

Testimony Regarding House Bill 194 – The Negligence and Strain Caused by Distribution Partners

To the Committee,

My name is Steve Ipson, and I am the owner of Listermann Brewing Company. I am here today to testify regarding the severe challenges my company has faced due to our distribution partner, Sarene Craft Distributors. Over the past year and a half, Sarene's negligent business practices have caused significant financial hardship and operational disruption, demonstrating the urgent need for legislative action such as Senate Bill 23.

1. Unreliable Pickup Schedule

Our contract with Sarene grants them brand rights across all 88 counties in Ohio and prohibits dock sales. Despite this agreement, Sarene has failed to adhere to a reliable pickup schedule. Initially promised a consistent pickup cadence, our experience has been plagued by unpredictable and infrequent pickups. Entire weeks pass without scheduled pickups due to Sarene's truck or driver shortages. At times, pickups dwindled to only twice per month, forcing us to hold excessive inventory and bear production costs without timely revenue. These delays severely impact our cash flow, as we are unable to receive payment for our products until Sarene makes time for pickup.

2. Slow and Inconsistent Payments

Despite agreeing to Net 5-day payment terms, Sarene has routinely failed to make timely payments. In 2023, 23 invoices were paid late, and in 2024, this trend continued with 14 invoices past due. Payment delays have ranged from 7 to 35 days, with one invoice of \$11,294.40 being paid 21 days late. Repeated emails requesting payment often go unanswered, exacerbating our financial strain. These late payments have forced us to delay or scale back production due to insufficient cash flow.

3. Dramatic Decline in Sales

Under Sarene, our sales have plummeted by 50% compared to the previous year. Their sales projections continue to decline, reflecting their failure to promote and distribute our products effectively. Many of our customers report that Sarene is unresponsive or absent, leading to our products being unavailable in key accounts. The distributor's suggestion that we hire our own sales force at a 30% commission fee further illustrates their lack of commitment to supporting our business.

4. Financial Hardship and Distribution Buyout Offer

The culmination of Sarene's failures has placed an immense financial burden on Listermann Brewing. Reduced sales, inconsistent pickups, and slow payments have forced us to make difficult decisions regarding staffing and production. When we sought to dissolve our agreement, Sarene demanded an \$89,000 buyout for our distribution rights, along with an additional \$28,000

to repurchase our own saleable inventory. This exploitative demand underscores the unfair power dynamics embedded in Ohio franchise law, where distributors hold disproportionate control over small businesses.

5. Legal Efforts and Resolution

We sought legal assistance from Bruns, Connell, Vollmar & Armstrong Attorneys at Law, who advised us to negotiate a buyout or pursue legal action. However, given the high costs and uncertainty of litigation, we sought alternative solutions. Through an industry contact, we consulted George Fisher of Cavalier Distributing, who referred us to attorney Pat Kasson. Kasson quickly identified multiple breaches in our agreement, including consistent late payments and damages exceeding \$100,000. This legal leverage ultimately led to Sarene agreeing to dissolve our contract.

Listermann Brewing has now been self-distributing for three months and is steadily regaining market presence in Cincinnati. Unfortunately, Sarene continues to spread false claims about our business, even attempting to intimidate customers who choose to purchase directly from us. Despite these challenges, we have been warmly welcomed back into the market, with retailers and consumers relieved to see our products return.

Conclusion

The hardships we faced illustrate the urgent need for legislative action to protect small businesses from predatory distribution agreements. Senate Bill 23 is necessary to establish fair and transparent practices within the industry. Small breweries should not be at the mercy of distributors who fail to uphold their agreements while wielding excessive power over our livelihoods. We urge the committee to support this bill to prevent other businesses from experiencing similar exploitation and financial distress.

Thank you for your time and consideration.

Sincerely,
Steve & Terrie Ipson
Owners, Listermann Brewing Company