

REDHOOK ALE BREWERY INC

Form 10-K/A

May 09, 2007

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

**Form 10-K/A
(Amendment No. 1)**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006**

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____**

**Commission File Number 0-26542
REDHOOK ALE BREWERY, INCORPORATED
(Exact name of registrant as specified in its charter)**

Washington
(State of incorporation)

91-1141254
(I.R.S. Employer Identification Number)

**14300 NE 145th Street, Suite 210
Woodinville, Washington**

98072-6950

(Address of principal executive offices)

(Zip Code)

(425) 483-3232

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, Par Value \$0.005 Per Share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None.

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. Check one:

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant as of the last day of the registrant's most recently completed second quarter on June 30, 2006 (based upon the closing sale price of the registrant's Common Stock, as reported by The NASDAQ Stock Market) was \$18,493,409. (1)

The number of shares of the registrant's Common Stock outstanding as of March 20, 2007 was 8,304,639.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement relating to the registrant's 2007 Annual Meeting of Stockholders to be held on May 22, 2007 are incorporated by reference into Part III of this Report.

- (1) Excludes shares held of record on that date by directors and executive officers and greater than 10% shareholders of the registrant. Exclusion of such shares should not be construed to indicate that any such person directly or indirectly possesses the power to direct or cause the direction of the management of the policies of the registrant.
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EXPLANATORY NOTE

Redhook Ale Brewery, Incorporated (the Company) is filing this Amendment No. 1 (the Amendment) to the annual report on Form 10-K initially filed with the Securities and Exchange Commission on March 23, 2007 (the Original Filing), solely to correct an erroneous date from March 23, 2006 to the correct date March 23, 2007 on the Report Of Independent Registered Public Accounting Firm contained in Item 8 of the Original Filing, and the date of this report referenced in Exhibit 23.1 Consent Of Independent Registered Public Accounting Firm. The Company is not making any additional changes to the financial statements included in Item 8 of this Amendment.

This Amendment contains only the sections of the Original Filing which are being amended, and those unaffected parts or exhibits are not included herein. This Amendment continues to speak as of the date of the Original Filing and the Company has not updated the disclosure contained herein to reflect events that have occurred since the filing of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and the Company s other filings, if any, made with the SEC subsequent to the filing of the Original Filing, including any amendments to those filings, if any.

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Item 8. *Financial Statements and Supplementary Data*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Redhook Ale Brewery, Incorporated

We have audited the accompanying balance sheets of Redhook Ale Brewery, Incorporated (the Company) as of December 31, 2006 and 2005 and the related statements of operations, common stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redhook Ale Brewery, Incorporated as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, the Company adopted a new principle of accounting for share-based payments in accordance with Financial Accounting Standards Board Statement No. 123 R, Share-Based Payment.

Seattle, Washington

March 23, 2007

Table of Contents**REDHOOK ALE BREWERY, INCORPORATED****BALANCE SHEETS**

	December 31,	
	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,435,073	\$ 6,435,609
Accounts receivable, net of allowance for doubtful accounts of \$68,808 and \$7,599 in 2006 and 2005, respectively	1,842,388	1,297,404
Trade receivable from Craft Brands	854,507	698,272
Inventories	2,571,732	3,027,720
Deferred income tax asset, net	506,886	
Other	203,594	502,667
Total current assets	15,414,180	11,961,672
Fixed assets, net	58,076,434	60,379,901
Investment in Craft Brands	127,555	92,806
Other assets	222,573	143,326
Total assets	\$ 73,840,742	\$ 72,577,705
LIABILITIES AND COMMON STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 2,233,689	\$ 1,990,627
Trade payable to Craft Brands	324,900	367,590
Accrued salaries, wages and payroll taxes	1,547,482	1,259,823
Refundable deposits	2,153,127	2,440,796
Other accrued expenses	380,394	211,200
Current portion of long-term debt and capital lease obligations	464,648	459,245
Total current liabilities	7,104,240	6,729,281
Long-term debt and capital lease obligations, net of current portion	4,321,616	4,751,920
Deferred income tax liability, net	1,548,699	946,395
Other liabilities	173,768	123,542
Common stockholders equity:		
Common stock, par value \$0.005 per share, authorized, 50,000,000 Shares; issued and outstanding, 8,281,489 shares in 2006 and 8,222,609 shares in 2005	41,407	41,113
Additional paid-in capital	68,977,402	68,828,009
Retained deficit	(8,326,390)	(8,842,555)

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Total common stockholders' equity	60,692,419	60,026,567
Total liabilities and common stockholders' equity	\$ 73,840,742	\$ 72,577,705

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

Table of Contents**REDHOOK ALE BREWERY, INCORPORATED****STATEMENTS OF OPERATIONS**

	Year Ended December 31,		
	2006	2005	2004
Sales	\$ 40,006,708	\$ 34,520,401	\$ 36,639,552
Less excise taxes	4,292,324	3,421,494	3,267,513
Net sales	35,714,384	31,098,907	33,372,039
Cost of sales	30,918,137	27,543,639	27,171,255
Gross profit	4,796,247	3,555,268	6,200,784
Selling, general and administrative expenses	6,848,050	6,783,821	7,639,290
Income from equity investment in Craft Brands	2,655,248	2,391,936	1,123,283
Craft Brands shared formation expenses			534,628
Operating income (loss)	603,445	(836,617)	(849,851)
Interest expense	346,455	271,460	189,662
Other income, net	384,025	125,308	115,619
Income (loss) before income taxes	641,015	(982,769)	(923,894)
Income tax provision	124,850	217,674	331,000
Net income (loss)	\$ 516,165	\$ (1,200,443)	\$ (1,254,894)
Basic earnings (loss) per share	\$ 0.06	\$ (0.15)	\$ (0.18)
Diluted earnings (loss) per share	\$ 0.06	\$ (0.15)	\$ (0.18)

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

Table of Contents**REDHOOK ALE BREWERY, INCORPORATED****STATEMENTS OF COMMON STOCKHOLDERS EQUITY**

	Common Stock Shares	Par Value	Additional Paid-In Capital	Retained Deficit	Total Common Stockholders Equity
Balance as of January 1, 2004	6,226,306	\$ 31,132	\$ 54,250,059	\$ (6,365,018)	\$ 47,916,173
Issuance of common stock to A-B in exchange for Series B preferred stock	1,808,243	9,041	14,245,814		14,254,855
Issuance of common stock	153,650	768	265,893		266,661
Other				(22,200)	(22,200)
Net loss				(1,254,894)	(1,254,894)
Balance as of December 31, 2004	8,188,199	40,941	68,761,766	(7,642,112)	61,160,595
Issuance of common stock	34,410	172	66,243		66,415
Net loss				(1,200,443)	(1,200,443)
Balance as of December 31, 2005	8,222,609	41,113	68,828,009	(8,842,555)	60,026,567
Issuance of common stock	58,880	294	149,393		149,687
Net income				516,165	516,165
Balance as of December 31, 2006	8,281,489	\$ 41,407	\$ 68,977,402	\$ (8,326,390)	\$ 60,692,419

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

Table of Contents**REDHOOK ALE BREWERY, INCORPORATED****STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2006	2005	2004
Operating Activities			
Net income (loss)	\$ 516,165	\$ (1,200,443)	\$ (1,254,894)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,999,916	2,938,088	2,944,412
Deferred income taxes	95,418	176,597	301,000
Loss on disposition of fixed assets		25,631	
Income from equity investment in Craft Brands less than (in excess of) cash distributions	(34,749)	377,195	(219,901)
Stock-based compensation	53,760		
Changes in operating assets and liabilities:			
Accounts receivable	(544,984)	(173,929)	563,260
Trade receivables from Craft Brands	(156,235)	(299,565)	(398,707)
Inventories	455,988	(27,411)	341,697
Other current assets	299,073	3,661	(259,290)
Other assets	(86,146)	(131,140)	4,400
Accounts payable and other accrued expenses	243,062	(128,676)	(274,059)
Trade payable to Craft Brands	(42,690)	(63,499)	431,089
Accrued salaries, wages and payroll taxes	287,659	39,575	(341,278)
Refundable deposits	354,850	(85,292)	253,760
Other liabilities	219,420	58,639	64,903
Net cash provided by operating activities	4,660,507	1,509,431	2,156,392
Investing Activities			
Expenditures for fixed assets	(1,295,668)	(585,392)	(252,098)
Investment in Craft Brands			(250,100)
Proceeds from disposition of fixed assets		305,260	
Other, net		4,961	(4,583)
Net cash used in investing activities	(1,295,668)	(275,171)	(506,781)
Financing Activities			
Payment to A-B pursuant to exchange and recapitalization agreement			(2,000,000)
Principal payments on debt and capital lease obligations	(461,302)	(454,687)	(450,000)
Issuance of common stock	95,927	66,415	266,661
Net cash used in financing activities	(365,375)	(388,272)	(2,183,339)
Increase (decrease) in cash and cash equivalents	2,999,464	845,988	(533,728)

Cash and cash equivalents:			
Beginning of period	6,435,609	5,589,621	6,123,349
End of period	\$ 9,435,073	\$ 6,435,609	\$ 5,589,621
Supplemental Disclosures			
Cash paid for interest	\$ 343,629	\$ 182,202	\$ 186,888
Cash paid for taxes Acquisition of fixed assets under capital leases	\$ 36,401	\$ 40,852	