

SCHLAFLY BEER AND THE RENAISSANCE IN ST. LOUIS

INNOVATIONS CASE NARRATIVE: SCHLAFLY BEER

TOM SCHLAFLY

T. S. Eliot, the St. Louis native who won the Nobel Prize for Literature in 1948, wrote in *The Dry Salvages*:

*I do not know much about gods; but I think that the river
Is a strong brown god—sullen, untamed and intractable . . .
His rhythm was present in the nursery bedroom.*

Eliot's nursery bedroom was located on Locust Street in the City of St. Louis, three blocks west of where The Schlafly Tap Room sits today. Although he wrote these lines while living in London, we know from his allusion to his nursery bedroom that he was referring to the Mississippi, not the Thames.

These words are especially appropriate for the story of Schlafly Beer for several reasons. First, the Mississippi River is the reason St. Louis was founded more than 250 years ago and one of the reasons it grew to become the city it is today. Second, the journey of any entrepreneur is as unpredictable as the flow of a mighty, untamed river. Finally, this is a story about beer . . . a strong brown god that has its own deities in the religions of ancient Sumeria and Egypt.¹

Beer also has the status of a strong brown god in St. Louis, where it has been crucial to

the city's identity since the first half of the 19th century. While the first brewery in St. Louis opened in 1809, the story really began 20 years later, when German lawyer Gottfried Duden published *Eine Reise zu den westlichen Staaten von Nordamerika* (*A Journey to the Western States of North America*), which prompted a wave of German immigration to Missouri in the 1830s.

The failed German revolution of 1848 caused more Germans to emigrate, and many of the so-called Forty-Eighters ended

up in St. Louis. These revolutionaries brought with them strong convictions about freedom and an opposition to slavery, which led many of them to fight for the Union during the Civil War. They also brought an appreciation for beer.

The Germans who came to St. Louis found a geography perfectly suited for brewing beer. The Mississippi provided an abundance of good water, which accounts for more than 90 percent of the content of beer. The region also had an extensive network of underground limestone caves with year-round temperatures in the 50s, which made them ideal for storing beer.

German immigrant Adam Lemp is credited by some with having brewed the first lager beer in the United States, perhaps as early as 1838. Whether or not Lemp started brewing lager that early, it is generally accepted that by 1842 he had built a large commercial brewery that was primarily producing lager beer, the style most common in the United States today.

It was 18 years later, in 1860, that Eberhard Anheuser acquired sole ownership of the Bavarian Brewery, a local company that had gone bankrupt. The following year his daughter Lilly married Adolphus Busch, a partner in a firm that sold brewing supplies. In 1865 Adolphus purchased an interest in the Anheuser brewery, which was then brewing 4,000 barrels per year, far less than

the Lemp brewery. Upon the death of Eberhard Anheuser in 1880, Adolphus assumed ownership of the brewery, now known as Anheuser-Busch. This was four years after the brewery had started selling a beer called Budweiser, named for a town in what is now the Czech Republic.

One hundred years later, Anheuser-Busch was the dominant brewery in St. Louis and Budweiser was its flagship brand. The Lemp brewery, like many others, had shut down in 1920 with the advent of Prohibition. William Lemp Jr., the last president of the brewery, had committed suicide in 1922. Based on my personal recollection from the late 1960s, the Van Dyke Brewery had opened in St. Charles, slightly west of St. Louis, and reportedly attempted to lure customers with a questionable commercial campaign that encouraged them to “Take a case of VD home to your wife.” It closed its doors soon thereafter. As late as the 1960s, Falstaff, a brand originally produced by Lemp, was challenging Budweiser for the hearts, minds, and palates of St. Louis beer drinkers, but it closed its local brewery in 1977, leaving Anheuser-Busch as the only brewery in St. Louis.

Anheuser-Busch soon had, and still has, a status unlike that of any other corporation in St. Louis. Even today, when other large companies are known by their official names, A-B is simply called “The Brewery.” No one ever called McDonnell-Douglass

ABOUT THE AUTHOR

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“The Aircraft Company” or refers to Monsanto as “The Chemical Company.” Even the media accepted and accept this convention. Traffic reports still refer to congestion or the lack thereof on I-55 by The Brewery.

Two vignettes illustrate the depth of St. Louis’s attachment to The Brewery:

In 1980 I saw a bumper sticker on an American-made car in South St. Louis that read, “The Ayatollah drinks Coors.” Ayatollah Khomeini was the Iranian cleric who held 63 Americans hostage in Tehran, while Coors was the Colorado beer company trying to make inroads in St. Louis, Anheuser-Busch’s hometown. I’m sure the owner of the vehicle could think of nothing worse to say about either the Ayatollah or Coors. While the thought of an Islamic fundamentalist drinking any kind of beer was and is preposterous, the bumper sticker left little doubt as to the allegiance of the car’s owner.

During the period when Anheuser-Busch owned the St. Louis Cardinals baseball team, visitors to Busch Stadium were often surprised to hear the Budweiser jingle, “When you say Bud . . .” instead of “Take Me Out to the Ballgame” during the seventh-inning stretch. On special occasions, August A. Busch Jr. would ride into the stadium on a wagon pulled by Clydesdales to a reception typical of that given European royalty. Fans readily spent an hour’s wages for a cup of Budweiser, happily putting more money into the pockets of the billionaire in the horse-drawn wagon who was fondly known as Gussie.

This was the atmosphere in St. Louis in the late-1980s when I decided to open a micro-brewery in the shadow of *The Brewery*. On the 15th anniversary of Schlafly Beer, I wrote that my decision was akin to proselytizing for a new religion in the shadow of the Grand Mosque in Mecca. Nevertheless, my intuition told me that a microbrewery in St. Louis could succeed. After all, such breweries were having great success in other cities that weren’t all that different from St. Louis, notwithstanding the domineering presence of *The Brewery*. More important, I was certain that someone would be operating a successful microbrewery in St. Louis in the not too distant future and that if I didn’t at least try I’d be kicking myself for the rest of my life. If I tried and failed, at least I’d know I’d given it my best shot.

Initially I simply wanted to brew good beer—that is, the styles I liked to drink—and felt I’d be satisfied if I made enough money to stay in business. I soon realized, however, that the social and economic benefits Schlafly Beer was bringing to St. Louis were both unexpected and rewarding.

The economic benefits are easy to document. We bought a building that had been vacant for 22 years. Almost overnight we had 75 employees receiving paychecks, paying taxes, and spending money in the community. We were generating hundreds of thousands of dollars per year in new sales tax revenue for the city and state, and the business was paying thousands of dollars in new property taxes on our building and equipment.

The psychological impact was even more important. By any measure, Schlafly Beer was and still is a small business. But the media attention we received and continue to receive has been disproportionate to the size of the business. Before we opened, all of the major news outlets did stories on our plans to start a new brewery in St. Louis, and the local TV stations covered our grand opening on December 26, 1991. It wasn’t the size of our operation that was newswor-

thy but the idea of a new brewery in St. Louis, compounded by our decision to set up shop in an abandoned building in a neighborhood that many people had written off long ago.

In 1991 we paid \$137,000 for a 40,000-square-foot building and an adjacent parking lot. When we opened, we were surrounded by vacant buildings and warehouses. One such building a block north of us had once been the home of *The Sporting News*. Units there now sell for more than we paid for our building. Within a few blocks of our original location, dozens of other buildings have experienced a similar transformation. In a neighborhood that once was desolate parking has become a problem.

I realized that we were viewed as pioneers for two reasons: we had introduced the concept of microbrewed beer to a city that few locals thought would accept it, and we had ventured into a neighborhood that few people thought had any potential for development. I like to think that in challenging these taboos, Schlafly Beer was a catalyst for the revitalization of St. Louis.

In *The Dry Salvages*, Eliot describes the Mississippi as

*Patient to some degree, at first
recognized as a frontier;*

*Useful, untrustworthy, as a con-
veyor of commerce;*

*Then only a problem confronting
the builder of bridges.*

*The problem once solved, the
brown god is almost forgotten.*

Three-quarters of a century after Eliot wrote these words, the “brown god” is still “almost forgotten” in the city it spawned. St. Louisans have turned their backs not only on the river but on the city itself. With the benefit of hindsight, I will tell the story of how Schlafly Beer improved two zip codes in the urban core of St. Louis, and with them the community at large.

HOW DID A LAWYER END UP IN THE BEER BUSINESS?

*And malt does more than Milton
can*

To justify God's ways to man.

These lines were written by A. E. Housman in “A Shropshire Lad,” which I studied while majoring in English at Georgetown University. The message at the time seemed pretty clear to me—that I could learn more over a pitcher of beer at The Tombs, a student hangout, than by reading *Paradise Lost*. Fortunately, the legal drinking age for beer and wine in the District of Columbia at the time was 18, making it that much easier to follow a Shropshire lad’s example.

In the late 1960s, the universe of beer in the United States was largely limited to light American lagers, with a few exceptions. At Matt Kane’s Bit o’ Ireland, near Thomas Circle on 13th Street in Washington, I had my first taste of Irish stout, probably in 1967. Around the same time, my classmates and I discovered imported German beer at the Old Stein on Connecticut Avenue, near Dupont Circle.

In the summer of 1983, 13 years after receiving my undergraduate degree from Georgetown, I embarked on additional beer studies at the University of Oxford. By this time I was a lawyer in private practice in St. Louis, having received my law degree from Georgetown in 1977. I had enrolled in a continuing legal education course at St. Edmund’s Hall at Oxford that compared the English and American legal systems. Perhaps under the lingering influence of A. E. Housman, who had studied at St. John’s College, Oxford, I learned a lot more that summer about English beer than about English law.

My introduction to Oxford was at The Bear, a traditional pub not far from St. Edmund’s (a.k.a. Teddy Hall), where part of my necktie was clipped off and added to the collection on the ceiling. I later ventured to The

Trout and The Perch, both well worth the walk from town on a pleasant summer evening. At these and other establishments I frequented during my time at Oxford the drink of choice was always “real ale,” which was served at cellar temperature from the cask in which it had been conditioned. It dawned on me that these very ales were the answer to the question Housman posed in “A Shropshire Lad”:

*Say, for what were hop-yards
meant,*

*Or, why was Burton built on
Trent?*

Soon after returning from Oxford I ran into Charles Kopman, a former law partner. When he asked about the program, I mentioned offhandedly that I had tasted some delicious beers in England, adding, “It’s a shame no one here is brewing beers like that.” Charles said simply, “You need to talk to my son Dan.”

It was Dan who opened my eyes to the possibility of starting a microbrewery in St. Louis.

Dan Kopman had grown up here. He attended Kenyon College in Ohio and spent his junior year at the University of Edinburgh. After graduating from Kenyon, Dan worked as an export manager for Young’s, an English brewery, and he spent a lot of time promoting the brand in the United States. He discovered that, in some cities, the wholesalers who carried imported beers also carried beers from local microbreweries.

Microbreweries were distinguished from industrial breweries not just by size but also by the styles of beer they produced. The microbreweries’ aim was to brew styles of beer not offered by the large breweries. At the time, most Americans were completely unaware of the rich variety of beers in the world, and more than 30 years later, many still are. For all the distinctions TV commercials promote among Coors, Bud,

Miller, etc., there’s really little difference among the light lagers that account for over 90 percent of the beer sold in the United States—they’re basically no more dissimilar than different types of Chablis. In fact, the universe of beer is at least as large as that of wine, and the differences among styles of beer are even greater than those among Chardonnays, Cabernets, and Ports. While craft beers only represent 12% of market share, they account for more than 95 percent of the styles on the beer spectrum.

Back in the 1980s, St. Louis was perceived as unreceptive to the notion of microbreweries for two main reasons: the dominance of The Brewery was a huge deterrent, and there was a feeling among some locals that St. Louis wasn’t as “cool” as the cities where microbreweries were flourishing, which in some ways was the bigger hurdle to overcome. Looking back to an era when St. Louis was the fourth largest city in the country and Union Station one of the busiest railroad terminals in the United States, many St. Louisans believed our halcyon days were behind us. The world had flocked to the city during the 1904 World’s Fair, but with the decline of the smokestack economy in which St. Louis had thrived it became just another declining rustbelt city. Cool things were happening on the coasts, not at the confluence of the Missouri and Mississippi rivers . . . time had passed us by.

Compounding the city’s self-image problem was the suburban flight that began in the 1950s and has continued ever since. Since 1950 the population of the City of St. Louis has declined from 856,796 to 319,294, a loss of over 60 percent. Whatever the problems of the greater metropolitan area, those of the city proper have seemed even more pronounced. The appeal of city-living in Boston, San Francisco, Chicago, and elsewhere was not recognized in St. Louis.

On top of St. Louisans’ loyalty to Anheuser-Busch and the perception that St. Louis wasn’t trendy enough to support microbreweries, we faced a more solid obstacle to

opening a microbrewery: it was illegal. The problem traced back to the 21st Amendment, which repealed Prohibition and gave states and municipalities greater authority over alcoholic beverages than any other aspect of interstate commerce. This resulted in a proliferation of inconsistent and sometimes bizarre statutes, ordinances, and regulations around the United States.

Missouri, like most states, had enacted a three-tiered system of beer distribution to avoid the presumed dangers of breweries' owning and controlling taverns, which could suppress competition. The three levels of distribution were strictly segregated (more strictly in some states than in others). Breweries were allowed to sell only to wholesalers, which in turn were allowed to sell to retailers, and breweries were strictly forbidden from owning an interest in taverns or other retailers. Our vision was to open a brewery with a restaurant on the premises, but the state of Missouri clearly would not allow us to do so: if we opened a brewery we would not be granted a retail liquor license.

There was, however, an exception in the law that gave us a possible window of opportunity. Section 311.070 of Missouri Statutes forbade breweries or any of their employees, officers, or agents from having any kind of financial interest in a retail liquor license, but it did allow breweries to own a financial interest in "entertainment facilities . . . including, but not limited to arenas and stadiums used primarily for concerts, shows and sporting events of all kinds."

This language appeared to give us a solution: as long as we opened a brewpub in conjunction with an entertainment facility, the brewery would be allowed to own an interest in a retail establishment. Or so we thought. Unfortunately, the Missouri Division of Liquor Control didn't share our interpretation of the statute. When we asked what kind of entertainment facility would meet the statutory requirements, we

were told that nothing we could operate would qualify for the exception. In short, the statute really meant, "including and absolutely limited to Busch Stadium and the Anheuser-Busch Soccer Park."

While we were exploring entertainment facilities that might qualify us for a retail license, several home-brewing enthusiasts persuaded the General Assembly to pass a "microbrewery" law in the spring of 1990. The bill, which became Section 311.195 of Missouri Statutes, allowed breweries holding such licenses to brew a maximum of 2,500 barrels per year (a barrel being 31 gallons or the equivalent of 13.77 cases of 12-ounce bottles) and to hold a retail liquor license. The law allowed microbreweries to sell beer directly to consumers, but only on their own premises. We applied for the microbrewery license after realizing there was no other way the state would allow us to brew beer and hold a retail license. We didn't like the 2,500-barrel cap on production or the prohibition on selling to other retailers, but we decided to focus on opening the brewery and worry about these restrictions later. The year after this bill became law, The Saint Louis Brewery, Inc., maker of Schlafly brand beers, was issued the first microbrewery license in Missouri.

We had initially considered opening our brewpub in the Grand Center entertainment district in Midtown St. Louis. In its heyday, Grand Center was home to several grand movie palaces, the grandest of which was the Fabulous Fox, with a capacity of 4,500 and an organist who played the Mighty Wurlitzer during intermissions. By the 1980s all the movie theaters had closed, but a group of business leaders had come together to reinvigorate the area as an arts and entertainment district. After realizing that we could not obtain a license as an "entertainment facility," we looked at hundreds of other possible locations before settling on the John S. Swift Building at 2100 Locust Street slightly west of Downtown, former home of the Swift Printing Company.

The Swift Building was a beautiful structure listed on the National Register of Historic Places, but it had fallen on hard times. Swift had moved out in 1969, 22 years earlier, and the intervening years had not been kind. The building had suffered the predations that typically befall any vacant building in an urban area, as well as extensive damage from a huge firestorm that engulfed the neighborhood in 1976. In the intervening years, the building's main claim to fame had been a "cameo appearance" in *Escape from New York*, John Carpenter's 1981 film. We bought the building on July 17, 1991, and, after five months of furious rehabbing, The Saint Louis Brewery officially opened on December 26.

"THE LAW IS A ASS, A IDIOT"

In the first eight months of 1992, business at The Schlafly Tap Room was good. People were discovering Schlafly beer and liking it, and we were hearing more and more from customers who wondered where else they could find it. The answer always surprised them: "Nowhere but here." "Why is that?" they asked. "Because Missouri law won't allow us to sell anywhere else." One disappointed customer, obviously familiar with *Oliver Twist*, exclaimed indignantly, "The law is a ass, a idiot."

We heard this kind of comment often enough to convince us that we ought to try to change the law. In the fall of 1992, I began meeting with three state senators—Democrats Wayne Goode and John Schneider, and Republican Franc Flotron—who were all sympathetic. With their help I drafted an amendment to the Missouri microbrewery law that would raise the annual production limit for microbreweries from 2,500 barrels to 60,000, which corresponded with the federal definition of small breweries for excise tax purposes. It also would allow microbreweries to sell beer not just on their own premises but also to licensed wholesalers.

When the Missouri General Assembly convened in January 1993, one of the highest priorities on Anheuser-Busch's legislative agenda was a bill that would allow grocery and convenience stores to sell beer on Sunday, which was not then permitted. When Senator John Scott introduced the Sunday sales bill on behalf of A-B, Senator Goode, with senators Flotron and Schneider as cosponsors, attached our bill as an amendment. His strategy was to prevent our bill from languishing in an obscure committee.

At this point the news media had developed a keen interest in the story. My picture appeared in color on the front page of the *St. Louis Post-Dispatch* under the headline, "Tiny Brewery May Come Up Against A-B." When A-B's lobbyist John Britton denounced our amendment, saying, "60,000 barrels, that's an inordinate amount of beer" (this from someone whose client was then producing close to 87 million barrels per year, nearly 150,000 percent of the amount he called "inordinate"), *The St. Louis Business Journal* ran the headline, "Busch Lobbyist Britton Helps Dilute Brew Pub Bill."

The dilution to which the *Business Journal* referred was Senator Scott's subsequent amendment to our amendment, which lowered the annual production limit for microbreweries to 10,000 barrels but allowed us to sell beer to other accounts through licensed wholesalers. The same story quoted Senator Goode as saying he advised me to talk to representatives from Anheuser-Busch to negotiate a mutually agreeable production limit.

I took his advice and had numerous discussions with Mark Boranyak, who handled state government affairs for A-B. Boranyak eventually gave me his personal guarantee that Anheuser-Busch would not oppose a production ceiling of 17,500 barrels per year for microbreweries. I relayed this information to Senator Goode, who added an amendment to A-B's Sunday sales bill that

reflected the deal we had reached. I wasn't happy about having a cap on our beer production, but I figured this deal was the best I could expect at the time.

What happened next drew the attention of the *Wall Street Journal*, which ran a story on May 14, 1993, with the headline, "Battling a Goliath Remains as Daunting a Task as Ever." Behind closed doors, the 17,500 barrel production limit had been reduced to 10,000. Anheuser-Busch claimed not to know how the language was changed, even though it had micromanaged every other detail of the legislation. According to the *Journal*, "In a statement yesterday, Stephen K. Lambright, a vice president and group executive of Anheuser-Busch, said his company didn't oppose the 17,500 barrel figure. 'However, some legislators felt the increase to 17,500 barrels was too big.'"

No member of the General Assembly, including the three cosponsors of our bill, admitted to knowing who "some legislators" could be. Nor, in all fairness, did Mark Boranyak, who had given me his word and seemed genuinely surprised that the bill had been rewritten.

Disappointed though we were, we moved ahead with plans to get our draft beer into the market. Three local establishments—Blueberry Hill, Cardwell's in Clayton and The Trainwreck on Manchester—were the first to offer Schlafly. I still remember my sense of exhilaration when, on an August evening in 1993, I was able to walk up to a bar that was not The Tap Room and order a Schlafly.

Some restaurants weren't equipped to offer our draft beer, and before too long customers began asking for bottled Schlafly. It's worth noting that 80 percent of all the beer sold in the United States is bought at "off-premise" locations, such as supermarkets and convenience stores. Of the 20 percent that's sold in "on-premise" locations, such as bars and restaurants, draft beer accounts for about 50 percent. In other words, until

we offered packaged beer we were going to miss out on 90 percent of the market.

We still faced the legislatively imposed annual production limit, and it simply didn't make economic sense to add a bottling line if we weren't able to brew more than 10,000 barrels per year. We therefore began to look for a contract brewery that would brew and bottle Schlafly beer according to our specifications. We eventually struck a deal with August Schell in New Ulm, Minnesota, and introduced bottled Schlafly in the St. Louis market in June 1996.

Once again, the reception we got was very gratifying, so much so that we soon concluded there really was enough demand for bottled Schlafly to justify putting in our own bottling line—provided the state of Missouri would allow us to brew enough beer to meet this demand. In 1997, when I went back to the General Assembly with another bill to raise the production limit for microbreweries, I found the climate had changed.

There was no longer any organized opposition to our brewing more beer—in fact, I didn't have to change the microbrewery law. We only had to apply for a "22 Percent License," which was similar to those issued to wineries. It would permit us to produce an unlimited amount of fermented alcoholic beverages, as long as the alcoholic content was below 22 percent, which was far higher than that of any beer we would want to brew.

Apart from the licensing, opening a new brewery with its own bottling line was still a major step, far bigger than any we had contemplated since we opened in 1991. Most of our expansion had been incremental: we had gradually added more fermentation tanks and expanded the kitchen and our workforce had grown accordingly. We now were contemplating establishing a much bigger brewery in a much more expensive building.

After finding some good used equipment at affordable prices, we set out to find a location for the new brewery, as we had reached capacity on Locust Street. We wanted a new facility that could produce 25,000 to 35,000 barrels per year. We concentrated our search on former supermarkets, as they had sufficient ground floor square footage to accommodate a brewery and packaging line, and good loading dock access. Unlike a lot of industrial buildings, supermarkets also tended to be near residential areas, thereby providing a good location for a restaurant.

We finally chose a former Shop 'n' Save store in Maplewood, an inner-ring suburb adjoining the City of St. Louis. The building had been vacant for eight years when we bought it in September 2001, shortly after 9/11. Because of its location at the eastern edge of town, the city of Maplewood and its chamber of commerce were eager for us to move in and start generating commercial activity near that portion of Manchester Road, the city's main thoroughfare. It was perhaps this community pressure that convinced Citizens National Bank, which was directly across the street, to give us financing at rates much more favorable than any others we were offered.

With a project much greater in scope—and far more expensive—than our renovation of the Swift Building, construction took longer than we anticipated. We finally celebrated the grand opening of Schlafly Bottleworks on April 7, 2003—which coincidentally was the 70th anniversary of an important day in brewing history: on April 7, 1933, post-Prohibition legislation took effect that legalized beer with an alcoholic content up to 3.2% by weight (4.0% by volume).

This law, which we have celebrated with a dozen subsequent “Repeal Festivals,” is perhaps nearer and dearer to the hearts of beer drinkers than any since the *Reinheitsgebot*, the beer purity law proclaimed by Duke Wilhelm IV of Bavaria in 1516, which limited the ingredients allowed

in beer to barley, hops, and water. What many beer drinkers might not realize, however, is that two and a half centuries earlier, in 1268, King Louis IX of France had issued a “consumer protection” law for beer drinkers, which declared that “nothing shall enter the composition of beer, but good malt and hops.” How fitting that such a law should be decreed by a king who would later become the patron saint of a city renowned throughout the world for its beer.

A TALE OF TWO ZIP CODES

The Schlafly Tap Room sits roughly midway between the Grand Center arts and entertainment district and the Downtown business district. While Downtown and Grand Center were the foci of planning and revitalization efforts when we opened in December 1991, our neighborhood was treated with benign neglect. One night I overheard two college students who discovered The Tap Room while home for Christmas vacation. One of them said, “This place is really cool.” His friend replied, “You’re right. What’s it doing in St. Louis?” My reaction was mixed—I was pleased to get the students’ thumbs up but offended by their attitude toward their home town. In fact, around the time we set up shop, the artists began to move into the area, attracted by the affordable space in empty warehouses.

Other residents came in the wake of the artists, as did other bars and restaurants and businesses as varied as an advertising agency, a dentist’s office, and an architectural firm. The St. Louis Police Department recently moved its headquarters to a building a block from The Tap Room. The St. Louis Fashion Fund has just opened an incubator for fashion designers five blocks east of The Tap Room in the historic St. Louis garment district. Earlier this year the National Geospatial-Intelligence Agency announced its decision to spend \$1.75 billion on its new western headquarters north of the Tap Room on land next to where the

infamous Pruitt-Igoe public housing project once stood.

Before we opened Schlafly Bottleworks, Maplewood had been struggling. As a small inner-ring suburb, it had lost much of its tax base. The community mood was a mix of malaise and optimism. I still remember our opening celebration, when an older gentleman approached me and asked, "Are you Mr. Schlafly?" When I said I was, he told me he was a longtime resident of Maplewood and lived a block away. I braced myself for a complaint, as I was sure he was going to complain about the noise or tell me that someone was blocking his driveway. Instead he held out his hand and said, "I want to shake your hand and thank you for what you're doing here. A lot of people in Maplewood have the feeling the world has passed them by. It's wonderful to see something like this happening in the neighborhood."

Thirteen years later, Maplewood is a melange. You can find a variety of restaurants, an old-style barber shop, an old-style bowling alley, an independent hardware store, antique stores, art galleries, a spice store, a bookstore, a bicycle shop, and even a typewriter store. There's a lively arts and music scene that somehow coexists with Sam's Club at the other end of town. The community is racially, culturally, and economically diverse. Some of what has happened was the result of careful planning on the part of the City of Maplewood, which strongly encouraged us to locate there, and some was spontaneous. I don't think the artists and hipsters who migrated to Maplewood were motivated by any particular government policy. They just moved there because they liked the scene and could afford it.

Maplewood, unlike the neighborhood around The Tap Room, had a lot of residents when we located there. From the beginning we were embraced by the community. One of our earliest efforts was a partnership with the Maplewood Richmond

Heights School District to establish a community garden. We later opened our own garden, where we grow some of the produce served in our restaurant. The community room at Bottleworks has served as a forum for discussing everything from theology to science to politics to gardening to old movies.

At both Bottleworks and The Tap Room we had to be adaptable with the special events we offered. As with our menus and beers, the process was one of trial and error. Some events we thought would be a huge success were not, while others came about by accident. Our 1992 Oktoberfest, for example, offered music and other events, including a pig roast, but it was a bust.

In 1998, on the other hand, we finally got around to opening the north building at The Tap Room. The Swift Building, which we had purchased in 1991, actually consisted of two buildings joined by a passageway. Initially we only had enough money to redevelop the south building and had left the north building vacant. Our program for officially opening the bar in the north building included blessings by a Rabbi, a Catholic priest, and an Episcopal priest, and a mayoral proclamation of Saint Louis Brewery Day in the City of St. Louis. It was so successful that we decided to make it an annual event, which has evolved into Hop in the City and now attracts thousands of people every year.

Other successes are Burns Night, which features bagpipes, haggis, Scotch Ale, the recitation of poems by Robert Burns, my donning a kilt and reciting a poem I wrote about the ghost of Robert Burns; and our Stout and Oyster Festival, featuring skilled oyster shuckers and more than 50,000 oysters shipped in from both coasts. The value of these events is more intangible than the revenue they produce. We offer our patrons an opportunity to relax, have fun, and feel a sense of community pride.

Schlafly has endured because we're small and nimble. We have had to think on our feet and respond to changing situations. We've survived for a quarter-century by changing our menus, our beer portfolio, and our overall business plan to adapt to what the market has told us. I'm happy to say that attitudes have changed since that night 25 years ago when the young college students derided St Louis. Talented young adults who have grown up in the city no longer feel compelled to leave town, and their peers who come here temporarily for school or work now have a reason to stay. It's rewarding to think that Schlafly beer has played a role in retaining this population. As I've often said, we can't claim to have changed the world. We can, however, say that two zip codes are measurably better because of our being here. Something cool is happening in St. Louis, and we are proud to be part of it.

PASSING THE BATON

*It's tough to make predictions,
especially about the future.*

— Yogi Berra

Yogi's wisdom was particularly apt on November 12, 2008, when Anheuser-Busch announced that it had been acquired by InBev, the brewing company formed by a merger between Belgium-based Interbrew and Brazilian brewer AmBev. Reporters from local TV stations showed up at The Tap Room to get my reaction, but what could I say? Schlafly was now the largest American-owned brewery in St. Louis. We had become The Brewery.

As this reality started to sink in, my entire perspective changed. Since our founding 17 years earlier, my focus had been on short-term demands, like making payroll and keeping up our payments to the bank. I hadn't sat back and asked myself, what next? What's going to happen not next month or next year but ten years from now? Twenty years? I reflected on the fact that the brew-

ery was likely to outlast me, a possibility I hadn't considered when we opened. I don't have any children to whom I would pass it on, so it was certain that someone else would eventually own the brewery. I wanted this transition to be orderly.

I thought about what I had gotten out of the brewery. It had been profitable, and while making money isn't the greatest benefit I've received, it was a prerequisite to all the others. I also had some friends I never would have met if not in the beer business. It's even fair to say that I met my wife because of the brewery: without it I probably wouldn't have enrolled in a German class, and if I hadn't taken German I probably wouldn't have introduced myself to Ulrike at the Missouri Botanical Garden Christmas party in 1993.

I had a sense of satisfaction that we had done something beneficial for St. Louis. We also had benefited communities surrounding the city, such as Maplewood, not just the city proper. We've probably employed more than 2,000 people over the years, we renovated two buildings that had been vacant a long time, and we reinvigorated two languishing neighborhoods. And, finally, I had earned a seat at the table of civic involvement. Seventeen years earlier I was merely one of more than 7,000 lawyers in St. Louis, but as president of a brewery I had a position in the community that was out of proportion to the size of our business.

I then thought about the constituencies that need to be accommodated in any transition. First were the employees. While it might seem like a cliché to say we owe our success to our employees, in this case the cliché was true. I signed close to 200 biweekly paychecks and couldn't do any one of those people's jobs. I wanted to be sure they were treated fairly under a new owner.

Then of course there were our customers. When we opened in 1991, the conventional wisdom was that a craft brewery could not succeed in St. Louis. From day one our

patrons had helped us prove otherwise and I wanted to reward their loyalty. I felt I owed it to them to be sure that Schlafly would continue to offer the quality of beer, food, and service they had a right to expect.

Finally there were the two communities—one on the western edge of Downtown and the other in Maplewood—that had welcomed and embraced us, and I didn't want to abandon them. My worst nightmare would be for InBev to acquire the Schlafly brand, close the local facilities and fire the employees, and abandon St. Louis.

As word got out about our effort to create a succession plan, I received dozens of unsolicited offers, typically from out-of-town venture capital firms. I politely declined each one, as I was looking for local investors who weren't planning to sell the business or move it out of town. I also wanted to remain involved as long as I could contribute in a productive way, and I wanted a place for employee ownership. While these requirements were very demanding, I had one advantage: I didn't need to sell. The business was experiencing double-digit growth so we had time to wait for the right deal.

In May 2012, more than three years later, we closed a deal with Sage Capital, a firm based in St. Louis. Sage now had majority control, with 60 percent ownership, while my share was reduced from over 70 percent to just under 20 percent. Dan Kopman's share was 10 percent, and the rest was owned by employees and a few other shareholders. Dan and I signed employment contracts that obligated us to maintain at least 10 percent ownership. My hope was, and still is, to see employee ownership increase with the purchase of additional shares from me.

Four years later I'm still pleased with the transaction. My role is now that of non-executive chairman, meaning I'm very much involved but not on a day-to-day basis. We have a new CEO, which frees Dan to spend more time on government rela-

tions and representing us in the industry, two areas where he excels. Although the new majority owners acknowledge the free-spirited entrepreneurship that enabled the business to grow for over 20 years, our financial controls and reporting have improved considerably under their watch. There's bound to be some culture clash whenever there's a merger or a business is acquired, which happened to us, but I think it's fair to say that we've maintained mutual respect among the various cultures and the company is thriving as a result.

Schlafly has grown almost exponentially since 1991. Whereas we once were limited by law to selling in a single location with a footprint of about 10,000 square feet, we now distribute our products in 15 states and the District of Columbia. Our annual production is about 60,000 barrels, four times the maximum for what the industry classifies as microbreweries. Although a regional brewery, we have achieved national and international recognition, including some interviews I did for German TV stations in faltering German. We've outgrown our capacity at Bottleworks in Maplewood and are exploring various expansion options. In fact, we're now among the 75 largest breweries in the United States—not bad for a fledgling enterprise that few people in St. Louis thought had a snowball's chance in hell of surviving.

The universe of beer has also changed considerably since we opened in 1991. The big breweries are losing market share while craft breweries are growing. Recognizing the potential of craft beer, foreign conglomerates are buying independent craft breweries or producing their own pseudo-craft brands. Consider Blue Moon, for example, which promotes itself as a craft beer rather than a wholly owned subsidiary of Coors. Whatever their advertising methods, the fact is that more than 90 percent of the American beer market is now foreign owned.

Meanwhile, back in St. Louis, dozens of legitimate craft breweries are thriving in the shadow of what remains of The Brewery. Looking at this development, I'm reminded of the song, "You came a long way from St. Louis." St. Louis itself has indeed come a long way since 1991, when the presence of The Brewery made the concept of a local microbrewery unthinkable. The proliferation of competitors is a challenge for Schlafly, but it's good for consumers, good for the community at large, and good for the neighborhoods where the breweries are located. I'm pleased that Schlafly has contributed to this progress.

¹. Ninkasi, the Sumerian goddess of alcohol, was born of "sparkling fresh water." She is the goddess made to "satisfy the desire" and "sate the heart." She would prepare the beverage daily. Tenesit, an ancient Egyptian deity, is the goddess of beer. See <https://en.wikipedia.org/wiki/Ninkasi>, <https://en.wikipedia.org/wiki/Tenenet>.