President of the Company since December 1999, after having served as its Chief Operating Officer since April 1997. He joined the Company as Vice President of Operations in September 1994.

William F. Urich, 52, was appointed Chief Financial Officer and Treasurer of the Company in September 2003. Prior to joining the Company, Mr. Urich had been the Chief Financial Officer of Acirca, Inc., a producer of organic foods and beverages, from 2001 to 2003. From 1998 to 2000, Mr. Urich served as Vice President Finance and Business Development for United Distillers & Vintners, a subsidiary of Diageo, PLC, and from 1995 to 1998 as its Vice President Finance and Treasurer.

Robert H. Hall, 48, serves the Company as Vice President of Brand Development. Prior to joining the Company in June 2000, Mr. Hall had been employed by Kellogg Company from 1993 to 2000, where he held the positions of Vice President Marketing, US Natural and Functional Foods Division, and Vice President Global Cereal Innovation, North America.

Thomas W. Lance, 55, joined the Company as Vice President of Operations in January 2007. Prior to joining the Company, Mr. Lance had served as Executive Vice President of Ken's Foods, Inc., a food product manufacturer located in Marlborough, MA, from January 2001 to January 2007. Prior to joining Ken's Foods, Mr. Lance held a

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number of positions in operations with Bausch and Lomb, a manufacturer of vision care products located in Rochester, NY.

John C. Geist, 48, was appointed Vice President of Sales of the Company in February 2007, after serving as National Sales Manager of the Company since December 1998. Mr. Geist came to the Company in 1997 from a large alcohol beverage distributor where he had been a sales manager.

David A. Grinnell, 51, was appointed Vice President of Brewing of the Company effective January 2008, after serving as Director of Quality and Brewing of the Company since 2001. Mr. Grinnell came to the Company in 1988 from New Amsterdam Brewing Company, where he was a founding member.

**EXECUTIVE COMPENSATION**

The following table sets forth all compensation awarded to, earned by or paid to the Company's Chief Executive Officer, the Chief Financial Officer and the Company's three (3) most highly compensated executive officers, other than the Chief Executive Officer, the Chief Financial Officer and the Chairman, whose total annual compensation exceeded \$100,000 for all services rendered in all capacities to the Company for the Company's most recent fiscal year.

**SUMMARY COMPENSATION TABLE OF EXECUTIVE OFFICERS  
FOR FISCAL YEAR ENDED DECEMBER 27, 2008**

Name and		Salary	Bonus	Stock	Option	All Other Compensation	
Principal Position	Year	(\$)(1)	(\$)(1)	Awards (\$(2)	Awards (\$(2)	(\$)(3)	Total (\$)
<b>Martin F. Roper</b>	2008	\$ 666,750	\$ 399,977		\$ 1,678,838	\$ 7,688	\$ 2,753,253
President & Chief	2007	\$ 635,000	\$ 584,200		\$ 920,596	\$ 7,538	\$ 2,147,334
Executive Officer	2006	\$ 606,700	\$ 798,600		\$ 1,018,743(4)	\$ 7,388	\$ 2,431,431
<b>William F. Urich</b>	2008	\$ 352,000	\$ 144,320		\$ 235,133(5)	\$ 7,688	\$ 739,141
Treasurer & Chief	2007	\$ 334,000	\$ 148,630		\$ 320,372	\$ 7,538	\$ 810,540
Financial Officer	2006	\$ 318,000	\$ 150,000		\$ 279,477(6)	\$ 7,388	\$ 754,865
<b>C. James Koch</b>	2008	\$ 273,000	\$ 136,475		\$ 73,649(7)	\$ 7,688	\$ 490,812
Chairman	2007	\$ 260,000	\$ 195,000		\$ 113,851	\$ 7,538	\$ 576,389
	2006	\$ 250,000	\$ 250,000		\$ 64,899	\$ 7,388	\$ 572,287
<b>Robert H. Hall</b>	2008	\$ 370,000	\$ 124,875		\$ 123,692(8)	\$ 7,688	\$ 626,255
Vice President of	2007	\$ 355,000	\$ 142,000		\$ 175,725	\$ 7,538	\$ 680,263
Brand Development	2006	\$ 341,000	\$ 150,000		\$ 121,603(6)	\$ 7,388	\$ 619,991
<b>Thomas W. Lance</b>	2008	\$ 312,000	\$ 129,948	\$ 69,400	\$ 285,105(9)	\$ 7,688	\$ 804,141
Vice President of	2007	\$ 282,692	\$ 127,211	\$ 63,617	\$ 0(9)	\$ 4,250	\$ 477,770
Operations							
<b>John C. Geist</b>	2008	\$ 290,000	\$ 120,350		\$ 161,242(5)	\$ 7,688	\$ 579,280
Vice President of							
Sales							

- (1) Included in this column are amounts earned, though not necessarily received, during the corresponding fiscal year.
- (2) Reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 27, 2008, in accordance with Statement of Financial Accounting Standards No. 123 (revised) ( SFAS No. 123R ), *Share-Based Payment*, of awards pursuant to the Company's Employee Equity Incentive Plan and may include amounts from awards granted both in and prior to 2008. The methods used in the calculation of these amounts are described in Notes B and L to the Company's audited financial statements for the fiscal year ended December 27, 2008 included in the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2009. As required, the amounts shown exclude the impact of any estimated forfeitures related to service-based vesting conditions. The actual amount realized by the officer will likely vary based on a number of factors, including the Company's performance, stock price fluctuations and applicable vesting. The assumptions used in valuing the stock option awards in accordance with SFAS No. 123R are discussed in Footnote L to the Company's consolidated financial statements in the Annual Report on Form 10-K.



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- (3) Includes annual group life insurance premium and Company matching contributions under the Company's 401(k) plan paid in the respective year.
- (4) Excludes dollar value of \$27,488 for shares that were eligible to vest on March 1, 2006 under a contingent vesting option granted on January 1, 2005 but lapsed as performance criteria were not met.
- (5) Excludes dollar value of \$330,305 for shares that were eligible to vest on March 1, 2009 under a contingent vesting option granted on January 1, 2008 but lapsed as performance criteria were not met.
- (6) Excludes dollar value of \$18,325 for shares that were eligible to vest on March 1, 2006 under a contingent vesting option granted on January 1, 2005 but lapsed as performance criteria were not met.
- (7) Excludes dollar value of \$172,333 for shares that were eligible to vest on March 1, 2009 under a contingent vesting option granted on January 1, 2008 but lapsed as performance criteria were not met.
- (8) Excludes dollar value of \$215,416 for shares that were eligible to vest on March 1, 2009 under a contingent vesting option granted on January 1, 2008 but lapsed as performance criteria were not met.
- (9) In 2007, Mr. Lance was granted a performance-based option for 80,000 shares, the vesting of which was not to be determined until February 2009, hence no expense was recorded in the year ended December 29, 2007. Subsequently, the Compensation Committee determined that the option would vest at 50%. The amount recognized does not include the dollar value of \$523,309 for the shares that were eligible to vest but lapsed as performance criteria were not met.

The Company has not paid or provided any perquisites to any of its officers, either individually or in the aggregate, in excess of \$10,000. Not included in the above Summary Compensation Table are shares of the Company's Class A Common Stock purchased by such officers at a discount under the Investment Share feature of the EEIP (the

Investment Shares). Under the Investment Share program, all employees who have been with the Company for at least one year have the opportunity to purchase Investment Shares, and after two years of employment, Investment Shares may be purchased at a discount. Eligible employees may purchase Investment Shares in January of each year and may pay for such stock through payroll deduction throughout the year. The Investment Shares vest at the rate of 20% per year commencing on the following January 1st. As noted in the Compensation Discussion and Analysis, in December 2005, the Board of Directors, on the recommendation of the Compensation Committee, determined that the Chairman and the Chief Executive Officer of the Company would no longer be eligible to purchase Investment Shares, effective January 1, 2006. Other executive officers are still eligible to participate in the investment share plan. At December 27, 2008, Messrs. Roper, Urich, Koch and Geist held unvested ISP Shares.

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The following table sets forth certain information concerning grants of stock options of the Company's Class A Common Stock made during the year ended December 27, 2008 to the named executive officers:

**GRANTS OF PLAN-BASED AWARDS TO EXECUTIVE OFFICERS  
IN FISCAL YEAR ENDED DECEMBER 27, 2008**

Principal Position	Estimated Future Payouts Under						Exercise or Base Price of Option Awards (\$/sh)(4)	Closing Price on Date of Grant (\$/sh)(4)	G F
	Equity Incentive Plan Awards								
	Grant	Approval	Threshold	Target	Maximum	All Other Stock Awards			
	Date	Date	(#)	(#)	(#)	(#)			
Mr. Roper Chief Officer	1/1/08(1)	12/21/07(1)		753,864	753,864		\$ 37.65(1)	\$ 37.65(1)	\$
Mr. Urich Chief Officer	1/1/08(2)	12/11/07(2)	11,500(3)	23,000(3)	23,000(3)		\$ 37.65	\$ 37.65	\$
Mr. Koch	1/1/08(2)	12/11/07(2)	6,000(3)	12,000(3)	12,000(3)		\$ 37.65	\$ 37.65	\$
Mr. Hall President of Brand Management	1/1/08(2)	12/11/07(2)	7,500(3)	15,000(3)	15,000(3)		\$ 37.65	\$ 37.65	\$
Mr. W. Lance President of Operations									
Mr. Leist President of Sales	1/1/08(2)	12/11/07(2)	11,500(3)	23,000(3)	23,000(3)		\$ 37.65	\$ 37.65	\$

(1) At the December 21, 2007 meeting of the Board of Directors, upon the recommendation of the Compensation Committee, the Board of Directors granted this option effective as of January 1, 2008. The option provides for a variable exercise price determined by multiplying \$42.00 by the aggregate change in the DJ Wilshire 5000 Index (or in a successor broad market index selected by the Compensation Committee of the Company's Board of Directors, if the DJ Wilshire 5000 Index ceases to exist) from and after January 1, 2008 through the close of business on the trading date next preceding each date on which Mr. Roper exercises the option. The exercise price is subject to further increase, so that the spread between the exercise price and the fair market value of the shares as to which the option is being exercised, determined as the close of business on the trading date next preceding each date on which Mr. Roper exercises the option, is capped at \$70.00. The minimum exercise price will in all events be \$37.65. The option will vest over a five-year period, commencing on January 1, 2014, at the rate of 20% per year, subject to acceleration pursuant to a defined schedule in the event of a change of ownership of the Company's Class B Common Stock.

(2) At the December 11, 2007 meeting of the Board of Directors, upon the recommendation of the Compensation Committee, the Board of Directors granted the options effective as of January 1, 2008, with an exercise price equal to the closing price of the Company's stock on the New York Stock Exchange on the last trading day

immediately prior to the effective date of the option grant.

- (3) Each option vests at 20% per year provided certain criteria are met. The vesting of each option is contingent on the Company achieving certain performance criteria; that is, the number of shares as to which the option shall become exercisable in any year is dependent upon the Company's performance as measured against a benchmark determined by the Company's Board of Directors. If the threshold is reached or exceeded, but the target is not met, 50% of the number of shares would be eligible to vest in accordance with the vesting schedule. If the target is reached or exceeded, 100% of the number of shares shall be eligible to vest in accordance with the vesting schedule. In February, 2009, the Compensation Committee determined that the target had not been reached and, hence, all of the shares have lapsed.
- (4) The exercise price is the closing price of the stock on the New York Stock Exchange on the last trading day immediately prior to the effective date of the option grant.

The following sets forth information regarding outstanding equity awards granted to the named executive officers, as well as option exercises and stock vested, at December 27, 2008. Those performance-based options that had not either vested or lapsed as of December 27, 2008 are considered unexercised and unearned.

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**OUTSTANDING EQUITY AWARDS  
TO EXECUTIVE OFFICERS AT DECEMBER 27, 2008**

Name and Principal Position	Option Awards Equity Incentive Plan Awards:					Stock Awards	
	No. of	No. of	No. of	Option Exercise Price (\$)	Option Expiration Date	No. of Shares of Stock That Have Not Vested (#)	Value of Shares That Have Not Vested (\$)
	Securities Underlying Unexercised Options (#) Exercisable	Securities Underlying Unexercised Options (#) Unexercisable	Securities Underlying Unexercised Options (#) Unearned				
<b>Martin F. Roper</b> President & Chief Executive Officer	34,363(1)			\$ 14.00	9/15/2009		
	14,000(2)			\$ 7.15625	1/1/2010		
	58,900(3)			\$ 8.625	6/12/2010		
	20,000(4)			\$ 17.545	1/1/2012		
	20,000(5)			\$ 14.47	1/1/2013		
	16,000(6)	4,000(6)		\$ 18.465	1/1/2014		
	6,000(7)		6,000(7)	\$ 21.14	1/1/2015		
	180,000(8)		120,000(8)	\$ 22.425	6/28/2015		
			180,000(9)	\$ 43.55	8/11/2017		
			753,864(10)	\$ 37.65	12/31/2018		
<b>William F. Urich</b> Treasurer & Chief Financial Officer	109,300(11)			\$ 15.835	9/8/2013		
	50,000(11)			\$ 18.00	9/8/2013		
	4,000(12)		4,000(12)	\$ 21.14	1/1/2015		
	4,000(13)	6,000(13)		\$ 24.95	1/1/2016		
	1,800(14)	7,200(14)		\$ 35.98	1/1/2017		
			23,000(15)	\$ 37.65	1/1/2018		
<b>James Koch</b> Chairman	6,000(16)	9,000(16)		\$ 26.07	1/1/2016		
	2,400(14)	9,600(14)		\$ 35.98	1/1/2017		
			12,000(15)	\$ 37.65	1/1/2018		
<b>Robert H. Hall</b> Vice President of Sales and Development	36,000(3)			\$ 8.625	6/12/2010		
		2,700(6)		\$ 18.465	1/1/2014		
	2,000(12)		4,000(12)	\$ 21.14	1/1/2015		
		10,800(13)		\$ 24.95	1/1/2016		
	2,800(14)		11,200(14)	\$ 35.98	1/1/2017		
			15,000(15)	\$ 37.65	1/1/2018		
<b>Thomas W. Lance</b> Vice President of Operations			80,000(17)	\$ 34.70	1/22/2017	8,000(18)	\$ 214,080
<b>John C. Geist</b>		2,700(6)		\$ 18.465	1/1/2014		

ce President of Sales

	2,000(19)		\$ 21.14	1/1/2015
2,000(12)		4,000(12)	\$ 21.14	1/1/2015
		12,000(13)	\$ 24.95	1/1/2016
4,000(14)	16,000(14)		\$ 35.98	1/1/2107
		23,000(15)	\$ 37.65	1/1/2018

- (1) 15,628 shares vested 9/15/99; and 18,735 shares vested 9/15/00.
- (2) Option granted 1/1/00 and shares vested at the rate of 20% per year commencing one year after date of grant.
- (3) Option granted 6/12/00 and shares vested at the rate of 20% per year commencing one year after date of grant.
- (4) Option granted 1/1/02 and shares vested at the rate of 20% per year commencing one year after date of grant.
- (5) Option granted 1/1/03 and shares vest at the rate of 20% per year commencing one year after date of grant.
- (6) Option granted 1/1/04 and shares vest at the rate of 20% per year commencing one year after date of grant.
- (7) Option granted 1/1/05 and provides that 3,000 shares vested on 5/31/07 and 5/31/08 due to certain performance criteria being met; 3,000 shares will vest on 5/31/09 if certain performance criteria are met; 3,000 shares

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will vest on 5/31/10 if certain performance criteria are met. Does not include 3,000 shares lapsed as of 3/1/06 as a result of performance criteria not having been met.

- (8) Option granted 6/28/05 and 180,000 shares vested on 5/1/08 due to certain performance criteria being met and 120,000 shares will vest on 5/1/10 if certain performance criteria are met.
- (9) Option granted 8/13/07 and provides that 180,000 shares will vest on 8/13/2013 contingent on Mr. Roper's continued employment with the Company.
- (10) Option granted 1/1/08 and provides that shares vest at the rate of 20% on January 1 in each of the years 2014 through 2018, contingent on Mr. Roper's continued employment with the Company.
- (11) Options granted 9/8/03 and shares vested at the rate of 20% per year commencing one year after date of grant.
- (12) Option granted on 1/1/05 and 2,000 shares vested on 5/31/07 and 5/31/08 due to certain performance criteria being met; 2,000 shares will vest on 5/31/09 if certain performance criteria are met; 2,000 shares will vest on 5/31/10 if certain performance criteria are met. Does not include 2,000 shares lapsed as of 3/1/06 as a result of performance criteria not having been met.
- (13) Option granted 1/1/06 and shares will vest at the rate of 20% per year due to certain performance criteria being met as of 3/1/07.
- (14) Option granted 1/1/07 and shares will vest at the rate of 20% per year due to certain performance criteria being met as of 3/1/08.
- (15) Option granted 1/1/2008 and shares were to have vested at the rate of 20% per year (as of January 1st each such year) if certain performance criteria were met. The threshold performance was not achieved as of 3/1/09, thus, the option has lapsed.
- (16) Option granted 2/16/06 and shares will vest at the rate of 20% per year due to certain performance criteria being met as of 3/1/07.
- (17) Option granted 1/29/07 and provides that shares will vest at the rate of 25% per year if certain performance criteria were met as of 1/22/09, with the first vesting date being 3/1/09. In February 2009 it was determined that 50% of the shares eligible to vest will vest and the remaining shares will lapse as certain performance criteria were not met.
- (18) Restricted Stock awarded 1/29/07 and shares vest at a rate of 20% per year commencing 1/22/08.
- (19) Option granted 1/1/05 and shares vest at the rate of 20% per year commencing one year after the date of grant.

The following sets forth, as of December 27, 2008, information regarding options exercised by the named executive officers during the fiscal year ended December 27, 2008, as well as information regarding the value realized on such exercise. Other than Mr. Lance, none of the named executive officers have been granted any restricted stock awards.

**OPTION EXERCISES BY EXECUTIVE OFFICERS  
DURING FISCAL YEAR ENDED DECEMBER 27, 2008**

<b>Name</b>	<b>No. of Shares Acquired on Exercise (#)</b>	<b>Value Realized on Exercise (\$)</b>
Martin F. Roper	197,520	\$ 6,570,787
William F. Urich	10,700	\$ 351,795
C. James Koch	10,000	\$ 287,661
Robert H. Hall	40,000	\$ 1,101,808
Thomas W. Lance		
John C. Geist	11,200	\$ 303,682

#### **Employment Contracts; Termination of Employment and Change-in-Control Arrangements**

A Stockholder Rights Agreement between the Company and its initial stockholders provides that, so long as C. James Koch remains an employee of the Company (i) he will devote such time and effort, as a full-time, forty

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(40) hours per week occupation, as may be reasonably necessary for the proper performance of his duties and to satisfy the business needs of the Company, (ii) the Company will provide Mr. Koch benefits no less favorable than those formerly provided to him by the Boston Beer Company Limited Partnership, and (iii) the Company will purchase and maintain in effect term life insurance on the life of Mr. Koch. Further, all employees of the Company, including each of the named executive officers, are required to enter into a non-competition agreement with the Company which prohibits the employee from accepting employment with a competitor for a period of one year after leaving the Company. Nevertheless, all employees of the Company are employed at-will.

With the exception of the option granted to Martin Roper on January 1, 2008, which is subject to acceleration pursuant to a defined schedule in the event of a change of ownership of the Company's Class B Stock, all options granted under the EEIP, including those granted to the named executive officers, become immediately exercisable in full in the event that C. James Koch and/or members of his family cease to control a majority of the Company's issued and outstanding Class B Common Stock. In addition, the option granted to Mr. Roper on June 28, 2005 provided for partial accelerated vesting in the event of Mr. Roper's death or total disability or termination of employment by the Company not for cause prior to May 1, 2008. This provision has now lapsed.

### **REPORT OF THE AUDIT COMMITTEE<sup>(2)</sup>**

The Audit Committee of the Board of Directors reviews the Company's auditing, accounting, financial reporting and internal control functions and selects and engages the Company's independent registered public accounting firm. In discharging its duties, the Audit Committee reviews and approves the scope of the annual audit and non-audit services to be performed by the independent registered public accounting firm and the independent registered public accounting firm's audit and non-audit fees. The Audit Committee also reviews the audited financial statements to be included in the Annual Report on Form 10-K for filing with the Securities and Exchange Commission (SEC); meets independently with the Company's manager of internal audit, independent registered public accounting firm and senior management; and reviews the general scope of the Company's accounting, financial reporting, annual audit and internal audit programs and matters relating to internal control systems, as well as the results of the annual audit and interim financial statements, and auditor independence issues. The Audit Committee acts pursuant to an Audit Committee Charter, a copy of which is available on the Company's website at [www.bostonbeer.com](http://www.bostonbeer.com).

The Audit Committee of the Board of Directors is composed of three directors, each of whom qualifies as independent under the current listing standards of the New York Stock Exchange and applicable SEC rules and regulations. In addition, the Board of Directors has determined that each member of the Audit Committee qualifies as an audit committee financial expert in accordance with applicable SEC rules based on their relevant experience. Mr. Cummin served for many years as a partner in a venture capital firm where he had extensive experience in assessing the performance of companies and evaluating their financial statements, and served for several years on an audit committee of another publicly-held company. Mr. Tanner, who joined the Audit Committee in December 2007, also has many years experience in senior management positions where he supervised primary operational financial officers of large food and agricultural companies. Mr. Valette, who joined the Audit Committee in August 2004, worked as a securities analyst for several years and has served as CEO of two companies where he supervised the primary financial officers. He currently serves as a member of the audit committees of two other publicly-held companies and is Chairman of the Finance Committee of one of those companies as well.

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the Company's independent registered public accounting firm. The Audit Committee pre-approved all such audit and non-audit services provided by the Company's independent registered public accounting firm, Ernst & Young LLP



(2) The material in this report, including the Audit Committee Charter, is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

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( Ernst & Young ), during 2008. In 2007 and 2008, such services included audit services, audit-related services, tax services and other services and resulted in the fees set forth below:

**Audit Fees.** The Company estimates that it will pay audit fees to Ernst & Young in the amount of \$548,000 for its audit of the Company's annual financial statements and quarterly reviews during the fiscal year ended December 27, 2008, and has paid \$513,400 for its audit of the Company's annual financial statements and quarterly reviews during the fiscal year ended December 29, 2007. The amounts paid include fees for the review and certification of the Company's compliance with the provisions of Section 404 of the Sarbanes-Oxley Act of 2002.

**Audit-Related Fees.** The Company paid Ernst & Young \$16,600 for audit-related services in 2008 and \$12,600 for audit-related services in 2007. There were no other audit-related fees paid during the last two fiscal years.

**Tax Fees.** The Company paid Ernst & Young \$253,585 for tax compliance and tax consulting services in 2008. No fees were paid to Ernst & Young for tax services in the fiscal year ended December 29, 2007.

**Other Fees.** The Company paid no other fees to its independent auditors during the last two fiscal years.

The Audit Committee has reviewed and discussed the Company's audited financial statements with management and the Company's independent registered public accounting firm, Ernst & Young, with respect to the Company's quarterly results and during the first quarter of 2009 with respect to the Company's audited financial statements for the fiscal year ended December 27, 2008. In addition, throughout the year, the Audit Committee met with Ernst & Young regarding the Company's internal controls and compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee has discussed with Ernst & Young the matters required to be discussed by Statement of Auditing Standards No. 61, *Communication with Audit Committees*, as amended by SAS No. 90, *Audit Committee Communications*, which provides that certain matters related to the conduct of the audit of the Company's financial statements are to be communicated to the Audit Committee. The Audit Committee has received the written disclosures and the letter from Ernst & Young required by Independence Standards Board Standard No. 1 relating to the accountant's independence from the Company, has discussed with such accountant its independence from the Company, and has considered the compatibility of non-audit services with the accountant's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Company's Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 2008.

Audit Committee:

Pearson C. Cummin, III, Chairman

Gregg A. Tanner

Jean-Michel Valette

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP ( Ernst & Young ) were engaged as the Company's independent auditors to serve as its independent public accountants to audit the Company's financial statements for the 2007 and 2008 fiscal years.

Neither the report of Ernst & Young on the Company's financial statements for 2007 nor on the Company's financial statements for 2008 contained an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the Company's two most recent fiscal years, there were no disagreements with Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to such accountants' satisfaction, would have caused such accountants to make reference to the subject matter of the disagreement in connection with its reports; and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K promulgated by the Securities and Exchange Commission.

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During the Company's two most recent fiscal years and through the date of engagement, the Company did not consult Ernst & Young with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that Ernst & Young might render on the Company's financial statements.

Representatives of Ernst & Young are expected to be present at the annual meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and Directors and persons owning more than ten percent (10%) of the outstanding Class A Common Stock of the Company to file reports of ownership and changes in ownership with the SEC. Officers, Directors and greater than ten percent (10%) holders of Class A Common Stock are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

The Company believes that during the fiscal year ended December 27, 2008 all Section 16(a) filing requirements applicable to its officers, directors, and beneficial owners of greater than ten percent (10%) of its Common Stock were complied with, with the exception of Jay Margolis, Director, and C. James Koch, Chairman and Clerk/Secretary, who were each late in filing a Form 4 due to inadvertence. In making this statement, the Company has relied upon examination of the copies of Forms 3, 4 and 5, and amendments thereto, provided to the Company and the written representations of its directors, executive officers and 10% stockholders.

### **TRANSACTIONS WITH RELATED PERSONS**

The Board of Directors has adopted policies and procedures for the disclosure, review and approval of any transaction in which the Company or one of its subsidiaries is a participant and in which any related person (director, executive officer or their immediate family members, or shareholders owning 5% or more of the Company's outstanding stock) has a direct or indirect material interest. The policy requires that transactions involving a related person be reviewed and approved in advance by the Audit Committee of the Board of Directors. Under the Company's Code of Business Conduct and Ethics, officers, directors and employees of the Company are required to report proposed related party transactions to the Company's Compliance Officer, who will bring applicable transactions to the attention of the Audit Committee. The Company is not aware of any transaction required to be reported under Item 404(a) of Regulation S-K promulgated by the Securities and Exchange Commission since the beginning of its 2008 fiscal year where the foregoing policies and procedures did not require review, approval or ratification of such transaction or where such policies and procedures were not followed. Since the beginning of the last fiscal year, the Company has had no transactions, nor does it currently have any proposed transactions, in which it was or is to be a participant in which any related person had or will have a direct or indirect material interest.

### **DEADLINES FOR SUBMISSION OF STOCKHOLDER PROPOSALS**

Stockholders interested in submitting a proposal for inclusion in the proxy materials for the Annual Meeting of Stockholders to be held in 2010 may do so by following the procedures set forth in Rule 14a-8 of the Securities Exchange Act of 1934, as amended. To be eligible for inclusion, stockholder proposals must be received at the Company's principal executive offices in Boston, Massachusetts on or before December 21, 2009.

If a stockholder wishes to present a proposal at the 2010 Annual Meeting of Stockholders but not have it included in the Company's proxy materials for that meeting, the proposal must be received by the Company no later than March 14, 2010 and must relate to subject matter which could not be excluded from a proxy statement under any rule promulgated by the Securities and Exchange Commission.



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**OTHER MATTERS**

Management knows of no matters which may properly be and are likely to be brought before the meeting other than the matters discussed herein. However, if any other matters properly come before the meeting, the persons named in the enclosed proxy will vote in accordance with their best judgment.

**10-K REPORT**

A COPY OF AN ANNUAL REPORT ON FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS AND SCHEDULES THERETO, REQUIRED TO BE FILED WITH THE SEC FOR THE COMPANY'S MOST RECENT FISCAL YEAR, MAY BE FOUND ON THE COMPANY'S WEBSITE, [www.bostonbeer.com](http://www.bostonbeer.com). IN ADDITION, THE COMPANY WILL PROVIDE EACH BENEFICIAL OWNER OF ITS SECURITIES WITH A COPY OF THE ANNUAL REPORT WITHOUT CHARGE, UPON RECEIPT OF A WRITTEN REQUEST FROM SUCH PERSON. SUCH REQUEST SHOULD BE SENT TO THE INVESTOR RELATIONS DEPARTMENT, THE BOSTON BEER COMPANY, INC., ONE DESIGN CENTER PLACE, SUITE 850, BOSTON, MA 02210.

**VOTING PROXIES**

The Board of Directors recommends an affirmative vote for all nominees specified herein. Proxies will be voted as specified. If signed proxies are returned without specifying an affirmative or negative vote, the shares represented by such proxies will be voted in favor of the nominees.

By order of the Board of Directors

C. James Koch,  
*Secretary/Clerk*

Boston, Massachusetts  
April 20, 2009

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**TO VOTE IN ACCORDANCE WITH THE BOARD OF DIRECTORS RECOMMENDATION, SIGN AND DATE THIS CARD IN THE SPACE BELOW. NO BOXES NEED TO BE CHECKED**

Please mark  
your votes as  
indicated in <sup>x</sup>  
this example

**FOR WITHHOLD**  
**ALL FOR ALL \*EXCEPTIONS**

1. ELECTION OF CLASS A DIRECTORS      o                      o                      o

PLANNING TO  
ATTEND? Please  
help our planning  
efforts by letting  
us know if you  
expect to attend  
the Annual  
Meeting. Please  
call 800-372-1131  
ext. 5050.

Nominees:

01 David A. Burwick

02 Pearson C. Cummin, III

03 Jean-Michel Valette

YES

and check the box o  
to the right

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the  
Exceptions box and write that nominee's name in the space provided below.)

\*Exceptions \_\_\_\_\_  
\_\_\_\_\_

Mark Here for  
Address Change or      o  
Comments  
**SEE REVERSE**

**Signature**

**Signature**

**Date**

**NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.**

**5 FOLD AND DETACH HERE 5**

**WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING,  
BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.**

Internet and telephone voting is available through 11:59 PM Eastern Time  
the day prior to annual meeting day.

**THE BOSTON BEER COMPANY, INC.**

**Important notice regarding the Internet availability of proxy materials for the Annual Meeting.**

The Proxy Statement and the 2008 Annual Report to Stockholders are available at:

**<http://bnymellon.mobular.net/bnymellon/sam>**

**INTERNET**

**<http://www.proxyvoting.com/sam>**

Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.

**OR**

**TELEPHONE**

**1-866-540-5760**

Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card.

To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

**Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.**

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**THE BOSTON BEER COMPANY**  
**PROXY Annual Meeting of Stockholders June 2, 2009**  
**CLASS A COMMON STOCK**

The undersigned, a stockholder of The Boston Beer Company, Inc., does hereby appoint C. James Koch and Frederick H. Grein, Jr., or either of them, acting singly, the undersigned's proxy, with full power of substitution, to appear and vote at the Annual Meeting of Stockholders, to be held on Tuesday June 2, 2009 at 9:00 A.M. local time, or at any adjournments thereof, upon such matters as may come before the Meeting.

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.**

The undersigned hereby instructs said proxy, or his substitute, to vote as specified on reverse side on the following matters and in accordance with his judgment on other matters which may properly come before the Meeting.

**(Continued and to be marked, dated and signed, on the other side)**

**Address Change/Comments**

**(Mark the corresponding box on the reverse side)**

BNY MELLON SHAREOWNER SERVICES  
P.O. BOX 3550  
SOUTH HACKENSACK, NJ 07606-9250

**5 FOLD AND DETACH HERE 5**  
Admission Ticket

**THE BOSTON BEER COMPANY, INC.**  
**2009 ANNUAL MEETING**  
Tuesday, June 2, 2009  
9:00 A.M.  
The Brewery  
30 Germania Street  
Boston, MA 02130

**DIRECTIONS TO THE BREWERY  
FROM THE SOUTH OF BOSTON**

Take 93N to exit 18 (Mass Ave and Roxbury Exit). Go straight down Melnea Cass Blvd toward Roxbury. Once on Melnea Cass Blvd you will go through seven lights. At the eighth light take a left on Tremont St (*Landmark: Northeastern University and Ruggles T Station will be on your right when you turn onto Tremont St. Note: Tremont St eventually becomes Columbus Ave*). Follow Tremont St through seven lights. Take a right on Amory St (*Landmark: look for a big, powder blue Muffler Mart shop on the right directly after Centre Street*). Follow Amory St through 2 lights. After the 2nd light take a left on Porter St (*Landmark: Directly after Boylston St*). Go to the end of Porter St and the Brewery is on the right.

**FROM THE NORTH OF BOSTON**

Take 93S to exit 18 (*Mass Ave and Roxbury exit*) and follow the above directions.

**FROM THE SUBWAY**

Take the Orange Line outbound toward Forest Hills. Exit at the Stony Brook stop. Above ground take a left onto Boylston St. Take your first right onto Amory St. Then take your first left onto Porter St to Brewery gate (*the Brewery*

*will be at the end of Porter St on your right).*

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