



May 1, 2008

Magic brew?

by Demitri Diakantonis

Magic Hat Brewing Co. & Performance Arts Center Inc. of Burlington, Vt., has tentatively agreed to acquire Seattle's **Pyramid Breweries Inc.** at \$2.75 a share, or up to \$35 million.

The offer is pending due diligence, which should take about four to six weeks. Merger completion is expected by Aug. 31.

Pyramid has a market capitalization of about \$23 million. Its stock closed up 3 cents at \$2.53 Thursday, May 1

James Abbott, an attorney for New York's **Seward & Kissel LLP**, which is representing Magic Hat in the deal, said he expects more consolidation in the small craft brewery industry this year. The craft space is defined as the industry that produces — instead of merely distributing — the beer or liquor product.

"The beer industry is not growing as fast as the craft space," Abbott said. John Ashmead, Robert Lustrin, Joseph Lucosky and David Lee were the other Seward & Kissel attorneys on the team.

"The combination of these breweries will be very complementary given our respective brand portfolios and the geographies in which we predominantly operate," said Pyramid CEO Scott Barnum, who plans to leave the company after the deal closes.

Magic Hat CEO Martin Kelly, who was Pyramid's CEO from 1999 to 2004, said he is looking forward to the "strategic and financial benefits" the transaction will provide both companies.

Pyramid has about 500 employees and two breweries under the Pyramid Alehouse and MacTarnahan's Taproom names in Portland, Ore., and Berkeley, Calif., respectively. The company also has three alehouse restaurants located in Walnut Creek and Sacramento, Calif., and Seattle.

Pyramid was originally founded in 1984 and was first known as Hart Brewing Inc. The company went public in 1995 and changed its name to Pyramid Breweries in 1996.

Alan Newman founded Magic Hat in 1994.