

Bottling ‘Delaware Spirit’: First State’s Only Free-Standing Distillery Wins National Acclaim, Breathes New Life into Delaware Farm Country with Homegrown Craft Spirits Inspired by Local Lore

Painted Stave Distilling Puts Delaware on the “Farm-to-Table” Map with Ingredients from Local Farms, Fresh-Take Flavors, and a Little Help from the U.S Small Business Administration

Labeled as “Old Cooch’s Corn Whiskey” and “Silver Screen Vodka,” Delaware’s ‘The Painted Stave’ distillery’s craft spirits tell the story of its home state’s people and places. History buffs and locals recognize the label’s references to Delaware history, including the site of the only Revolutionary War battle fought in Delaware (at Cooch’s Bridge), as well as the distillery’s location, housed in Smyrna, Del.’s, World War II era “Smyrna Movie House” building.



Painted Stave Distilling’s owners, (L to R) Mike Rasmussen and Ron Gomes, Jr., proudly display its larger-than-life distillery, now at work inside the business’ headquarters – the historic ‘Smyrna Movie House’ building.

But the upstart brand is quickly gaining even wider recognition for the history that it is making all on its own. After single-handedly up-ending a long-standing legal ban on free-standing distilleries in Delaware, Painted Stave Distilling set about making its own mark. Today, it is known both as a locally-sourced craft spirits distillery and a cornerstone of Smyrna, Delaware’s historic district redevelopment project. Harvesting *tons* of Delmarva-grown corn, cranberries, goldenrod, and the like to make its unique libations, the distillery has won legions of fans. In turn, the distillery won a whole new marketplace for the Delmarva region farmers supplying it, along with national recognition when its ‘Candy Manor Gin’ won a silver medal at the renowned “2014 San Francisco Craft Spirits Competition.” Today, Painted Stave

Distilling’s homegrown craft spirits are carried in some of the region’s best-known package stores, bars and restaurants, including: Kreston’s Wine and Spirits; the acclaimed Harry’s Hospitality Group restaurants; Ulysses Gastropub; the beloved



Gomes and Rasmussen’s revival of the historic ‘Smyrna Movie House’ building pictured here is helping to touch off a renaissance for the entire Smyrna historic district.

regional Grotto Pizza chain; and Matt Haley’s influential family of Delmarva restaurants.

Meanwhile, Painted Stave Distilling’s headquarters in the historic ‘Smyrna Movie

House’ is touching off a renaissance for the old-fashioned “Main-Street style” commercial corridor that it calls home. Following the distillery’s lead, a

bakery, gastropub, and barbeque restaurant are all slated to open their doors in the strip’s long-shuttered storefronts. Together, they aim to breathe new life into downtown Smyrna, a historic hub for rural Kent County, Delaware.

Painted Stave Distilling’s success is making a big difference. The distillery’s “Delmarva-proud” branding, support of local farmers, and its cornerstone Main Street revival efforts all pave the way for real economic growth in the heart of Delaware farm country. But, even with all of Painted Stave Distilling’s uniqueness – in branding, product, and approach – it was a common small business hurdle that once threatened to shutter the distillery even before its opening day.

Funding.

Like any small business, Painted Stave Distilling's needed start-up capital to open for business. And, for its owners – first-time business owners in an untested industry – it was almost impossible to secure the kind of funding needed to make a go of the business.

Enter: the U.S. Small Business Administration.

True Grit

From the time Painted Stave Distilling's owners, Ron Gomes, Jr. and Mike Rasmussen, first came together in September 2011 to 'The Stave's' opening day just two years later, these two entrepreneurs faced obstacle after obstacle with gritty determination. But craft spirits was their passion and small business was in their blood, so Gomes and Rasmussen united to take down Delaware's legal ban on free-standing distilleries, concoct some of the most unique craft spirits bottled today, and hit the market blazing for success.

According to these two entrepreneurs, they took each step of the way “with a little help from their friends.” But, when it was time to put their business plan into action, it took a little help from a new friend – the SBA – to match their momentum with the dollars that it takes to launch a new business start-up in an untested industry.

From the day they met in 2011, Gomes and Rasmussen knew that Delaware was the place and the time was now to launch their craft spirits distillery. Across the nation, “farm fresh” was the focus for eateries, breweries and food retailers of all kinds. The market was ripe for liquor distilleries in step with the trend, and they were popping up across the country with great success. Meanwhile, the First State's fields of fertile farmland stood

close to large population centers craving “farm-to-table” craft spirits, and the state’s small size with its accessible government decision-makers and resources made it fertile ground for small business success.

But Delaware’s potential remained untapped.

In 2011, an old Delaware law still banned free-standing distilleries in the First State. Undeterred, Gomes and Rasmussen worked closely with lobbyists and the legal community to change the law. With their dream of a craft distillery so closely in sight, Gomes and Rasmussen were eager to dive full-time into their passion for concocting new libations. But the groundwork was not yet complete to indulge their creative side. It would take methodical work and legal know-how to champion their cause at the Delaware State Legislature. Rasmussen and Gomes needed a team. Tapping into Rasmussen’s policy background and contacts, the two brought together lobbyists and attorneys to shape their approach to the state legislature. Finally, their tireless efforts paid off. The legislature saw their business model’s promise for economic development and, ultimately, jobs in the First State and announced new a law green lighting independent distilling in Delaware.

Victory was sweet for Gomes and Rasmussen, but there was much work ahead to make their business’ opening day a reality.

Go, Team!

From the outset, teamwork had paid off for Gomes and Rasmussen. Thanks to their team of legal and policy consultants, free-standing distilleries were now legal in Delaware. But to bridge the gap from “legal” to “successful” business, Gomes and Rasmussen would need to build a whole new team. Calling on their Delmarva small business community contacts, the two cobbled together an impromptu advisory board of successful business owners. If Gomes and Rasmussen were going to pour everything they had, including their life savings and careers, into their small business start-up, they wanted to do it right.

Gomes and Rasmussen had the creative talent to concoct new libations and the vision to brand them with Delmarva’s unique history and farm flavors. But they were not businessmen. To learn the ropes of small business, Gomes and Rasmussen turned to the best, asking locally successful entrepreneurs to help shape their business plan.

Together, “Team Painted Stave” worked for months refining their business plan and pitching potential capital investors for investments. Interest was strong and angel investors signed on to back the distillery, but it wasn’t enough. Gomes and Rasmussen would need the financing power of commercial banks to make a go of their dream.

And that’s where it could all fall apart.

All of Gomes and Rasmussen’s flavorful spirits. All of the local Delmarva lore that their labels and branding promised to keep alive. All of the promise for jobs and re-

development in Delaware farm country, fueled by the local sourcing of the would-be distillery's product. It could all come to nothing if the banks wouldn't sign on to Gomes and Rasmussen's dream. And, despite meeting after meeting with commercial lenders, Gomes and Rasmussen couldn't seem to close their funding gap. Despite all of their potential, theirs was still a start-up business in an untested industry, and banks hesitated to commit dollars to their dream.

Making New Friends (and Keeping the Old)

That's when Gomes and Rasmussen met the SBA and the final piece fell into place to make Painted Stave Distilling a reality.

With their refined business plan in hand, Gomes and Rasmussen met with SBA Delaware Lender Relations Specialist Mike Rossi. In his job, Rossi works closely with banks across the state to help them understand how to use SBA programs to put dollars into the hands of Delaware small businesses. Rossi knew the lenders' portfolios and varied appetites for risk. He matched Painted Stave Distilling with Midcoast Community Bank, a lender ready and willing to complete the business' financing package.

Rossi worked with Midcoast to fund Painted Stave Distilling through the SBA's 7(a) Loan Guaranty Program, the SBA's primary financial assistance tool. The 7(a) Program provides loan guaranties on business loans, giving lenders the confidence to provide qualifying entrepreneurs secure financing on reasonable terms. The program operates through private-sector lenders, like Midcoast, who lend to America's small businesses.

Today, thanks to its team of business advisors, investors like Midcoast, and a little help from the SBA, Painted Stave Distilling is open for business and thriving. And, thanks to those friends, the distillery wins new friends and followers every day at its character-infused tasting bar in the historic Smyrna Move House building, through the growing host of package stores, restaurants and bars that offer its spirits, and internationally through recognition won as the 2014 San Francisco World Spirit competition award.

For Gomes and Rasmussen, the road to success certainly hasn't been smooth. They've faced legal, financial, and other challenges, and they've taken them all on head on, with the help of the winning team that they built along the way. But, for all of their struggles, Gomes and Rasmussen insist that they wouldn't change a thing.

Except that they would have contacted the SBA sooner than they did.

Working with SBA's Mike Rossi to secure financing, Gomes and Rasmussen learned more about the technical business advice that SBA offers. Through its own website, as well as through the SBA-backed SCORE mentors and Small Business Development Centers in every state across the country, SBA advises entrepreneurs on everything from business plans to day-to-day operations to breaking into new markets like exporting or online ventures. And, best of all, these services are offered free-of-charge or for a nominal fee to cover included materials.

According to Gomes and Rasmussen, teaming with SBA earlier in their business building process would have certainly been helpful. But, having added SBA to their support team for financing, Gomes and Rasmussen have added a valuable friend to their fold long-term. Moving forward, SBA stands at the ready to back their business with both the financing and technical advice they'll need to grow, succeed and thrive.



Rasmussen and Gomes with the hand-painted mural newly adorning their historic “Smyrna Movie House” building headquarters.

OF NOTE: For more information or one-on-one interviews, contact Jennifer Pilcher, SBA’s Delaware Public Affairs Specialist (Jennifer.pilcher@sba.gov).

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