

## Challenge: Coaches discuss best ways to raise dough



Copa Di Vino small-business owner James Martin  
By Janice E. Pierce, Video and Photo

*It takes money to make money. Firms need continuous capital to buy new equipment, hire new employees and purchase goods. For USA TODAY's second annual Small Business Challenge, we are following three small businesses for three months as they try to expand. This week, the Small Business Challenge coaches offer their advice on the best ways to get financing.*

### **Challenger 1: Boston Beer founder advises to retain as much controlling interest as possible when securing finances**

**Participant:** James Martin, owner of Copa Di Vino in The Dalles, Ore., seller of individually packaged glasses of wine.

**Coach:** Boston Beer Founder Jim Koch.

**The situation:** Martin's finances are spread thin. He's paying for wine, store displays and the costly production of the plastic cups. A positive situation — a plethora of orders — is adding to his stress. He simply doesn't have the cash to meet demand. Martin, who owns 100% of his firm, would bring in outside investors, but he's worried about losing control.

**Koch's advice:** Rather than taking on outside investors, Martin should slash costs — possibly by outsourcing some production — and hold back on growth opportunities.

"Slow down and try to control your overhead," Koch says. "Create a business that can finance itself."

Even with those changes, Martin may still need to raise outside capital. If so, he should retain as much controlling interest as possible.

"Think about separating the financial piece from the ownership control," says Koch. "You could say, 'If you invest in the company, I'll give you 50% of all of the financial returns, but I'm going to give you 0% of the ownership.'"

If Martin uses that approach, he could get funding, but still retain decision-making power.

"I was willing to give up some of the financial upside to maintain control (when launching Boston Beer)," says Koch. He raised \$140,000 from friends and family, but kept a majority of the business and controlling interest. "Twenty-seven years later, we're a publicly traded company, but I still have the controlling shares," he says.

Martin is desperate for cash, which reduces his ability to secure a good deal. Professional investors "negotiate all the time," Koch says. "You're doing it once in a lifetime — who do you think is going to get the better deal? Don't get in the position where you need them."

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