Crimson Wine Group, Ltd
Form 10-Q
November 09, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

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 000-54866

CRIMSON WINE GROUP, LTD.

(Exact name of registrant as specified in its Charter)

Delaware	13-3607383
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
2700 Napa Valley Corporate Drive, Suite B, Napa, California	94558
(Address of Principal Executive Offices)	(Zip Code)

(800) 486-0503

(Registrant’s Telephone Number, Including Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

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 X NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES X NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO X

On November 4, 2016 there were 24,002,528 outstanding shares of the Registrant's Common Stock, par value $.01 per share.

CRIMSON WINE GROUP, LTD.

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited).

CRIMSON WINE GROUP, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts and par value)
(Unaudited)

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 8,418	$ 18,333
Investments available for sale	24,338	25,423
Accounts receivable, net	6,710	6,121
Inventory	65,574	55,636
Other current assets	1,562	1,851
Total current assets	106,602	107,364
Property and equipment, net	118,500	111,635
Goodwill	1,196	1,053
Intangible assets and other non-current assets	15,174	15,894
Total non-current assets	134,870	128,582
Total assets	$ 241,472	$ 235,946
Liabilities		
Current liabilities:		
Accounts payable	$ 8,750	$ 3,936
Accrued compensation related expenses	2,175	2,504
Other accrued expenses	3,338	2,584
Customer deposits	1,572	385
Current portion of long-term debt, net of unamortized loan fees	634	633
Total current liabilities	16,469	10,042
Long-term debt, net of current portion and unamortized loan fees	14,806	15,282
Deferred rent, non-current	105	120
Deferred tax liability	3,989	3,642
Total non-current liabilities	18,900	19,044
Total liabilities	35,369	29,086
Equity		
Common shares, par value $0.01 per share, authorized 150,000,000 shares; 24,038,474 and 24,306,556 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	240	243
Additional paid-in capital	277,520	277,520
Accumulated other comprehensive income (loss)	54	(47)
Accumulated deficit	(71,711)	(70,856)
Total equity	206,103	206,860
Total liabilities and equity	$ 241,472	$ 235,946

See accompanying notes to unaudited interim condensed consolidated financial statements.

1

CRIMSON WINE GROUP, LTD.
CONDENSED CONSOLIDATED INCOME STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net sales	$ 15,838	$ 14,023	$ 46,627	$ 42,531
Cost of sales	7,948	7,063	23,516	19,801
Gross profit	7,890	6,960	23,111	22,730
Operating expenses:				
Sales and marketing	4,169	3,570	12,004	10,143
General and administrative	2,440	2,553	8,235	7,744
Total operating expenses	6,609	6,123	20,239	17,887
Net loss (gain) on disposal of property and equipment	146	7	168	(93)
Income from operations	1,135	830	2,704	4,936
Other income (expense):				
Interest expense	(233)	(38)	(679)	(114)
Other income, net	192	43	363	237
Total other income (expense), net	(41)	5	(316)	123
Income before income taxes	1,094	835	2,388	5,059
Income tax provision	437	359	986	1,967
Net income	$ 657	$ 476	$ 1,402	$ 3,092
Basic and fully diluted weighted-average shares outstanding	24,085	24,452	24,165	24,456
Basic and fully diluted earnings per share	$ 0.03	$ 0.02	$ 0.06	$ 0.13

See accompanying notes to unaudited interim condensed consolidated financial statements.

CRIMSON WINE GROUP, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	$ 657	$ 476	$ 1,402	$ 3,092
Other comprehensive income (loss):				
Net unrealized holding (losses) gains on investments arising during the period, net of tax	(21)	(10)	101	43
Comprehensive income	$ 636	$ 466	$ 1,503	$ 3,135

See accompanying notes to unaudited interim condensed consolidated financial statements.

3

CRIMSON WINE GROUP, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2016	2015
Net cash flows from operating activities:		
Net income	$ 1,402	$ 3,092
Adjustments to reconcile net income to net cash provided by operations:	-	
Depreciation and amortization of property and equipment	4,966	4,379
Amortization of intangible assets	1,166	1,136
Amortization of loan fees	5	-
Loss on write-down of inventory	149	192
Provision for doubtful accounts	-	17
Net loss (gain) on disposal of property and equipment	168	(93)
Deferred rent	(13)	2
Provision for deferred income taxes	283	1,678
Net change in operating assets and liabilities:		
Accounts receivable	(357)	(232)
Inventory	(5,858)	(9,117)
Other current assets	289	(651)
Other non-current assets	154	17
Accounts payable and expense accruals	4,338	5,388
Customer deposits	1,187	1,017
Net cash provided by operating activities	7,879	6,825
Net cash flows from investing activities:		
Acquisition of Seven Hills Winery	(7,320)	-
Purchase of investments available for sale	(5,500)	(3,750)
Redemptions of investments available for sale	6,750	3,500
Acquisition of property and equipment	(9,035)	(7,975)
Proceeds from disposals of property and equipment	51	128
Net cash used in investing activities	(15,054)	(8,097)
Net cash flows from financing activities:		
Principal payments on long-term debt	(480)	-
Repurchase of common stock	(2,260)	(373)
Net cash used in financing activities	(2,740)	(373)
Net decrease in cash and cash equivalents	(9,915)	(1,645)
Cash and cash equivalents - beginning of period	18,333	13,274
Cash and cash equivalents - end of period	$ 8,418	$ 11,629
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 583	$ 114
Income taxes	$ -	$ 569
Non-cash investing activity:		

Unrealized holding gains on investments, net of tax	$ 101	$ 43
Acquisition of property and equipment accrued but not yet paid	$ 430	$ 104

See accompanying notes to unaudited interim condensed consolidated financial statements.

CRIMSON WINE GROUP, LTD.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

1.Background and Basis of Presentation

Background

Crimson Wine Group, Ltd. and its subsidiaries (collectively, "Crimson" or the "Company") is a Delaware corporation that has been conducting business since 1991. Crimson is in the business of producing and selling ultra-premium and luxury wines (i.e., wines that retail for $14 to $25 and over $25 per 750ml bottle, respectively). Crimson is headquartered in Napa, California and through its subsidiaries owns six wineries: Pine Ridge Vineyards, Archery Summit, Chamisal Vineyards, Seghesio Family Vineyards, Double Canyon Vineyards and Seven Hills Winery.

Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial information. The unaudited interim condensed consolidated financial statements, which reflect all adjustments (consisting of normal recurring items or items discussed herein) that management believes necessary to fairly state results of interim operations, should be read in conjunction with the Notes to Consolidated Financial Statements (including the Significant Accounting Policies and Recent Accounting Pronouncements) included in the Company's audited consolidated financial statements for the year ended December 31, 2015, as filed with the SEC on Form 10-K (the "2015 Report"). Results of operations for interim periods are not necessarily indicative of annual results of operations. The unaudited condensed consolidated balance sheet at December 31, 2015 was extracted from the audited annual financial statements and does not include all disclosures required by GAAP for annual financial statements.

Significant Accounting Policies

There were no changes to the Company's significant accounting policies during the nine months ended September 30, 2016. See Note 3 to the 2015 Report for a description of the Company's significant accounting policies.

Recent Accounting Pronouncements

The following table provides a brief description of recent accounting pronouncements issued by the Financial Accounting Standards Board ("FASB") subsequent to the filing of the 2015 Report that could have a material effect on Crimson's consolidated financial statements. The following table also provides a brief description of recent accounting pronouncements adopted during the nine months ended September 30, 2016:

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
Standards that are not yet adopted			
Accounting Standard Update ("ASU") 2016-08, Revenue from Contracts with Customers (Topic 606)	In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. ASU 2016-08 amends the principal-versus-agent implementation guidance set forth in ASU 2014-09. Among other things, ASU 2016-08 clarifies that an entity should evaluate whether it is the principal or the agent for each specified good or service promised in a contract with a customer.	January 1, 2018, early adoption is permitted for the Company beginning on January 1, 2017.	Management is currently evaluating the potential impact of this guidance on the Company’s consolidated financial statements.
ASU 2016-10, Revenue from Contracts with Customers (Topic 606)	Amends certain aspects of ASU 2014-09 related to identifying performance obligations and licensing implementation.	January 1, 2018, early adoption is permitted for the Company beginning on January 1, 2017.	Management is currently evaluating the potential impact of this guidance on the Company’s consolidated financial statements.
ASU 2016-15, Statement of Cash Flows (Topic 230)	Amends the guidance in Topic 230 on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of the ASU is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic.	January 1, 2018, early adoption is permitted for the Company.	Management is currently evaluating the potential impact of this guidance on the Company’s consolidated financial statements.
Standards that were adopted			
ASU 2015-16, Business Combinations (Topic 805)	The standard eliminates the requirement for retrospective treatment of measurement-period adjustments in a business combination. Instead, a measurement-period adjustment will be recognized in the period in which the adjustment is determined.	January 1, 2016.	The adoption of this standard did not have a material impact on the Company’s consolidated

			financial statements.
ASU 2015-05, Intangibles- Goodwill and Other- Internal-Use Software (Subtopic 350-40)	Cloud computing arrangements represent the delivery of hosted services over the internet which includes software, platforms, infrastructure and other hosting arrangements. The ASU provides criteria to determine whether the cloud computing arrangement includes a software license. A software license can include customized development, maintenance, hosting and other related costs. If the criteria are met, the customer will capitalize the fee attributable to the software license portion of the arrangement as internal-use software. If the arrangement does not include a software license, it should be treated as a service contract.	January 1, 2016.	The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

2.Acquisition of Seven Hills Winery

On January 27, 2016, one of Crimson's wholly-owned subsidiaries entered into a purchase agreement pursuant to which Crimson's subsidiary acquired, or has rights in, substantially all of the assets and certain liabilities with respect to the Seven Hills Winery located in Walla Walla, Washington. The acquisition provides a strategic opportunity for Crimson to expand its portfolio.

The acquisition-date fair value of total consideration for the Seven Hills Winery acquisition was $7.9 million, consisting of $7.3 million in cash, which included a working capital adjustment of $0.3 million, and $0.6 million of non-cash contingent consideration. The contingent consideration arrangement requires the Company to pay up to $0.8 million in future earn-out payments based on certain achievements of the acquired business over the 38 months following the closing of the acquisition. The Company estimated the fair value of the contingent consideration at January 27, 2016 (the acquisition date) to be $0.6 million, using a probability-weighted discounted cash flow model. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820, Fair Value Measurement. Changes to the estimated fair value of the contingent consideration at each reporting period shall be recorded in the Company's consolidated income statement under the line item entitled 'General and administrative expense' as an operating expense. The fair value of the contingent consideration as of September 30, 2016 was $0.6 million and during the three and nine months ended September 30, 2016 the amounts recognized in the unaudited condensed consolidated income statements related to the changes in the estimated fair value of the contingent liability were immaterial.

The Seven Hills Winery acquisition was recorded during the first quarter of 2016 using the acquisition method of accounting as prescribed under ASC 805, Business Combinations. Accordingly, assets acquired and liabilities assumed were recorded at their fair values estimated by management as of January 27, 2016. The Company is in the process of finalizing fair value measurements of certain assets; thus, the measurements are subject to change.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Accounts receivable	$ 232
Inventory	4,229
Property, plant and equipment	2,927
Intangible assets	600
Total assets	7,988
Accounts payable and accruals	201
Net assets acquired	7,787
Goodwill	143
Total purchase price	$ 7,930

The fair value of accounts receivable acquired of $0.2 million was equal to the gross contractual amount due as of the acquisition date as the Company expected to collect, and has subsequently collected, on all amounts.

Adjustments to record the assets acquired and liabilities assumed at fair value include the recognition of $0.6 million of intangible assets as follows (in thousands, except estimated life information):

	Amount	Estimated Life
Brand	$ 500	15 years
Distributor relationships	100	10 years
Total	$ 600	

As described in Note 11 “Business Segment Information,” based on the nature of the Company’s business, revenue generating assets are utilized across segments. Therefore, goodwill recognized has not been allocated to any particular segment of the Company.

The Company recognized $0.2 million of acquisition related costs during the nine months ended September 30, 2016. These costs are included in the unaudited condensed consolidated income statements under the line item entitled ‘General and administrative expense.’ The Company’s results for the three and nine months ended September 30, 2016 include the results of Seven Hills Winery for the period since the date of acquisition. The amount of revenue and net income included in the Company’s unaudited condensed consolidated income statements for the three months ended September 30, 2016 were $0.3 million and $0.1 million, respectively, and revenue and net loss for the nine months ended September 30, 2016 were $1.3 million and $0.1 million, respectively.

In connection with the acquisition, the fair value in excess of book value for certain inventory on hand at the date of acquisition is referred to as inventory step-up. Seven Hills Winery’s cost of goods sold for the three and nine months ended September 30, 2016 includes inventory step-up.

Pro forma financial statements are not presented as they are not material to the Company’s overall condensed consolidated financial statements.

3.Inventory

A summary of inventory at September 30, 2016 and December 31, 2015 is as follows (in thousands):

	September 30, 2016	December 31, 2015
Case wine	$ 37,173	$ 30,997
In-process wine	28,023	24,306
Packaging and bottling supplies	378	333
Total inventory	$ 65,574	$ 55,636

4.Property and Equipment

A summary of property and equipment at September 30, 2016 and December 31, 2015, and depreciation expense for the nine months ended September 30, 2016 and 2015, is as follows (in thousands):

	Depreciable Lives (in years)	September 30, 2016	December 31, 2015

Land and improvements	N/A	$ 45,164	$ 41,573
Buildings and improvements	20-40	50,729	48,770
Vineyards and improvements	7-25	35,545	35,792
Winery and vineyard equipment	3-25	30,902	29,766
Caves	20-40	5,639	5,638
Vineyards under development	N/A	2,556	2,001
Construction in progress	N/A	3,368	195
Total		173,903	163,735
Accumulated depreciation and amortization		(55,403)	(52,100)
Property and equipment, net		$ 118,500	$ 111,635

	Nine Months Ended September 30,	
	2016	2015
Depreciation expense		
Capitalized into inventory	3,896	3,538
Expensed to general and administrative	1,070	841
Total depreciation	$ 4,966	$ 4,379

5.Financial Instruments

The Company’s material financial instruments include cash and cash equivalents and investments classified as available for sale. Investments classified as available for sale are the only assets or liabilities that are measured at fair value on a recurring basis. All of the Company’s investments mature within three years or less.

8

The par value, amortized cost, gross unrealized gains and losses and estimated fair value of investments classified as available for sale as of September 30, 2016 and December 31, 2015 are as follows (in thousands):

September 30, 2016	Par Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Level 1	Level 2	Total Fair Value Measurements
U.S. Treasury Note	$ 10,000	$ 10,000	$ 20	$ -	$ 10,020	$ -	$ 10,020
Certificates of Deposit	14,250	14,250	68	-	-	14,318	14,318
Total	$ 24,250	$ 24,250	$ 88	$ -	$ 10,020	$ 14,318	$ 24,338
December 31, 2015							
U.S. Treasury Note	$ 10,000	$ 10,000	$ -	$ (45)	$ 9,955	$ -	$ 9,955
Certificates of Deposit	15,500	15,500	4	(36)	-	15,468	15,468
Total	$ 25,500	$ 25,500	$ 4	$ (81)	$ 9,955	$ 15,468	$ 25,423

As of September 30, 2016 and December 31, 2015, other than the assets and liabilities related to the Seven Hills Winery acquisition (see Note 2), the Company did not have any assets or liabilities measured at fair value on a nonrecurring basis. For cash and cash equivalents, the carrying amounts of such financial instruments approximate their fair values. For short-term and long-term debt, the carrying amounts of such financial instruments approximate their fair values. The Company has estimated the fair value of its short-term and long-term debt based upon Level 3 inputs, such as the terms that management believes would currently be available to the Company for similar issues of debt, taking into account the current credit risk of the Company and other factors.

The Company does not invest in any derivatives or engage in any hedging activities.

6.Intangible and Other Non-Current Assets

A summary of intangible and other non-current assets at September 30, 2016 and December 31, 2015, and amortization expense for the nine months ended September 30, 2016 and 2015, is as follows (in thousands):

	Amortizable Lives (in years)	September 30, 2016	December 31, 2015
Brand, net of accumulated amortization of $5,512 and $4,717	15 - 17	$ 12,487	$ 12,783
Distributor and customer relationships, net of accumulated amortization of $997 and $851	10 - 14	1,703	1,749
Customer relationships, net of accumulated amortization of $1,448 and $1,243	7	452	657
Legacy permits, net of accumulated amortization of $95 and $82	14	155	168
Trademark, net of accumulated amortization of $81 and $74	20	119	126
Total intangible assets, net		$ 14,916	$ 15,483
Other non-current assets		258	411
Total intangible and other non-current assets		$ 15,174	$ 15,894

	Nine Months Ended September 30,	
Amortization expense	2016	2015
Total amortization expense	$ 1,166	$ 1,136

The estimated aggregate future amortization as of September 30, 2016 is identified below (in thousands):

Years Remaining	Amortization
2016	$ 389
2017	1,557
2018	1,402
2019	1,286
2020	1,286
Thereafter	8,996
Total	$ 14,916

7. Other Accrued Expenses

Other accrued expenses consisted of the following as of September 30, 2016 and December 31, 2015 (in thousands):

	September 30, 2016	December 31, 2015
Depletion allowance	$ 636	$ 977
Production and farming	732	768
Sales and marketing	214	253
Professional fees	100	83
Contingent liability related to Seven Hills Winery	647	-
Accrued interest	203	114

Other accrued expenses	806	389
Total other accrued expenses	$ 3,338	$ 2,584

8.Debt

Revolving Credit Facility

In March 2013, Crimson and its subsidiaries entered into a $60.0 million revolving credit facility with American AgCredit, FLCA, as agent for the lenders identified in the revolving credit facility, comprised of a revolving loan facility and a term revolving loan facility, which together is secured by substantially all of Crimson's assets. The revolving credit facility is for up to $10.0 million of availability in the aggregate for a five year term, and the term revolving credit facility is for up to $50.0 million in the aggregate for a fifteen year term. All obligations of Crimson under the revolving credit facility are collateralized by certain real property, including vineyards and certain winery facilities of Crimson, accounts receivable, inventory and intangible assets. In addition to unused line fees ranging from 0.15% to 0.25%, rates for the borrowings are priced based on a performance grid tied to certain financial ratios and the London Interbank Offered Rate. The revolving credit facility can be used to fund acquisitions, capital projects and other general corporate purposes. Covenants include the maintenance of specified debt and equity ratios, limitations on the incurrence of additional indebtedness, limitations on dividends and other distributions to shareholders and restrictions on certain mergers, consolidations and sales of assets. No amounts have been borrowed under the revolving credit facility to date.

Term Loan

On November 10, 2015, Pine Ridge Winery, LLC ("Borrower"), a wholly-owned subsidiary of Crimson, entered into a senior secured term loan agreement (the "term loan") with American AgCredit, FLCA ("Lender") for an aggregate principal amount of $16.0 million. Amounts outstanding under the term loan will bear a fixed interest rate of 5.24% per annum.

The term loan will mature on October 1, 2040 (the "Maturity Date"). On the first day of each January, April, July and October, commencing January 1, 2016, a principal payment in the amount of $160,000 and an interest payment equal to the amount of all interest accrued through the previous day shall be made. A final payment of all unpaid principal, interest and any other charges with respect to the term loan shall be due and payable on the Maturity Date.

The Company incurred debt issuance costs of approximately $0.1 million related to this term loan. These costs are recorded as a reduction from short-term or long-term debt, based on the timeframe in which the fees will be expensed (i.e. – expensed within 12-months shall be classified against short-term debt). The costs are being amortized to interest expense using the effective interest method over the contractual term of the loan.

Borrower's obligations under the term loan are guaranteed by the Company. All obligations of Borrower under the term loan are collateralized by certain real property of the Company. Borrower's covenants include the maintenance of a specified debt service coverage ratio and certain customary affirmative and negative covenants, including limitations on the incurrence of additional indebtedness; limitations on distributions to shareholders; and restrictions on certain investments, sale of assets and merging or consolidating with other persons.

The full $16.0 million was drawn at closing and the term loan can be used to fund acquisitions, capital projects and other general corporate purposes. As of September 30, 2016, $15.4 million in principal was outstanding, net of unamortized loan fees of less than $0.1 million.

The Company was in compliance with all debt covenants as of September 30, 2016.

9.Stockholders' Equity

In March 2014, the Board of Directors of the Company authorized a share repurchase program (the "2014 Repurchase Program") that provides for the repurchase of up to $2.0 million of outstanding common stock. Under the 2014 Repurchase Program, any repurchased shares are constructively retired. During the nine months ended September 30, 2016, the Company repurchased 76,710 shares under the 2014 Repurchase Program which were constructively retired at an original repurchase cost of $0.6 million, and on February 29, 2016 the 2014 Repurchase Program was completed. Under the total 2014 Repurchase Program the Company repurchased 228,522 shares which were constructively retired at an original repurchase cost of $2.0 million.

In March 2016, the Board of Directors of the Company authorized a second share repurchase program (the "2016 Repurchase Program") that provides for the repurchase of up to $2.0 million of outstanding common stock. Under the 2016 Repurchase Program, any repurchased shares are constructively retired. During the nine months ended and as of September 30, 2016, the Company repurchased 191,372 shares under the 2016 Repurchase Program which were constructively retired at an original repurchase cost of $1.6 million. Through November 4, 2016, the Company had repurchased 227,318 shares under the 2016 Repurchase Program which were constructively retired at an original repurchase price of $2.0 million.

10.Income Taxes

The Company's effective tax rates for the three months ended September 30, 2016 and 2015 were 39.9% and 43.0%, respectively. The Company's effective tax rates for the nine months ended September 30, 2016 and 2015 were 41.3% and 38.9%, respectively. The consolidated income tax expense for the three and nine months ended September 30, 2016 and 2015 was determined based upon estimates of the Company's consolidated effective income tax rates for the years ending December 31, 2016 and 2015, respectively. The difference between the consolidated effective income tax rate and the U.S. federal statutory rate is primarily attributable to state taxes and permanent items, which primarily consist of meals and entertainment and the domestic production activity deduction.

The Company does not have any amounts in its condensed consolidated balance sheet for unrecognized tax benefits related to uncertain tax positions at September 30, 2016 and December 31, 2015.

11.Business Segment Information

The Company has identified two operating segments which are reportable segments for financial statement reporting purposes, Wholesale Sales and Direct to Consumer Sales, based upon their different distribution channels, margins and selling strategies. Wholesale Sales includes all sales through a third party where prices are given at a wholesale rate whereas Direct to Consumer Sales includes retail sales in the tasting room, remote sites and on-site events, Wine Club sales and other sales made directly to the consumer without the use of an intermediary.

The two segments reflect how the Company's operations are evaluated by senior management and the structure of its internal financial reporting. The Company evaluates performance based on the gross profit of the respective business segments. Selling expenses that can be directly attributable to the segment are allocated accordingly. However, centralized selling expenses and general and administrative expenses are not allocated between operating segments. Therefore, net income information for the respective segments is not available. Based on the nature of the Company's business, revenue generating assets are utilized across segments. Therefore, discrete financial information related to segment assets and other balance sheet data is not available and that information continues to be aggregated.

The following table outlines the net sales, cost of sales including inventory step-up associated with the Seven Hills Winery acquisition, gross profit, directly attributable selling expenses and operating income for the Company's reportable segments for the three and nine months ended September 30, 2016 and 2015, and also includes a reconciliation of consolidated income (loss) from operations. Other/Non-allocable net sales and gross profit include bulk wine and grape sales, event fees and retail sales. Other/Non-allocable expenses include centralized corporate expenses not specific to an identified reporting segment. Sales figures are net of related excise taxes.

	Three Months Ended September 30,							
	Wholesale		Direct to Consumer		Other/Non-Allocable		Total	
(in thousands)	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	$ 8,698	$ 8,464	$ 5,288	$ 4,301	$ 1,852	$ 1,258	$ 15,838	$ 14,023
Cost of sales	4,585	4,340	1,509	1,111	1,854	1,612	7,948	7,063
Gross profit (loss)	4,113	4,124	3,779	3,190	(2)	(354)	7,890	6,960
Operating expenses:								
Sales and marketing	1,719	1,442	1,602	1,583	848	545	4,169	3,570
General and administrative	-	-	-	-	2,440	2,553	2,440	2,553
Total operating expenses	1,719	1,442	1,602	1,583	3,288	3,098	6,609	6,123
Net loss on disposal of property and equipment	-	-	-	-	146	7	146	7
Income (loss) from operations	$ 2,394	$ 2,682	$ 2,177	$ 1,607	$ (3,436)	$ (3,459)	$ 1,135	$ 830

	Nine Months Ended September 30,							
	Wholesale		Direct to Consumer		Other/Non-Allocable		Total	
(in thousands)	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	$ 27,267	$ 25,411	$ 15,495	$ 14,617	$ 3,865	$ 2,503	$ 46,627	$ 42,531
Cost of sales	14,973	12,946	4,621	3,989	3,922	2,866	23,516	19,801
Gross profit (loss)	12,294	12,465	10,874	10,628	(57)	(363)	23,111	22,730
Operating expenses:								
Sales and marketing	4,914	4,229	4,578	4,425	2,512	1,489	12,004	10,143
General and administrative	-	-	-	-	8,235	7,744	8,235	7,744
Total operating expenses	4,914	4,229	4,578	4,425	10,747	9,233	20,239	17,887
Net loss (gain) on disposal of property and equipment	-	-	-	-	168	(93)	168	(93)
Income (loss) from operations	$ 7,380	$ 8,236	$ 6,296	$ 6,203	$ (10,972)	$ (9,503)	$ 2,704	$ 4,936

13

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Interim Operations.

Statements included in this Report may contain forward-looking statements. See "Cautionary Statement for Forward-Looking Information" below. The following should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and the Company's audited consolidated financial statements for the year ended December 31, 2015 included in the Company's Annual Report on Form 10-K as filed with the SEC (the "2015 Report").

Quantities or results referred to as "current quarter" and "current nine-month period" refer to the three and nine months ended September 30, 2016, respectively.

Cautionary Statement for Forward-Looking Information

This MD&A and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The unaudited interim condensed consolidated financial statements, that include results of Crimson Wine Group, Ltd. and all its subsidiaries further collectively known as "we", "Crimson", "our", "us", or "the Company", have been prepared in accordance with GAAP for interim financial information and with the general instruction for quarterly reports filed on Form 10-Q and Article 8 of Regulation S-X. All statements, other than statements of historical fact, regarding our strategy, future operations, financial position, prospects, plans, opportunities, and objectives constitute "forward-looking statements." The words "may," "will," "expect," "plan," "anticipate," "believe," "estimate," "potential," or "continue" and similar types of expressions identify such statements, although not all forward-looking statements contain these identifying words. These statements are based upon information that is currently available to us and our management's current expectations, speak only as of the date hereof, and are subject to risks and uncertainties. We expressly disclaim any obligation, except as required by federal securities laws, or undertaking to update or revise any forward-looking statements contained herein to reflect any change or expectations with regard thereto or to reflect any change in events, conditions, or circumstances on which any such forward-looking statements are based, in whole or in part. Our actual results may differ materially from the results discussed in or implied by such forward-looking statements.

Factors that could cause actual results to differ materially from any results projected, forecasted, estimated or budgeted or that may materially and adversely affect our actual results include but are not limited to the following: worsening economic conditions causing a decline in estimated future cash flows; our dependence on certain key personnel; significant increases in operating costs and reduced profitability due to competition for skilled management and staff employees; various diseases, pests and weather conditions affecting the quality and quantity of grapes; our inability to grow or acquire enough fruit for our wines; significant competition adversely affecting our profitability; competition for shelf space in retail stores and for marketing focus by our independent distributors; the contamination of our wines; a reduction in consumer demand for our wines; a decrease in wine score rating by important rating organizations; climate change, or legal, regulatory or market measures to address climate change, negatively affecting our business, operations or financial performance, and water scarcity or poor quality negatively impacting our production costs and capacity, including the continuation or worsening of the drought in California; environmental issues or hazardous substances on our properties resulting in us incurring significant liabilities; indebtedness we may incur materially affecting our financial health; changes in laws and government regulations or in the implementation and/or enforcement of government rules and regulations increasing our costs or restricting our ability to sell our products into certain markets; our inability to insure certain risks economically; being subject to litigation which may have a significant adverse effect on our consolidated financial condition or results of operations; not paying dividends currently or in the future; impairment of our intangible assets; the limited market for our common stock because our stock is not listed on any securities exchange; volatility in our common stock price; future sales of our common stock depressing the market price of our stock; public company compliance costs; loss of our status as an emerging growth company; restrictions on our ability to enter into certain transactions that could jeopardize our tax free spin-off from Leucadia National Corporation; and the significant influence of certain principal stockholders. For additional information see Part I, Item 1A. Risk Factors in the 2015 Report.

Overview of Business

The Company generates revenues from sales of wine to wholesalers and direct to consumers, sales of bulk wine and grapes, special event fees, tasting fees and retail sales.

Our wines are primarily sold to wholesale distributors, who then sell to retailers and restaurants. As permitted under federal and local regulations, we have also been placing increased emphasis on generating revenue from direct sales to consumers which occur through wine clubs, at the wineries' tasting rooms and through the internet and direct outreach to customers. Direct sales to consumers are more profitable for the Company as it is able to sell its products at a price closer to retail prices rather than the wholesale price sold to distributors. From time to time, we may sell grapes or bulk wine, because the wine does not meet the quality standards for the Company’s products, market conditions have changed resulting in reduced demand for certain products, or because the Company may have produced more of a particular varietal than it can use. When these sales occur, they may result in a loss.

Cost of sales includes grape and bulk wine costs, whether purchased or produced from the Company’s controlled vineyards, crush costs, winemaking and processing costs, bottling and packaging, warehousing, shipping and handling costs and inventory step-up costs in connection with the acquisition of Seven Hills Winery. For the Company controlled vineyard produced grapes, grape costs include annual farming labor costs, harvest costs and depreciation of vineyard assets. For wines that age longer than one year, winemaking and processing costs continue to be incurred and capitalized to the cost of wine, which can range from 3 to 36 months. Reductions to the carrying value of inventories are also included in costs of sales.

At September 30, 2016, wine inventory includes approximately 1.0 million cases of bottled and bulk wine in various stages of the aging process. Cased wine is expected to be sold over the next 12 to 36 months and generally before the release date of the next vintage.

Seasonality

As discussed in the 2015 Report, the wine industry in general historically experiences seasonal fluctuations in revenues and net income. The Company typically has lower sales and net income during the first quarter and higher sales and net income during the fourth quarter due to seasonal holiday buying as well as wine club shipment timing. We anticipate similar trends in the future.

Items impacting comparability

In connection with the acquisition of Seven Hills Winery, the fair value in excess of book value for certain inventory on hand at the date of acquisition is referred to as inventory step-up. Inventory step-up represents an assumed manufacturing profit attributable to the acquired company prior to acquisition. The Company’s cost of goods sold for the three and nine months ended September 30, 2016 includes the following inventory step-up related to Seven Hills Winery.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2016	2015	2016	2015
Cost of sales:				

Comparable cost of sales	$ 7,885	$ 7,063	$ 23,336	$ 19,801
Inventory step-up	63	-	180	-
Total cost of sales	$ 7,948	$ 7,063	$ 23,516	$ 19,801

Results of Operations

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Net Sales

	Three Months Ended September 30,			
(in thousands, except percentages)	2016	2015	Increase	% change
Wholesale	$ 8,698	$ 8,464	$ 234	3%
Direct to consumer	5,288	4,301	987	23%
Other	1,852	1,258	594	47%
Total net sales	$ 15,838	$ 14,023	$ 1,815	13%

Wholesale net sales increased $0.2 million, or 3%, in the current quarter as compared to the same period in 2015. The increase in the current quarter was driven by domestic volume growth of 7%, partially offset by a decrease in export volume of 12%, increased price support and a temporary shift in product mix to lower priced products.

15

Direct to consumer net sales increased $1.0 million, or 23%, in the current quarter as compared to the same period in 2015. In the current quarter wine club net sales increased $0.8 million and e-commerce, special events and tasting room combined net sales increased $0.2 million.

Other net sales include bulk wine and grape sales, event fees and retail sales which had an overall increase of $0.6 million, or 47%, in the current quarter as compared to the same period in 2015. The year over year increase was primarily driven by a higher volume of higher priced bulk wine and grape sales.

Gross Profit

	Three Months Ended September 30,			
(in thousands, except percentages)	2016	2015	Increase (Decrease)	% change
Wholesale	$ 4,113	$ 4,124	$ (11)	0%
Wholesale gross margin percentage	47%	49%		
Direct to consumer	3,779	3,190	589	18%
Direct to consumer gross margin percentage	71%	74%		
Other	(2)	(354)	352	99%
Total gross profit	$ 7,890	$ 6,960	$ 930	13%

Wholesale gross profit remained relatively flat in the current quarter as compared to the same period in 2015. Gross margin percentage, which is defined as gross profit as a percentage of net sales, decreased approximately 144 basis points in the current quarter, which was driven primarily by a temporary shift in product mix to lower margin products and expected lower margins on the inventory purchased in the Seven Hills Winery acquisition due to fair value acquisition related accounting. Price increases through the remainder of the year on certain products, as well as improved mix of higher margin products, are expected to improve margins in the remainder of the year.

Direct to consumer gross profit increased $0.6 million, or 18%, in the current quarter as compared to the same period in 2015. Gross margin percentage decreased approximately 271 basis points in the current period, which was driven primarily by an overall expected shift in product mix to lower margin products and expected lower margins on the inventory purchased in the Seven Hills Winery acquisition due to fair value acquisition related accounting. We anticipate higher margins for the remainder of the year as the mix of our wine clubs shifts to the higher value and margin items.

Other gross profit includes bulk wine and grape sales, event fees, non-wine retail sales and inventory write-downs which reflected an overall increase of $0.4 million, or 99%, in the current quarter as compared to the same period in 2015. The overall increase was primarily driven by higher margins recognized on non-wine retail sales and improved margins on a higher volume of bulk wine and grape sales.

Operating Expenses

	Three Months Ended September 30,			
(in thousands, except percentages)	2016	2015	Increase (Decrease)	% change
Sales and marketing	$ 4,169	$ 3,570	$ 599	17%
General and administrative	2,440	2,553	(113)	-4%
Total operating expenses	$ 6,609	$ 6,123	$ 486	8%

Sales and marketing expenses increased $0.6 million, or 17%, in the current quarter as compared to the same period in 2015. The increase was primarily to support growth, partially due to the addition of the Estates Wine Room in December 2015 and the acquisition of Seven Hills Winery in January 2016, which resulted in higher compensation costs and increased office related expenses and marketing costs.

General and administrative expenses decreased $0.1 million, or 4%, in the current quarter as compared to the same period in 2015. The decrease was primarily driven by decreased contract services, legal fees, office related expenses and several other general and administrative items. These decreases were partially offset by increased compensation costs, licensing and permit fees and depreciation.

Other Income (Expense)

	Three Months Ended September 30,			
(in thousands, except percentages)	2016	2015	Increase (Decrease)	% change
Interest expense	$ (233)	$ (38)	$ 195	513%
Other income, net	192	43	149	347%
Total	$ (41)	$ 5	$ (46)	-920%

Interest expense increased $0.2 million, or 513%, in the current quarter as compared to the same period in 2015. The increase primarily relates to interest expense incurred on the term loan entered into with American AG Credit during November 2015.

Other income increased $0.1 million, or 347%, in the current quarter as compared to the same period in 2015. The overall increase in other income primarily relates to increased interest income on our short-term investments and increased net rental property income.

Income Tax Provision

The Company's effective tax rates for the three months ended September 30, 2016 and 2015 were 39.9% and 43.0%, respectively. The effective tax rate for the third quarter of 2016 decreased compared to the same period in 2015 primarily due to an increased domestic production activities deduction.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Net Sales

	Nine Months Ended September 30,			
(in thousands, except percentages)	2016	2015	Increase	% change
Wholesale	$ 27,267	$ 25,411	$ 1,856	7%
Direct to consumer	15,495	14,617	878	6%
Other	3,865	2,503	1,362	54%
Total net sales	$ 46,627	$ 42,531	$ 4,096	10%

Wholesale net sales increased $1.9 million, or 7%, in the current nine-month period as compared to the same period in 2015. The increase in the current year was driven by domestic volume growth of 10%, export volume growth of 4% and decreased price support. These increases were partially offset by a temporary shift in product mix to lower priced products during the current period.

Direct to consumer net sales increased $0.9 million, or 6%, in the current nine-month period as compared to the same period in 2015. In the current period wine club, e-commerce and special events combined net sales increased $0.5 million and tasting room net sales increased $0.4 million.

Other net sales include bulk wine and grape sales, event fees and retail sales which had an overall increase of $1.4 million, or 54%, in the current nine-month period as compared to the same period in 2015. The year over year increase was primarily driven by a higher volume of higher priced bulk wine and grape sales.

Gross Profit

	Nine Months Ended September 30,			
(in thousands, except percentages)	2016	2015	Increase (Decrease)	% change
Wholesale	$ 12,294	$ 12,465	$ (171)	-1%
Wholesale gross margin percentage	45%	49%		
Direct to consumer	10,874	10,628	246	2%
Direct to consumer gross margin percentage	70%	73%		
Other	(57)	(363)	306	84%
Total gross profit	$ 23,111	$ 22,730	$ 381	2%

Wholesale gross profit decreased $0.2 million, or 1%, in the current nine-month period as compared to the same period in 2015. Gross margin percentage decreased approximately 397 basis points in the current period, which was driven primarily by a shift in product mix to lower margin products, including the close out of lower priced and lower margin wines, and expected lower margins on the inventory purchased in the Seven Hills Winery acquisition due to fair value acquisition related accounting. Price increases through the remainder of the year on certain products, as well as improved mix of higher margin products, are expected to improve margins in the remainder of the year.

Direct to consumer gross profit increased $0.2 million, or 2%, in the current nine-month period as compared to the same period in 2015. Gross margin percentage decreased approximately 253 basis points in the current period, which was driven primarily by an overall expected shift in product mix to lower margin products and expected lower margins on the inventory purchased in the Seven Hills Winery acquisition due to fair value acquisition related accounting. We anticipate higher margins in the remainder of the year when the mix of our wine clubs shifts to the higher value and margin items.

Other gross profit includes bulk wine and grape sales, event fees, non-wine retail sales and inventory write-downs which reflected an overall increase of $0.3 million or 84%, in the current nine-month period as compared to the same period in 2015. The overall increase was primarily driven by higher margins recognized on non-wine retail sales and improved margins on a higher volume of bulk wine and grape sales.

Operating Expenses

	Nine Months Ended September 30,			
(in thousands, except percentages)	2016	2015	Increase	% change
Sales and marketing	$ 12,004	$ 10,143	$ 1,861	18%
General and administrative	8,235	7,744	491	6%
Total operating expenses	$ 20,239	$ 17,887	$ 2,352	13%

Sales and marketing expenses increased $1.9 million, or 18%, in the current nine-month period as compared to the same period in 2015. The increase was primarily to support growth, partially due to the addition of the Estates Wine Room in December 2015 and the acquisition of Seven Hills Winery in January 2016, which resulted in increased compensation costs, promotion and incentive related costs, office related expenses and professional fees. These increases were partially offset by a decrease in outside services and public relations special programs.

General and administrative expenses increased $0.5 million, or 6%, in the current nine-month period as compared to the same period in 2015. The increase was primarily driven by operating expenses and one-time acquisition related professional fees associated with Seven Hills Winery, increased compensation, outside services and depreciation. These increases were partially offset by a decrease in office related expenses and several other general and administrative items.

Other Income (Expense)

	Nine Months Ended September 30,			
(in thousands, except percentages)	2016	2015	Increase (Decrease)	% change
Interest expense	$ (679)	$ (114)	$ 565	496%
Other income, net	363	237	126	53%
Total	$ (316)	$ 123	$ (439)	-357%

Interest expense increased $0.6 million, or 496%, in the current nine-month period as compared to the same period in 2015. The increase relates to interest expense incurred on the term loan entered into with American AG Credit during November 2015.

Other income, net increased $0.1 million, or 53%, in the current nine-month period as compared to the same period in 2015. The increase primarily related to interest income on our short-term investments and increased net rental property income.

Income Tax Provision

The Company's effective annual tax rates for the nine months ended September 30, 2016 and 2015 were 41.3% and 38.9%, respectively. The effective tax rate increased in the current period as compared to same period in 2015 primarily due to a decrease in the domestic production activities deduction.

Liquidity and Capital Resources

General

The Company’s principal sources of liquidity are its available cash, funds generated from operations and its revolving credit facility. The Company’s primary cash needs are to fund working capital requirements and capital expenditures.

Credit Facilities

In March 2013, Crimson entered into a $60.0 million revolving credit facility with American AgCredit, FLCA, as agent for the lenders identified in the revolving credit facility, comprised of a revolving loan facility and a term revolving loan facility, which together is secured by substantially all of Crimson’s assets. The revolving credit facility is for up to $10.0 million of availability in the aggregate for a five year term, and the term revolving credit facility is for up to $50.0 million in the aggregate for a fifteen year term. All obligations of Crimson under the revolving credit facility are collateralized by certain real property, including vineyards and certain winery facilities of Crimson, accounts receivable, inventory and intangible assets. In addition to unused line fees ranging from 0.15% to 0.25%, rates for the borrowings are priced based on a performance grid tied to certain financial ratios and the London Interbank Offered Rate. The revolving credit facility can be used to fund acquisitions, capital projects and other general corporate purposes. Covenants include the maintenance of specified debt and equity ratios, limitations on the incurrence of additional indebtedness, limitations on dividends and other distributions to shareholders and restrictions on certain mergers, consolidations and sales of assets. No amounts have been borrowed under the revolving credit facility to date.

On November 10, 2015, Pine Ridge Winery, LLC (“Borrower”), a wholly-owned subsidiary of Crimson entered into a senior secured term loan agreement (the “term loan”) with American AgCredit, FLCA (“Lender”) for an aggregate principal amount of $16.0 million. Amounts outstanding under the term loan will bear a fixed interest rate of 5.24% per annum.

The term loan will mature on October 1, 2040 (the “Maturity Date”). On the first day of each January, April, July and October, commencing January 1, 2016, Borrower is required to make a principal payment in the amount of One Hundred Sixty Thousand Dollars ($160,000) and an interest payment equal to the amount of all interest accrued through the previous day. A final payment of all unpaid principal, interest and any other charges with respect to the term loan shall be due and payable on the Maturity Date.

Borrower’s obligations under the term loan are guaranteed by the Company. All obligations of Borrower under the term loan are collateralized by certain real property of the Company. Borrower’s covenants include the maintenance of a specified debt service coverage ratio and certain customary affirmative and negative covenants, including limitations on the incurrence of additional indebtedness; limitations on distributions to shareholders; and restrictions on certain investments, sale of assets and merging or consolidating with other persons.

The full $16.0 million was drawn at closing and the term loan can be used to fund acquisitions, capital projects and other general corporate purposes. As of September 30, 2016, $15.4 million in principal was outstanding, net of unamortized loan fees of less than $0.1 million.

Consolidated Statements of Cash Flows

The following table summarizes our cash flow activities for the nine months ended September 30, 2016 and 2015 (in thousands):

Cash provided by (used in):	2016	2015
Operating activities	$ 7,879	$ 6,825
Investing activities	(15,054)	(8,097)
Financing activities	(2,740)	(373)

Cash provided by operating activities

Net cash provided by operating activities was $7.9 million for the nine months ended September 30, 2016, consisting primarily of $1.4 million of net income adjusted for non-cash items such as $6.1 million of depreciation and amortization, $0.3 million of deferred income tax provision and $0.2 million of loss related to disposals of property and equipment, partially offset by $0.3 million of net cash outflow related to changes in operating assets and liabilities. The change in operating assets and liabilities was primarily due to an increase in inventory and accounts receivable, excluding inventory acquired in the Seven Hills Winery acquisition, partially offset by an increase in accounts payable and expense accruals and customer deposits.

Net cash provided by operating activities was $6.8 million for the nine months ended September 30, 2015, consisting primarily of $3.1 million of net income adjusted for non-cash items such as $5.5 million of depreciation and amortization and $1.7 million of deferred income tax provision, partially offset by $3.6 million of net cash outflow related to changes in operating assets and liabilities. The change in operating assets and liabilities was primarily due to an increase in inventory and other current assets, partially offset by an increase in accounts payable and expense accruals and customer deposits.

Cash used in investing activities

Net cash used in investing activities was $15.1 million for the nine months ended September 30, 2016, consisting primarily of capital expenditures of $9.0 million, $7.3 million of cash paid in the acquisition of Seven Hills Winery, and net redemptions of available for sale investments of $1.3 million. Capital expenditures of $9.0 million includes $3.2 million in strategic land acquisitions, $0.6 million of costs related to the buildout of the recently announced winemaking facility in West Richland, Washington (the “Washington Winemaking Facility”) and other planned purchases associated with ongoing business activities. The Company expects to spend approximately $5.4 million in the remainder of 2016 for capital expenditures, including costs related to the Washington Winemaking Facility. We expect to use our available cash and cash flows generated from operating activities to fund capital expenditures.

Net cash used in investing activities was $8.1 million for the nine months ended September 30, 2015, consisting primarily of capital expenditures of $8.0 million.

Cash used in financing activities

Net cash used in financing activities for the nine months ended September 30, 2016 was $2.7 million, which reflects the repurchase of shares of our common stock at a repurchase price totaling $2.3 million and principal payments on our term loan of $0.5 million.

Net cash used in financing activities for the nine months ended September 30, 2015 was $0.4 million, which reflects the repurchase of shares of our common stock at a repurchase price totaling $0.4 million.

Share Repurchases

In March 2014, the Board of Directors of the Company authorized a share repurchase program (the “2014 Repurchase Program”) that provides for the repurchase of up to $2.0 million of outstanding common stock. Under the 2014 Repurchase Program, any repurchased shares are constructively retired. During the nine months ended September 30, 2016, the Company repurchased 76,710 shares under the 2014 Repurchase Program which were constructively retired at an original repurchase cost of $0.6 million, and on February 29, 2016 the 2014 Repurchase Program was completed. Under the total 2014 Repurchase Program the Company repurchased 228,522 shares which were constructively retired at an original repurchase cost of $2.0 million.

In March 2016, the Board of Directors of the Company authorized a second share repurchase program (the “2016 Repurchase Program”) that provides for the repurchase of up to $2.0 million of outstanding common stock. Under the 2016 Repurchase Program, any repurchased shares are constructively retired. During the nine months ended and as of September 30, 2016, the

Company repurchased 191,372 shares under the 2016 Repurchase Program which were constructively retired at an original repurchase cost of $1.6 million (See Part II, Item 2 in this Report). Through November 4, 2016, the Company had repurchased 227,318 shares under the 2016 Repurchase Program which were constructively retired at an original repurchase price of $2.0 million.

Commitments & Contingencies

There have been no significant changes to our contractual obligations table as disclosed in the 2015 Report.

Critical Accounting Policies and Estimates

There have been no material changes to the critical accounting policies and estimates previously disclosed in the 2015 Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Crimson does not currently have any exposure to financial market risk. Sales to international customers are denominated in U.S. dollars; therefore, Crimson is not exposed to market risk related to changes in foreign currency exchange rates. As discussed above under Liquidity and Capital Resources, Crimson has a revolving credit facility and a term loan. The revolving credit facility had no outstanding balance as of September 30, 2016, and has interest at floating rates on borrowings. The term loan had $15.5 million outstanding at September 30, 2016, and is a fixed-rate debt, and therefore is not subject to fluctuations in market interest rates.

Item 4. Controls and Procedures.

The Company's management evaluated, with the participation of the Company's principal executive and principal financial officers, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2016. Based on their evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures were effective as of September 30, 2016.

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended September 30, 2016, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, the Company may be involved in legal proceedings in the ordinary course of its business. The Company is not currently involved in any legal or administrative proceedings individually or together that it believes are likely to have a significant adverse effect on its business, results of operations or financial condition.

Item 1A. Risk Factors.

In addition to the other information set forth in this Report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our 2015 Report, which could materially affect our business, results of operations or financial condition. The risks described in our 2015 Report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may eventually prove to materially adversely affect our business, results of operations or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Share repurchase activity under the Company's share repurchase program, on a trade date basis, for the three months ended September 30, 2016, was as follows:

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans (millions)(1)
July 1-31, 2016	18,625	8.51	132,664	0.9
August 1-31, 2016	21,727	8.56	154,391	0.7

September 1-30, 2016	36,981	8.62	191,372	0.4
Total	77,333			

(1) In March 2016, the Board of Directors of the Company authorized the 2016 Repurchase Program that provides for the repurchase of up to $2.0 million of outstanding common stock. The 2016 Repurchase Program expires on the earlier of March 1, 2017 or the date that the aggregate purchase price of all shares repurchased reaches $2.0 million. Under the 2016 Repurchase Program, any repurchased shares are constructively retired.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

None

Item 5. Other Information.

None.

Item 6. Exhibits.

2.1	Separation Agreement, dated February 1, 2013, between Crimson Wine Group, Ltd. and Leucadia National Corporation (incorporated by reference to Exhibit 2.1 to Form 8-K filed on February 25, 2013).
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Form 8-K filed on February 25, 2013).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Form 8-K filed on February 25, 2013).
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the Quarterly Report on Form 10-Q of Crimson Wine Group, Ltd. for the quarter ended September 30, 2016, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Income Statements; (iii) the Condensed Consolidated Statements of Comprehensive Income; (iv) the Condensed Consolidated Statements of Cash Flows; and (v) the Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CRIMSON WINE GROUP, LTD.
(Registrant)

Date: November 8, 2016	By:	/s/ Shannon McLaren
		Shannon McLaren
		Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
2.1	Separation Agreement, dated February 1, 2013, between Crimson Wine Group, Ltd. and Leucadia National Corporation (incorporated by reference to Exhibit 2.1 to Form 8-K filed on February 25, 2013).
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Form 8-K filed on February 25, 2013).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Form 8-K filed on February 25, 2013).
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the Quarterly Report on Form 10-Q of Crimson Wine Group, Ltd. for the quarter ended September 30, 2016, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Income Statements; (iii) the Condensed Consolidated Statements of Comprehensive Income; (iv) the Condensed Consolidated Statements of Cash Flows; and (v) the Notes to Unaudited Interim Condensed Consolidated Financial Statements.