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Chairman Cutrona, Vice Chairman Romanchuck, Ranking Member Criag, and members of the Senate Small Business and Economic Opportunity Committee.

My name is John Haggerty. I am a co-founder of Warped Wing Brewing Co. in Dayton, OH where I have served as Brewmaster since the founding of our business in 2014. We are a small, independent, local brewery who produces and sells beer, seltzer and soda pop in our tap rooms; wholesales independently in the Dayton metro area; and wholesales through various distributors into the Cincinnati, Toledo, and Columbus metro areas. I have over 30 years of experience working in craft beer with the last 10 coming with Warped Wing Brewing Co.

I am submitting this testimony on behalf of my company and my fellow brewers in the State of Ohio as we have felt the adverse effects of being subject to the Ohio Beverages Franchise Acts of 1974.

We started distributing beer independently to Columbus several years ago. If I could direct you to the attached spreadsheet outlining a historical view of our sales in Columbus at this point, I would appreciate it. You can see that the numbers in blue are sales performed via self-distribution (i.e. by Warped Wing Brewing Co. independently). In January of 2020 we were selling 552 CEs (CE = case equivalents and refers to the volume of beer sold if all package types were converted to 24 x 12 oz cases). This equated to almost \$18,000 in

monthly sales. Over the ensuing 27 months we saw increases and decreases to that CE volume and its corresponding dollar value; however, it was generally steady.

In April of 2022 we decided to assign the franchise rights to Columbus Distributing Co. based here in Columbus. The numbers highlighted in pink show where that transition was made and are attributable to the efforts of Columbus Distributing Co. We made the decision to engage Columbus Distributing Co. because the logistical effort required to sell beer that far from our base of operations is significant. Issues such as staffing a sales and delivery team and maintenance required for trucks to serve the Columbus market, etc. seemed overwhelming. Initially, we were quite excited about this arrangement. We felt our Columbus sales were strong and with a well-funded and well-organized group such as Columbus Distributing Co. supporting us that things would go well. In fact, I would suggest that they felt similarly as they paid us \$250,000 for the access to the sales we had developed. To say we felt confident and good about what we expected from this relationship would be accurate.

However, as you can see, it quickly went south. Almost overnight our sales were cut by 50% or more. By the end of the first 12 months we were operating at roughly 75% decrease from where we had handed the franchise off to Columbus Distributing Co. On multiple occasions we spoke with them regarding their performance and on multiple occasions we were told they were instituting a new plan or had reassigned it to a different staff member to be in charge. All manner of excuses were put forward with no discernable difference in results.

Finally, when we got to the start of 2025 we had received no orders from them, we had received no income from them. They had, in effect, entirely killed our brand in the Columbus market.

Why didn't we leave? Well, under the Ohio Beverages Franchise Act of 1974 we are not allowed to. We can only leave if we are granted permission to do so by the distributor. Granted, they did pay us for access to our sales. However, how long am I supposed to wait before I am allowed to take action when they so clearly destroying our reputation in the market regardless of whether that was intentional or not?

Ultimately, we had to beg them to allow us to exit the franchise agreement. Ultimately, they allowed us to – for a fee. In the end, the benefit of assigning our rights to Columbus Distributing Co. ended in \$0 run rate and a \$75,000 check Warped Wing Brewing Co. had to write in order to exit the relationship (typically when a business has no measurable sales in a market it is worth nothing.) However, we agreed to pay for our freedom because we

needed the opportunity to exit this relationship and rebuild our sales in Columbus so we paid it as firing them was not possible under current Franchise Act rules.

It is at this point that I would like to take a moment to highlight the fact that our opposition would take this narrative and state that “maybe people just don’t want our beer.” I know they like to say this because I have been witness to Jacob Evans saying this very thing to multiple members of both the Senate and the House in interested party meetings we have had when I have described this story.

Therefore, in order to illustrate to you the extraordinarily bad faith we were being treated with I would direct your attention back to the spreadsheet beginning with the month of May 2025. This is when we purchased our freedom back. Once we had it and with only a fraction of the staffing and trucks available to Columbus Distributing Co we have shown growth with our products in the Columbus market. In fact, we are showing that we are back on a run rate that will get us back to our pre-Columbus Distributing Co. foray by the end of 2026 and perhaps sooner. This, of course, is all great news. However, it illustrates a number of issues:

1. I would have left months, perhaps years, sooner if I could have held the wholesale distributor to even modest performance standards which are not allowed under the current Franchise Act of 1974.
2. I am left wondering how much of Columbus Distributing Co.’s poor performance was due to sheer incompetence vs. targeting Warped Wing Brewing Co. due to our testimony before legislative committees like this one. I mean \$250,000 is a lot of money to spend on something you just turn around and ignore into oblivion.
3. Many of my brewing industry colleagues fear coming to speak to you simply because of the power that the wholesale distributors wield over their businesses. They are reluctant to speak up because they don’t want what happened to us to happen to them.
4. When we sign on a wholesale distributor it is our intention to make the relationship successful. That means there are investments in tanks, staff, raw materials, etc. When the wholesaler does not perform the sales they forecasted, the bank that loaned me the money for those investments doesn’t waive my outstanding debt. I should be allowed to find a new partner to make those sales if the current distributor is unwilling or unable to satisfy their commitment.
5. More and more investment companies that are located out of state are dictating how the wholesaler tier functions. Redwood Capital purchased Heidelberg in 2021 and just purchased Ohio Eagle in 2025. My understanding is that they hope to purchase more wholesalers in Ohio as time goes by. The more they own the fewer

pathways to market for the state's small and independent brewers. Redwood Capital is based out of New York City and additionally owns wholesale distributorships in Kentucky, Florida, Illinois, Texas, and Ohio.

6. The Franchise Act of 1974 severely erodes competition in the wholesale distribution market. The number of wholesalers has been dwindling as groups such as Redwood Capital buy them out and consolidate them. Due to the Franchise Act brewers cannot leave their current distributorship and so the ability of a newly formed distributor to come along and offer better service at a better price does not exist as it does in virtually every other business endeavor. Thus the brewing industry is stuck in a situation where a distributor can offer subpar service at subpar prices with subpar margins without recourse.
7. The wholesalers will complain about the brewers seeking special status as we ask for exemption from the Franchise Act of 1974. However, I would be remiss if I did not point out the fact that it is the wholesalers themselves who are enjoying special status from the state given this law. In no other business model does the state seek to intervene in the contractual agreement between a manufacturer and their wholesale distributor. We are simply asking the state to allow us to function under current Ohio contract law and to remove the onerous terms of the Franchise Act of 1974 from the small and independent breweries of our great state.

In closing, it is Warped Wing Brewing Co.'s intent, as it is of all my fellow brewers, to continue to use the wholesale distributor system that exists within the State of Ohio. My business is not one that is about trucks and drivers and logistics. It is one that is about the manufacture of beer, seltzer and soda. The wholesale distributors can run the logistics of delivery better than I can. However, I need to be able to ensure that my service concerns are heard and acted upon in a timely manner by those who I partner with for these logistical efforts. I have the same expectations of my malt supplier or of my trash hauler or of my internet provider. If their service is not sufficient to the needs of my business, I will find a competitor who can do it better. Why does the State of Ohio require me to maintain a relationship in perpetuity if it is not working?

We are not asking the State of Ohio to do anything for us, instead, we are asking the State of Ohio to stand aside and allow us to negotiate our own, legally binding agreements with our wholesale distribution partners. Remove the special status granted to wholesalers in regard to their agreements with Ohio craft brewers and let us negotiate agreements that would be held to the same standard the State of Ohio holds all contractual agreements to. Please support this change to Ohio law and allow us to negotiate our own agreements.

Thank you for your time and consideration.

Most sincerely,

John Haggerty, Warped Wing Brewing Co.