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SUPERIOR COURT OF WASHINGTON
KING COUNTY

STEVEN KOST, on behalf of himself
and all others similarly situated,

Plaintiff,

vs.

CRAFT BREW ALLIANCE, INC.,
DAVID R. LORD, TIMOTHY P.
BOYLE, MARC J. CRAMER, PAUL D.
DAVIS, MATTHEW GILBERTSON,
KEVIN R. KELLY, NICKOLAS A.
MILLS, and JACQUELINE S.
WOODWARD,

Defendants.

CASE NO.:

CLASS ACTION COMPLAINT FOR
BREACH OF FIDUCIARY DUTY

Plaintiff, Steven Kost (“Plaintiff”), by his attorneys, on behalf of himself and those similarly situated, files this action against the defendants, and alleges upon information and belief, except for those allegations that pertain to him, which are alleged upon personal knowledge, as follows:

SUMMARY OF THE ACTION

1. Plaintiff brings this stockholder class action on behalf of himself and all other public stockholders of Craft Brew Alliance, Inc. (“Craft Brew Alliance” “CBA” or the “Company”), against Craft Brew Alliance and the Company’s Board of Directors (the “Board” or the “Individual Defendants,” collectively with the Company, the “Defendants”), for breaches of fiduciary duty as a result of Defendants’ efforts to sell the Company to Anheuser-Busch Companies, LLC (“Parent”), and Barrel Subsidiary, Inc. (“Merger Sub,” collectively with Parent,

1 “Anheuser-Busch” or “A-B”) as a result of an unfair process for an unfair price, and to enjoin an
2 upcoming stockholder vote on a proposed all cash transaction valued at approximately \$321
3 million (the “Proposed Transaction”).

4 2. The terms of the Proposed Transaction were memorialized in a November 11,
5 2019, filing with the Securities and Exchange Commission (“SEC”) on Form 8-K attaching the
6 definitive Agreement and Plan of Merger (the “Merger Agreement”). Under the terms of the
7 Merger Agreement, Craft Brew Alliance will become an indirect wholly-owned subsidiary of
8 Anheuser-Busch, and Craft Brew Alliance stockholders will receive only \$16.50 in cash for each
9 share of Craft Brew Alliance common stock they own. As a result of the Proposed Transaction,
10 Plaintiff and other Craft Brew Alliance stockholders will be frozen out of any future ownership
11 interest in the Corporation.

12 3. In addition, the Proposed Transaction is unfair and undervalued for a number of
13 reasons. Significantly, the Proxy describes an insufficient sales process in which the Board
14 rushed through an inadequate “sales process” in which the only end goal was a sale to A-B, and
15 in which no actual sales process took place outside of addressing A-B’s offer.

16 4. Such a sales process, or lack thereof, clearly indicates that the only end-goal
17 acceptable to the Defendants was an acquisition of CBA by A-B. In fact, at all times throughout
18 2019, A-B has owned approximately 31% of the Company’s outstanding shares, has minority
19 representation on the Board and has been party to a number of commercial agreements with the
20 Company.

21 5. Moreover, with respect to such agreements, they obligated A-B to make a
22 \$20,000,000 payment to CBA on August 23, 2019 if A-B or one of its affiliates did not make a
23 "qualifying offer" to CBA prior to that date. A "qualifying offer" was defined as an offer to
24 purchase all of the outstanding equity securities of CBA not owned by A-B or its affiliates at a
25 per share price of not less than \$22.00 prior to August 24, 2017, \$23.25 prior to August 24, 2018,
26 and \$24.50 on or prior to August 23, 2019, and on certain other non-financial terms.

1 6. Here, while A-B made the \$20,000,000 payment to the Company, it now, as a
2 result of the Proposed Transaction, will, in effect, receive those funds back as part of the deal and
3 at a significantly discounted price per share.

4 7. Notably, A-B refused to waive in advance any consent or governance rights that it
5 had under its existing commercial relationships with CBA and, as such, hamstrung the Company
6 in any effort to have a fulsome strategic review of its options.

7 8. In fact, while the Proxy references “strategic alternatives,” it fails to disclose why
8 the Committee did not perform any adequate market check or engage with any other possible
9 acquirers.

10 9. In approving the Proposed Transaction, the Individual Defendants have breached
11 their fiduciary duties of loyalty, good faith, due care and disclosure by, *inter alia*, (i) agreeing to
12 sell Craft Brew Alliance without first taking steps to ensure that Plaintiff and Class members
13 (defined below) would obtain adequate, fair and maximum consideration under the
14 circumstances; and (ii) engineering the Proposed Transaction to benefit themselves and/or
15 Anheuser-Busch without regard for Craft Brew Alliance public stockholders. Accordingly, this
16 action seeks to enjoin the Proposed Transaction and compel the Individual Defendants to
17 properly exercise their fiduciary duties to Craft Brew Alliance stockholders.

18 10. Next, it appears as though the Board has entered into the Proposed Transaction to
19 procure for themselves and senior management of the Company significant and immediate
20 benefits with no thought to the Company’s public stockholders. For instance, pursuant to the
21 terms of the Merger Agreement, upon the consummation of the Proposed Transaction, Company
22 Board Members and executive officers will be able to exchange all Company equity awards for
23 the merger consideration. Moreover, certain Directors and other insiders will also be the
24 recipients of lucrative change-in-control agreements, triggered upon the termination of their
25 employment as a consequence of the consummation of the Proposed Transaction.

26 11. In further violation of their fiduciary duties, Defendants caused to be filed the
27 materially deficient Proxy on December 20, 2019 with SEC in an effort to solicit stockholders to
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1 vote their CBA shares in favor of the Proposed Transaction. The Proxy is materially deficient,
2 deprives CBA stockholders of the information they need to make an intelligent, informed and
3 rational decision of whether to vote their shares in favor of the Proposed Transaction, and is thus
4 in breach of the Defendants fiduciary duties. As detailed below, the Proxy omits and/or
5 misrepresents material information concerning, among other things: (a) the sales process and in
6 particular, certain conflicts of interest for management; (b) the financial projections for CBA and
7 A-B, provided by CBA and A-B to the Company's financial advisor Goldman Sachs & Co. LLC
8 ("Goldman Sachs") for use in its financial analyses; and (c) the data and inputs underlying the
9 financial valuation analyses that purport to support the fairness opinions provided by the
10 Company's financial advisor, Goldman Sachs.

11 12. Absent judicial intervention, the Proposed Transaction will be consummated,
12 resulting in irreparable injury to Plaintiff and the Class. This action seeks to enjoin the Proposed
13 Transaction or, in the event the Proposed Transaction is consummated, to recover damages
14 resulting from the breach of fiduciary duties by Defendants.

15 **PARTIES**

16 13. Plaintiff is a citizen of Michigan and, at all times relevant hereto, has been a Craft
17 Brew Alliance stockholder.

18 14. Defendant Craft Brew Alliance together with its subsidiaries, brews, brands, and
19 brings to market American craft beers. Craft Brew Alliance is incorporated under the laws of the
20 State of Washington and has its principal place of business at 929 N. Russell St., Portland, OR
21 97227. Shares of Craft Brew Alliance common stock are traded on the NasdaqGS under the
22 symbol "BREW."

23 15. Defendant David R. Lord ("Lord") has been a Director of the Company at all
24 relevant times. In addition, Lord serves as the Chairman of the Board.

25 16. Defendant Timothy P. Boyle ("Boyle") has been a director of the Company at
26 all relevant times.

1 17. Defendant Marc J. Cramer ("Cramer") has been a director of the Company at
2 all relevant times.

3 18. Defendant Paul D. Davis ("Davis") has been a director of the Company at all
4 relevant times.

5 19. Defendant Matthew Gilbertson ("Gilbertson") has been a director of the Company
6 since February 2019. In addition, Gilbertson serves as Treasurer and Vice President for the
7 North America Zone of Parent, Anheuser-Busch.

8 20. Defendant Kevin R. Kelly ("Kelly") has been a director of the Company at all
9 relevant times.

10 21. Defendant Nickolas A. Mills ("Mills") has been a director of the Company since
11 January 2017. In addition, Mills serves as Vice President for the "High End" division at Parent,
12 Anheuser-Busch. Mills was appointed to the Board as part of Craft Brew Alliance's Amended
13 and Restated Exchange and Recapitalization Agreement with Anheuser-Busch in 2016, as A-B
14 was given the ability to designate two individuals as directors of Company.

15 22. Defendant Jacqueline S. Woodward ("Woodward") has been a director of the
16 Company at all relevant times.

17 23. Defendants identified in ¶¶ 15 - 22 are collectively referred to as the "Individual
18 Defendants."

19 24. Defendant Parent operates as a brewing Company. Parent is a corporation
20 organized under the laws of the State of Delaware and has its principal place of business at
21 Brouwerijplein 1, 300 Leuven, Belgium. Parent common stock is traded on the New York Stock
22 Exchange under the ticker symbol "BUD."

23 25. Defendant Merger Sub is a wholly owned subsidiary of Parent created to
24 effectuate the Proposed Transaction.

25 **JURISDICTION AND VENUE**

26 26. This Court has personal jurisdiction over the Defendants inasmuch as Defendants'
27 principal place of business is in Washington, directly or by agents transact business in
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1 Washington, caused tortious injury in Washington and by an act or omission outside the State
2 while regularly doing and/or soliciting business, engaging in other persistent course of conduct in
3 the State, and/or deriving substantial revenue from goods or manufactured products used or
4 consumed in Washington.

5 27. Venue is proper in this Court inasmuch as the Defendants' principal place of
6 business is in this County and it regularly transacts business in this County and there are multiple
7 defendants with no single venue applicable, and thus can be sued for damages in this County.

8 CLASS ACTION ALLEGATIONS

9 28. Plaintiff brings this action as a class action individually and on behalf of all
10 holders of Craft Brew Alliance common stock who are being and will be harmed by the
11 Individual Defendants' actions, described herein (the "Class"). Excluded from the Class are
12 Defendants and any person, firm, trust, corporation or other entity related to or affiliated with
13 any Defendant.

14 29. Class actions are certified when the question is one of a common or general
15 interest, of many persons, or when the parties are numerous, and it is impracticable to bring them
16 all before the court. Class actions are especially valuable in a context such as this one, in which
17 individual damages may be modest.

18 30. This action is properly maintainable as a class action because, *inter alia*:

- 19 a. The Class is so numerous that joinder of all members is impracticable. As of
20 November 8, 2019, there were over 19.46 million shares of Craft Brew
21 Alliance common stock outstanding. Craft Brew Alliance stock is publicly
22 traded on the NasdaqGS and Plaintiff believes that there are hundreds if not
23 thousands of holders of such shares. Moreover, the holders of these shares are
24 geographically dispersed throughout the United States;
- 25 b. There are questions of law and fact which are common to the Class and which
26 predominate over questions affecting any individual Class member. These
27 common questions include, *inter alia*: (i) whether the Individual Defendants
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1 have engaged in self-dealing, to the detriment of Craft Brew Alliance public
2 stockholders; (ii) whether the Proposed Transaction is unfair to the Class, in
3 that the price is inadequate and is not the fair value that could be obtained
4 under the circumstances; and (iii) whether the Class is entitled to injunctive
5 relief and/or damages as a result of the wrongful conduct committed by
6 Defendants;

7 c. Plaintiff is committed to prosecuting this action and has retained competent
8 counsel experienced in litigation of this nature. The claims of Plaintiff are
9 typical of the claims of the other members of the Class and plaintiff has the
10 same interests as the other members of the Class. Accordingly, Plaintiff is an
11 adequate representative of the Class and will fairly and adequately protect the
12 interests of the Class;

13 d. The prosecution of separate actions by individual members of the Class would
14 create the risk of inconsistent or varying adjudications with respect to
15 individual members of the Class which would establish incompatible
16 standards of conduct for Defendants, or adjudications with respect to
17 individual members of the Class which would, as a practical matter, be
18 dispositive of the interests of the other members not parties to the
19 adjudications or substantially impair or impede their ability to protect their
20 interests; and

21 e. Defendants have acted, or refused to act, on grounds generally applicable to,
22 and causing injury to, the Class and, therefore, preliminary and final
23 injunctive relief on behalf of the Class as a whole is appropriate.

24 **THE INDIVIDUAL DEFENDANTS' FIDUCIARY DUTIES**

25 31. By reason of the Individual Defendants' positions with the Company as officers
26 and/or directors, said individuals are in a fiduciary relationship with Craft Brew Alliance and
27 owe the Company the duties of due care, loyalty, and good faith.
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1 32. By virtue of their positions as directors and/or officers of Craft Brew Alliance, the
2 Individual Defendants, at all relevant times, had the power to control and influence, and did
3 control and influence and cause Craft Brew Alliance to engage in the practices complained of
4 herein.

5 33. Each of the Individual Defendants are required to act with due care, loyalty, good
6 faith and in the best interests of the Company. To diligently comply with these duties, directors
7 of a corporation must:

- 8 a. act with the requisite diligence and due care that is reasonable under
9 the circumstances;
- 10 b. act in the best interest of the company;
- 11 c. use reasonable means to obtain material information relating to a given
12 action or decision;
- 13 d. refrain from acts involving conflicts of interest between the fulfillment
14 of their roles in the company and the fulfillment of any other roles or
15 their personal affairs;
- 16 e. avoid competing against the company or exploiting any business
17 opportunities of the company for their own benefit, or the benefit of
18 others; and
- 19 f. disclose to the Company all information and documents relating to the
20 company's affairs that they received by virtue of their positions in the
21 company.

22 34. In accordance with their duties of loyalty and good faith, the Individual
23 Defendants, as directors and/or officers of Craft Brew Alliance, are obligated to refrain
24 from:

- 25 a. participating in any transaction where the directors' or officers'
26 loyalties are divided;

1 b. participating in any transaction where the directors or officers are
2 entitled to receive personal financial benefit not equally shared by the
3 Company or its public stockholders; and/or

4 c. unjustly enriching themselves at the expense or to the detriment of
5 the Company or its stockholders.

6 35. Plaintiff alleges herein that the Individual Defendants, separately and together, in
7 connection with the Proposed Transaction, violated, and are violating, the fiduciary duties they
8 owe to Craft Brew Alliance, Plaintiff and the other public stockholders of Craft Brew Alliance,
9 including their duties of loyalty, good faith, and due care.

10 36. As a result of the Individual Defendants' divided loyalties, Plaintiff and Class
11 members will not receive adequate, fair or maximum value for their Craft Brew Alliance
12 common stock in the Proposed Transaction.

13 **SUBSTANTIVE ALLEGATIONS**

14 ***Company Background***

15 37. Craft Brew Alliance together with its subsidiaries, is a leading craft brewing
16 company that brews, brands, and brings to market world-class American craft beers.

17 38. Craft Brew Alliance portfolio combines Kona Brewing Company, a dynamic,
18 fast-growing national craft beer brand, with strong regional breweries and innovative lifestyle
19 brands: Appalachian Mountain Brewery, Cisco Brewers, Omission Brewing Co., Redhook
20 Brewery, Square Mile Cider Co., Widmer Brothers Brewing, and Wynwood Brewing Co.

21 39. Craft Brew Alliance has had a long-standing relationship with Parent, Anheuser-
22 Busch. Since its initial formation in July 2008, Anheuser-Busch has maintained a major stock
23 ownership in Craft Brew Alliance, as well as being a major distribution partner. In 2016,
24 Anheuser-Busch restructured its distribution and contract brewing arrangement with Craft Brew
25 Alliance, building a framework for a buyout in the process. Under the terms of their renegotiated
26 commercial agreement, A-B said it would pay \$24.50 per share to acquire CBA by August 23,
27 2019 or pay to the Company a \$20 million negotiated fee for non-submission of an offer before
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1 the deadline. The \$20 million was paid to the Company; however, A-B was able to recoup the
2 payment when it entered into the merger agreement.

3 40. Craft Brew Alliance has had success in a saturated beer market through their
4 state-of-the-art brewing and distribution capability, integrated sales and marketing infrastructure,
5 and strong focus on innovation, partnerships, and local community.

6 41. Craft Brew Alliance sells its beers directly to consumers in draft, cans, and bottles
7 at restaurants, bars, and liquor stores; and in cans and bottles at supermarkets, warehouse clubs,
8 convenience stores, and drug stores, as well as directly to consumers at its brewpubs and
9 breweries. It also operates seven brewpubs, which sells apparel and other merchandise. Their
10 products are available in all 50 U.S. states and 30 different countries around the world.

11 42. The Company's recent financial performance press releases before the
12 announcement of the Proposed Transaction indicated sustained and solid financial performance.
13 For example, in an August 7, 2019 press release announcing its Q2 2019 financial results, the
14 Company highlighted such milestones as an increase in gross margin expanded 270 basis points
15 to 38.5%, which reflects a 220-basis point improvement in beer gross margin to 41.6% and pub
16 gross margin expansion of 710 basis points to 10.1%.

17 43. Speaking on these positive results, CEO Andy Thomas said, "CBA's second
18 quarter results reflect a tangible return on the strategic investments we've made to fuel Kona's
19 momentum, realize the full value of our newly acquired brands, and unlock our future potential."

20 44. Craft Beer Alliance's investments in future growth - including comprehensive
21 research initiatives with the Yale Center for Consumer Insights and Prophet, as well as the
22 launch of The pH Experiment Business Unit - are already driving portfolio expansion, both
23 within and outside of traditional beer.

24 45. These positive results are not an anomaly, but rather, are indicative of a trend of
25 continued financial success by Craft Brew Alliance. For example, in a March 6, 2019 press
26 release announcing its FY and Q4 2018 financial results, the Company noted such financial
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1 highlights as a 2.6% increase in total revenue per barrel, which led to a 5.6% improvement in
2 beer gross profit and record full-year beer gross margin of 36.8%.

3 46. Speaking on these positive results, the Company noted, “2018 was a record year
4 for Craft Brew Alliance both financially and operationally, with beer revenue, total company
5 gross margin, and beer gross margins each reaching historic levels.”

6 47. Clearly, based upon these positive financial results, the Company is likely to have
7 tremendous future success and should command a much higher consideration than the amount
8 contained within the Proposed Transaction.

9 48. Despite this upward trajectory and continually increasing financial results, the
10 Individual Defendants have caused Craft Brew Alliance to enter into the Proposed Transaction
11 for insufficient consideration.

12 *The Proposed Transaction*

13 49. On November 11, 2019, Anheuser-Busch and Craft Brew Alliance issued a press
14 release announcing the Proposed Transaction. The press release stated, in relevant part:

15 **NEW YORK & PORTLAND, Ore.--(BUSINESS WIRE)—November 11,**
16 **2019**

17 Agreement builds upon successful 25-year relationship

18 Today, Craft Brew Alliance (“CBA”) ([BREW](#)), a Portland-based brewing
19 company that creates world-class craft beers, and Anheuser-Busch (“A-B”) jointly
20 announced an agreement to expand their partnership, with A-B agreeing to
purchase the remaining CBA shares it does not already own in a merger
transaction for \$16.50 per share, in cash.

21 “Today’s announcement represents an exciting next step in a long and successful
22 partnership with Anheuser-Busch, whose support for the growth of our business
23 and brands traces back over 25 years,” said Andy Thomas, CEO of CBA. “By
24 combining our resources, our talented teammates, and dynamic brands, we will
25 look to nurture the growth of CBA’s existing portfolio as we continue investing in
innovation to meet the changing needs of today’s beverage consumers, all while
delivering certainty of value to our shareholders.”

26 The vast majority of CBA’s brands are already distributed through A-B’s network
27 of independent wholesalers per the companies’ existing commercial agreement.
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1 “Anheuser-Busch has a long track record of working with its craft partners to help
2 make the U.S. beer category stronger and more vibrant,” said Michel Doukeris,
3 CEO of Anheuser-Busch. “Our partnership with CBA goes back many years and
4 we look forward to supporting CBA as they continue to bring great products to
5 beer drinkers across the U.S.”

6 CBA would join A-B’s high-performing Brewers Collective – a collection of craft
7 partners spread throughout the country committed to providing consumers with
8 innovative, quality beers and investing in their local communities. In the last three
9 years alone, A-B has invested more than \$130 million in its craft partners, allowing
10 them to expand their production volume by an average of 31 percent. A-B’s craft
11 partners have created nearly 1,000 new jobs in their home communities to support
12 their growing breweries.

13 “The beer industry in the U.S. is competitive and dynamic, with more choices
14 available to consumers than ever before,” said Marcelo “Mika” Michaelis,
15 president, Brewers Collective, Anheuser-Busch. “CBA’s diverse portfolio of
16 regional breweries and innovative lifestyle brands is an excellent complement to
17 our family of craft partners and would continue to help fuel the growth of the craft
18 beer category.”

19 A-B currently owns a 31.2 percent stake in CBA and has offered \$16.50 in cash for
20 the remaining shares.

21 The transaction is subject to customary closing conditions, including approval by a
22 majority of CBA’s shareholders not affiliated with A-B and certain regulatory
23 approvals. The transaction is expected to close in 2020.

24 *The Inadequate Merger Consideration*

25 50. Significantly, the Company’s financial prospects, opportunities for future growth,
26 and synergies with Anheuser-Busch establish the inadequacy of the merger consideration.

27 51. First, the compensation afforded under the Proposed Transaction to Company
28 stockholders significantly undervalues the Company. The proposed valuation does not
adequately reflect the intrinsic value of the Company. Moreover, the valuation does not
adequately take into consideration how the Company is performing, considering key financial
improvements of the Company in recent years.

52. In fact, the deal price is significantly less than the 52-week high of \$18.07 for the
Company’s stock.

1 53. For example, as shown above, Craft Brew Alliance’s future success is extremely
2 likely, given the consistent positive financial results it posted since their original partnership with
3 Anheuser-Busch. Mentioned in Craft Brew Alliance’s March 9, 2019 Press Release, it was
4 noted that through the brewing agreement with Anheuser-Busch’s Fort Collins, Colorado
5 brewery to brew up to 300,000 barrels a year at a savings of \$10 per barrel, inching closer to
6 fully unlocking the estimated \$3 million in annual cost savings in 2018. Obviously, the
7 opportunity to invest in such a company on the rise is a great coup for Anheuser-Busch, however
8 it undercuts the investment of Plaintiff and all other public stockholders.

9 54. Moreover, the Proposed Transaction represents a significant synergistic benefit to
10 Anheuser-Busch, which operates in the same industry as Craft Brew Alliance, and will use the
11 new assets, operational capabilities, and brand capital to bolster its own position in the craft
12 brewing market. Specifically, Anheuser-Busch CEO Michel Doukeris said, “Anheuser-Busch
13 has a long track record of working with its craft partners to help make the U.S. beer category
14 stronger and more vibrant. Our partnership with CBA goes back many years and we look
15 forward to supporting CBA as they continue to bring great products to beer drinkers across the
16 U.S.”

17 55. When deciding whether to exercise the purchase option, Boston investment
18 firm Midwood Capital Management sent a letter to the board of Craft Brew Alliance saying that
19 their portfolio beer brand Kona Brewing alone should be valued at \$24.50 per share, which is \$8
20 per share higher than the purchase price given to Craft Brew Alliance’s shareholders for the
21 entire Company.

22 56. Notably, on August 23, 2019, Anheuser-Busch elected not to exercise Craft Brew
23 Alliance’s purchase option at \$24.50 a share, instead paying the \$20 million fee to CBA. In the
24 months following that decision and announcement of the merger, Anheuser-Busch and CBA
25 negotiated a new purchase price of \$16.50 per share for the remaining shares not already owned
26 by A-B. The decision not to accept the 2016 agreement and eventual \$8 per share discount falls
27 unfairly on the CBA shareholders.

1 57. Through the new and lower purchase price, A-B ultimately will receive the \$20
2 million fee it just paid, leaving Craft Brew Alliance’s shareholders with less capital and no
3 compensation for A-B’s inability to honor the previously negotiated agreement.

4 58. Clearly, while the deal will be beneficial to Anheuser-Busch it comes at great
5 expense to Plaintiff and other public stockholders of the Company.

6 59. Moreover, post-closure, Craft Brew Alliance stockholders will be frozen out of
7 any ownership interest in the Company, forever foreclosing the ability to see the true return on
8 their investments.

9 60. It is clear from these statements and the facts set forth herein that this deal is
10 designed to maximize benefits for Anheuser-Busch at the expense of Craft Brew Alliance
11 stockholders, which clearly indicates that Craft Brew Alliance stockholders were not an
12 overriding concern in the formation of the Proposed Transaction.

13 ***Preclusive Deal Mechanisms***

14 61. The Merger Agreement contains certain provisions that unduly benefit Anheuser-
15 Busch by making an alternative transaction either prohibitively expensive or otherwise
16 impossible. Significantly, the Merger Agreement contains a termination fee provision that is
17 especially onerous and impermissible. Notably, in the event of termination, the merger
18 agreement requires Craft Brew Alliance to pay up to \$9,000,000 to Anheuser-Busch, if the
19 Merger Agreement is terminated under certain circumstances. Moreover, under one
20 circumstance, Craft Brew Alliance must pay this termination fee even if it consummates any
21 competing Acquisition Proposal (as defined in the Merger Agreement) *within 9 months following*
22 *the termination* of the Merger Agreement. The termination fee will make the Company that
23 much more expensive to acquire for potential purchasers. The termination fee in combination
24 with other preclusive deal protection devices will all but ensure that no competing offer will be
25 forthcoming.

26 62. The Merger Agreement also contains a “No Solicitation or Negotiation” provision
27 that restricts Craft Brew Alliance from considering alternative acquisition proposals by, *inter*
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1 *alia*, constraining Craft Brew Alliance’s ability to solicit or communicate with potential
2 acquirers or consider their proposals. Specifically, the provision prohibits the Company from
3 directly or indirectly soliciting, initiating, proposing or inducing any alternative proposal, but
4 permits the Board to consider an unsolicited bona fide “*Acquisition Proposal*” if it constitutes or
5 is reasonably calculated to lead to a “*Superior Proposal*” as defined in the Merger Agreement.

6 63. Moreover, the Merger Agreement further reduces the possibility of a topping offer
7 from an unsolicited purchaser. Here, the Individual Defendants agreed to provide Anheuser-
8 Busch information in order to match any other offer, thus providing Anheuser-Busch access to
9 the unsolicited bidder’s financial information and giving Anheuser-Busch the ability to top the
10 superior offer. Thus, a rival bidder is not likely to emerge with the cards stacked so much in
11 favor of Anheuser-Busch.

12 64. These provisions, individually and collectively, materially and improperly impede
13 the Board’s ability to fulfill its fiduciary duties with respect to fully and fairly investigating and
14 pursuing other reasonable and more valuable proposals and alternatives in the best interests of
15 the Company and its public stockholders.

16 65. Accordingly, the Company’s true value is compromised by the consideration
17 offered in the Proposed Transaction.

18 ***Potential Conflicts of Interest***

19 66. The breakdown of the benefits of the deal indicate that Craft Brew Alliance
20 insiders are the primary beneficiaries of the Proposed Transaction, not the Company’s public
21 stockholders. The Board and the Company’s executive officers are conflicted because they will
22 have secured unique benefits for themselves from the Proposed Transaction not available to
23 Plaintiff and the public stockholders of Craft Brew Alliance.

24 67. Certain insiders stand to receive massive financial benefits as a result of the
25 Proposed Transaction. Notably, Company insiders, including the Individual Defendants,
26 currently own large, illiquid portions of Company stock that will be exchanged for large cash pay
27 days upon the consummation of the Proposed Transaction.

1 68. Moreover, certain employment agreements with certain Craft Brew Alliance
2 executives, entitle such executives to severance packages should their employment be terminated
3 under certain circumstances. These ‘golden parachute’ packages are significant, and will grant
4 each director or officer entitled to them millions of dollars, compensation not shared by Craft
5 Brew Alliance’s common stockholders.

6 69. These payouts will be paid to Craft Brew Alliance insiders, as a consequence of
7 the Proposed Transaction’s consummation, as follows:

8 Named Executive Officer	Cash \$(2)	Equity Awards \$(3)	Total \$(4)
9 Andrew J. Thomas	2,708,250	1,337,727	4,045,977
10 J. Scott Mennen	1,023,000	334,158	1,357,158
11 Christine N. Perich	1,023,000	379,981	1,402,981
Kenneth C. Kunze	633,750	330,010	963,760
Derek Y. Hahm	537,000	277,151	814,151
Edwin A. Smith	262,000	82,071	344,071

12 70. Thus, while the Proposed Transaction is not in the best interests of Craft Brew
13 Alliance stockholders, it will produce lucrative benefits for the Company’s officers and directors.

14 ***The Materially Misleading and/or Incomplete Proxy***

15 71. On December 20, 2019, the CBA Board caused to be filed with the SEC a
16 materially misleading and incomplete Proxy that, in violation of their fiduciary duties, failed to
17 provide the Company’s stockholders with material information and/or provides them with
18 materially misleading information critical to the total mix of information available to the
19 Company’s stockholders concerning the financial and procedural fairness of the Proposed
20 Transaction.

21 ***Omissions and/or Material Misrepresentations Concerning the Sales Process leading up
22 to the Proposed Transaction***

23 72. Specifically, the Proxy fails to provide material information concerning the
24 process conducted by the Company and the events leading up to the Proposed Transaction. In
25 particular, while the Proxy references “strategic alternatives,” it fails to disclose why the
26 Committee did not perform any adequate market check or engage with any other possible
27 acquirers.

1 Omissions and/or Material Misrepresentations Concerning CBA's Financial Projections

2 73. The Proxy fails to provide material information concerning financial projections
3 provided by CBA's management and relied upon by Goldman Sachs in its analyses. The Proxy
4 discloses management-prepared financial projections for the Company which are materially
5 misleading. The Proxy indicates that in connection with the rendering of Goldman Sachs'
6 fairness opinion, Goldman Sachs reviewed, among other things, "certain internal financial
7 analyses and forecasts for CBA prepared by its management, as approved for Goldman Sachs'
8 use by the Committee...." Accordingly, the Proxy should have, but fails to provide, certain
9 information in the projections that CBA management provided to the Board, Committee and
10 Goldman Sachs. Courts have uniformly stated that "projections . . . are probably among the most
11 highly-prized disclosures by investors. Investors can come up with their own estimates of
12 discount rates or [] market multiples. What they cannot hope to do is replicate management's
13 inside view of the company's prospects." *In re Netsmart Techs., Inc. S'holders Litig.*, 924 A.2d
14 171, 201-03 (Del. Ch. 2007).

15 74. Regarding the "*CBA Management Projections*," the Proxy fails to provide
16 material information concerning the forecasts prepared by management. Specifically, the Proxy
17 fails to disclose the material line items for the line items used to calculate Non-GAAP metrics,
18 EBITDA and UFCF.

19 75. Relatedly, the Proxy provides several non-GAAP financial metrics but fails to
20 disclose a reconciliation of all non-GAAP to GAAP metrics, as described above.

21 76. This information is necessary to provide Company stockholders a complete and
22 accurate picture of the sales process and its fairness. Without this information, stockholders
23 were not fully informed as to Defendants' actions, including those that may have been taken in
24 bad faith, and cannot fairly assess the process.

25 77. Without accurate projection data presented in the Proxy, Plaintiff and other
26 stockholders of Cray are unable to properly evaluate the Company's true worth, the accuracy of
27 Morgan Stanley's financial analyses, or make an informed decision whether to vote their
28

1 Company stock in favor of the Proposed Transaction. As such, the Board has breached their
2 fiduciary duties by failing to include such information in the Proxy.

3 *Omissions and/or Material Misrepresentations Concerning the Financial Analyses by*
4 *Goldman Sachs*

5 78. In the Proxy, Goldman Sachs describes its respective fairness opinion and the
6 various valuation analyses performed to render such opinion. However, the descriptions fail to
7 include necessary underlying data, support for conclusions, or the existence of, or basis for,
8 underlying assumptions. Without this information, one cannot replicate the analyses, confirm
9 the valuations or evaluate the fairness opinions.

10 79. With respect to the *Illustrative Present Value of Future Share Analysis*, the Proxy
11 fails to disclose the following:

- 12 a. The specific inputs and metrics and assumptions used to calculate the
13 multiples of Enterprise Value to NTM EBITDA of 10.5x to 14.5x;
- 14 b. The specific inputs and assumptions used to calculate the discount rate of
15 7.0%;
- 16 c. The Company's Net Debt as of each applicable date; and
- 17 d. The Company's fully diluted common stock as each applicable date.

18 80. With respect to the *Illustrative Discounted Cash Flow Analysis*, the Proxy fails to
19 disclose the following:

- 20 a. The specific inputs and assumptions used to calculate the perpetuity growth
21 rates range of 2.0% to 2.5%;
- 22 b. The specific inputs and assumptions used to calculate the discount rates range
23 of 6.0% to 7.0%;
- 24 c. The Company's Net Debt as of October 31, 2019; and
- 25 d. The Company's fully diluted common stock as of November 8, 2019.

1 **FIRST COUNT**

2 **Claim for Breach of Fiduciary Duties**

3 **(Against the Individual Defendants)**

4 81. Plaintiff repeats all previous allegations as if set forth in full herein.

5 82. The Individual Defendants have violated their fiduciary duties of care, loyalty and
6 good faith owed to Plaintiff and the Company's public stockholders.

7 83. By the acts, transactions and courses of conduct alleged herein, Defendants,
8 individually and acting as a part of a common plan, are attempting to unfairly deprive Plaintiff
9 and other members of the Class of the true value of their investment in Craft Brew Alliance.

10 84. As demonstrated by the allegations above, the Individual Defendants failed to
11 exercise the care required, and breached their duties of loyalty and good faith owed to the
12 stockholders of Craft Brew Alliance by entering into the Proposed Transaction through a flawed
13 and unfair process and failing to take steps to maximize the value of Craft Brew Alliance to its
14 public stockholders.

15 85. Indeed, Defendants have accepted an offer to sell Craft Brew Alliance at a price
16 that fails to reflect the true value of the Company, thus depriving stockholders of the reasonable,
17 fair and adequate value of their shares.

18 86. Moreover, the Individual Defendants breached their duty of due care and candor
19 by failing to disclose to Plaintiff and the Class all material information necessary for them to
20 make an informed decision on whether to vote their shares in favor of the Proposed Transaction.

21 87. The Individual Defendants dominate and control the business and corporate
22 affairs of Craft Brew Alliance, and are in possession of private corporate information concerning
23 Craft Brew Alliance's assets, business and future prospects. Thus, there exists an imbalance and
24 disparity of knowledge and economic power between them and the public stockholders of Craft
25 Brew Alliance which makes it inherently unfair for them to benefit their own interests to the
26 exclusion of maximizing stockholder value.

1 88. By reason of the foregoing acts, practices and course of conduct, the Individual
2 Defendants have failed to exercise due care and diligence in the exercise of their fiduciary
3 obligations toward Plaintiff and the other members of the Class.

4 89. As a result of the actions of the Individual Defendants, Plaintiff and the Class will
5 suffer irreparable injury in that they have not and will not receive their fair portion of the value
6 of Craft Brew Alliance's assets and have been and will be prevented from obtaining a fair price
7 for their common stock.

8 90. Unless the Individual Defendants are enjoined by the Court, they will continue to
9 breach their fiduciary duties owed to Plaintiff and the members of the Class, all to the irreparable
10 harm of the Class.

11 91. Plaintiff and the members of the Class have no adequate remedy at law. Only
12 through the exercise of this Court's equitable powers can Plaintiff and the Class be fully
13 protected from the immediate and irreparable injury which Defendants' actions threaten to
14 inflict.

15 WHEREFORE, Plaintiff demands injunctive relief, in its favor and in favor of the Class,
16 and against the Defendants, as follows:

17 A. Ordering that this action may be maintained as a class action and certifying
18 Plaintiff as the Class representatives and Plaintiff's counsel as Class counsel;

19 B. Enjoining the Proposed Transaction;

20 C. In the event Defendants consummate the Proposed Transaction, rescinding it and
21 setting it aside or awarding rescissory damages to Plaintiff and the Class;

22 D. Declaring and decreeing that the Merger Agreement was agreed to in breach of
23 the fiduciary duties of the Individual Defendants and is therefore unlawful and
24 unenforceable;

25 E. Directing the Individual Defendants to exercise their fiduciary duties to
26 commence a sale process that is reasonably designed to secure the best possible
27 consideration for Craft Brew Alliance and obtain a transaction which is in the best
28

1 interests of Craft Brew Alliance and its stockholders;

2 F. Directing defendants to account to Plaintiff and the Class for damages sustained
3 because of the wrongs complained of herein;

4 G. Awarding Plaintiff, the costs of this action, including reasonable allowance for
5 Plaintiff's attorneys' and experts' fees; and

6 H. Granting such other and further relief as this Court may deem just and proper.

7
8 Dated: January 3, 2020

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