



## Request for Action

**TO:** Economic Development Authority  
**FROM:** Deanna Kuennen, Community & Econ Dev Director  
**MEETING DATE:** July 18, 2019  
**SUBJECT:** Revolving Loan Request – Cry Baby Craig’s  
CONTINUATION

---

### **Background:**

In 2018, Staff began working with Cry Baby Craig’s (CBC) – a hot sauce company currently located in NE Minneapolis – seeking to relocate and expand in Faribault. CBC was first introduced to Faribault through their future landlord, John Sheesley. The company toured the space at 313 Central Avenue and found this location desirable, having the space necessary to meet their growing needs including space to accommodate automation and new equipment. The business will close their Minneapolis production location and move to Faribault. CBC is hoping to be operational in Faribault by early Fall 2019.

CBC is working with the State Bank of Faribault to consolidate existing debt, finance expenses associated with the move/growth, provide working capital, and fund the purchase of new equipment– in the total amount of \$350,000. The State Bank has provided a commitment letter for a portion of the necessary funds, and the EDA and other gap lenders have been asked to participate in the overall financing package. Specifically – the EDA and Southern Minnesota Initiative Foundation have been asked to provide a total of \$150,000 for the purchase of bottling equipment. Currently, the hot sauce is bottled by hand. The new equipment will increase the company’s bottling capacity up to 2,000 bottles an hour (today the company can bottle approximately 2,000 bottles a day.)

The loan application was sent to the EDA’s loan review committee for consideration. In addition, a subcommittee of the EDA met with the company’s representatives to review the application and credit risk analysis. Based on this review, additional information was requested.

### **Requested Action:**

Pending the receipt of additional information requested from the applicant and their primary lender – Staff will bring to the EDA a request for consideration to provide a \$75,000 Industrial Development Loan to Cry Baby Craig’s for the purchase of bottling equipment.

### **Attachment:**

- June 2019 EDA Packet



**REQUESTED LOAN AMOUNT**

Funding Amount Requested from EDA

~~100,000~~ 150,000

Purpose of Funding *Please also include a narrative on separate letterhead describing project in full, how the proposed project will benefit the community, and proposed use of EDA funding.*

**SOURCES AND USE OF FUNDS**

Purpose for which funds are to be used	EDA	BANK	OTHER	OTHER	BUSINESS EQUITY	TOTAL
Property Acquisition						
Building Renovation	<del>25,000</del> 25,000					
New Construction						
Machinery/Equipment	200,000 +					
Inventory	10,000					
Working Capital	90,000 +					
Other						
Total						

**PROPOSED FINANCING TERMS**

	EDA	BANK	OTHER (Specify)	OTHER (Specify)	EQUITY	TOTAL
Amount						
% of Project						
Terms (Years)						
Interest Rate						
Debt Service						
Collateral						
Lien Position						

PARTICIPATING LENDER – Name, Address, Contact Name, Phone Number:

State Bank of Faribault. Brad Schmitz

**JOB CREATION**

	Full Time	Hourly Wage (Average)	Part Time	Hourly Wage (Average)
# Existing Employees	2	42,000 33,000		
# of NEW Jobs Created	3	25,000 - 35,000		
# of Jobs Retained (jobs lost without project)				

Employee Benefits:

**BUSINESS PROFILE***Attached Additional Pages if Necessary*

Business Description

Provide details about your experience and background

Have you ever filed for bankruptcy or defaulted on any loan commitment. Please describe.

No

**BUSINESS PLAN**

**Cry Baby Craigs**  
1222 2nd st ne 55413

February 14, 2018

## **Executive Summary**

### ***The Company***

Started in 2012 by Chef Craig Kaiser.

### ***The Ownership***

The company is structured as a corporation.

### ***The Management***

We work hand in hand through out all aspects of the company, with Craigs major focus on making the sauce.

### ***The Goals and Objectives***

Our goal in the next couple years is to be a nationally recognized brand. Currently we are shipping to all 50 states, and have 5 major distributors. We would like to continue at 40% growth as we've seen the last year. We are also looking to build a facility that will be fully automated. which will allow us to up production by a large margin.

### ***The Product***

Cry Baby Craigs is a Pickled Habenero Garlic hot sauce. It is used in resturants by many chefs. And is also sold in retail stores in 10 states,As well as shipping to all 50 states through Amazon. It is the only pickled sauce on the market. We also produce in our own facility which allow for an Artisanal experience. The other sauces in market use co-packers and heat processing,which cooks out the freshness. We've won multiple national awards in 2017 as well 2019.

### ***The Target Market***

Its very rare that you come across a phenomenon in the retail and restaurant world. But with Cry Baby Craig's that's exactly what happened. The sauce is being enjoyed by people 7 - 93 years old of all backgrounds,shapes,and sizes. I'm happy to provide proof of all these claims.

***Pricing Strategy***

The product is broken down into single units and cases. We are currently selling cases for 39\$ dollars to 6 wholesalers. At our store we sell bottles for 6\$ a piece. Online, where we do good business we also sell 3 packs for \$26 including shipping. At the current pace we will sell \$40,000 online in 2019.

***The Competitors***

This is a difficult question. If you were to look at potential market share. You'd have to say big brands like Tabasco, Siracha, Cholula. Because we believe we are headed to a national level. We also have the smaller hot sauce guys. But again the procedure is so different CBC stands alone. We control all aspect of product manufacturing. They just give a recipe to someone to make. And because of that they have to heat. Which changes the taste experience.

## **Business Plan - Cry Baby Craigs**

### **The Company**

#### *Business Sector*

The company currently operates in the manufacturing sector.

#### *Company History*

Started in 2012 by Chef Craig Kaiser.

#### *Company Goals and Objectives*

Our goal in the next couple years is to be a nationally recognized brand. Currently we are shipping to all 50 states, and have 5 major distributors. We would like to continue at 40% growth as we've seen the last year. We are also looking to build a facility that will be fully automated. which will allow us to up production by a large margin.

#### *Company Ownership Structure*

The company is structured as a corporation.

#### *Ownership Background*

Craig Kaiser (shareholder):

Former Chef of multiple restaurants, certified manufacturer and food handler from UC Davis, certificate of completion for Microbiology from UW Stout, AS Degree for applied science from Le Cordon Bleu.

Sam Bonin (shareholder):

Former restaurant owner with 25 years experience. Now 3 years of manufacturing and supplier management. Also has a strong sales background.

#### *Company Management Structure*

We work hand in hand through out all aspects of the company, with Craigs major focus on making the sauce.

### *Organizational Timeline*

Within the next 4 months we will be moving into a new facility. And hope to begin full scale production by August 2018.

### *Company Assets*

From delivery trucks to kitchen equipment, we have over \$30k in assets. On hand with supplies, we have over \$100k in peppers, barrels, bottles, and everything that goes into making a finished product..

## **The Product**

### *The Product*

Cry Baby Craigs is a Pickled Habenero Garlic hot sauce. It is used in resturants by many chefs. And is also sold in retail stores in 10 states,As well as shipping to all 50 states through Amazon. It is the only pickled sauce on the market. We also produce in our own facility which allow for an Artisanal experience. The other sauces in market use co-packers and heat processing,which cooks out the freshness. We've won multiple national awards in 2017 as well 2019.

### *Product Patents*

We are working on the trademark on the name Cry baby Craigs. The logo design is owned by the company and the technique of which the sauce is made is only done by one company in the whole country, and that is us. It took 18 months to get approved by the FDA on our method because no one else is doing what we are doing.

### *Future Products*

Due to customer excitement and distributor pressure, we have no choice! Right now we are getting ready to release a cheese powder. This is a one of a kind product with real cheese. with premium White cheddar partnered with our secret CBC spice mix. It will be headed to the Twins Stadium,the Minnesota state fair,Allianze feild as well.

Secondly we are working on a green sauce for those craving a milder experience. Both products will have immediate placement.

## **Marketing Plan**

### *The Target Market*

Its very rare that you come across a phenomenon in the retail and restaurant world. But with Cry Baby

Craig's that's exactly what happened. The sauce is being enjoyed by people 7 - 93 years old of all backgrounds, shapes, and sizes. I'm happy to provide proof of all these claims.

#### *Established Customers*

They are one of a kind. It's truly a pleasure to meet these people. They have a passion for CBC that goes beyond expectation. From those who consume a bottle a week to those who need to buy gallons to get their fix. Both Craig and I consider what we do a community service. They have proactively promoted CBC all over the world.

#### *Pricing*

The product is broken down into single units and cases. We are currently selling cases for 39\$ dollars to 6 wholesalers. At our store we sell bottles for 6\$ a piece. Online, where we do good business we also sell 3 packs for \$26 including shipping. At the current pace we will sell \$40,000 online in 2019.

#### *Advertising*

Thus far the marketing has been get it into the chefs and the people's hands. Creating a demand through chefs use in dishes or placing on the table for people to enjoy. We entered national accredited contest like the Scoville awards and the Fiery Foods competition..... And won. We have a web presence through Facebook and our web-site which drives lots of online sales. As far as wholesale support. We are doing multiple food shows a year which allows us to talk to sales teams, and the accounts they service. This has led to a playful presence within the food culture as well.

### **Competitor Analysis**

#### *The Competitors*

This is a difficult question. If you were to look at potential market share. You'd have to say big brands like Tabasco, Sriracha, Cholula. Because we believe we are headed to a national level. We also have the smaller hot sauce guys. But again the procedure is so different CBC stands alone. We control all aspects of product manufacturing. They just give a recipe to someone to make. And because of that they have to heat. Which changes the taste experience.

### **SWOT Analysis (Strengths/Weaknesses/Opportunities/Threats)**

#### *Strengths*

Our strengths are based on what's in the bottle. When you create a food product with a superior taste. It

evokes new sensations that eating hasn't delivered in the past. We live in a food culture now that wants to draw on the traditional methods of preparation, getting back to knowing where food comes from is important to folks. As well as using age old methods like pickling with modern twist.

Also we've been in market for 3 years and have a large sample size of how CBC is relevant in the current market. Which allows us to focus on expanding smartly.

But most importantly in business, it comes down to Net profit. CBC Has been in the green since day one. And has self financed until now. Investing around 100,000 in the last year alone. When you scale up, cost comes down. Next year we have contracted our peppers at the lowest price ever. And intend on doing the same to all COG's in the future.

### *Weaknesses*

Currently our biggest weakness is working capital which would allow us to buy equipment. Buy in bulk. And consolidate our small debt.

### *Opportunities*

with having a product that is made different than everyone else has already started to open up doors that we could never imagine. We have companies like Jack Links reaching out to use our sauce for a new product line. We also were just informed that our product can now be sold at the State Fair. This is just the beginning and has only been 3 years. To have these accomplishments already at such an early stage of our business can only show you the direction we are heading.

### *Threats*

The only threat that this company has in its way is disrupting the food scene and food manufacturing practices. But to me, what appears as a threat only means more opportunities. We are changing the way people think about how they make their products and how regulators regulate. I can promise you that the day isn't to far out where we will become not only ambassador's of these methods, but also consult other companies on how we do it. What most see as a threat, I see as an opportunity.

## **Operations**

### *Staffing*

Both owners are present in all business endeavors. We have ruffly 4 part-time employees helping with production.

## **Capital Requirements Plan**

*Capital Repayment Plan*

A monthly payment plan will be worked out based on debt. Once a net income has been properly established Equity will be disbursed to members, Each member will receive payment based off what equity they hold. This will be done annually. If a stock holder works within the company they will be compensated within that roll.

# Cry Baby Craigs 2040 Vision

After reading through the community's 2040 vision. Cry Baby Craig's seems to check a lot of boxes. Being a small business who has built its brand around a sense of community, both in our neighborhood as well as with the restaurant community in the Twin Cities. We believe that high tides raise all ships, and want to work hand and hand with people who share that same vision. We are not a corporation, and still see people as people and not as numbers. And that starting with your neighbors is the best way to lay the proper foundation. We're hoping we will be your neighbors soon. And plan on highlighting the reasons why we feel we can build along side you in your vision for 2040.

Lets start with touching on your vision on pages 10-11. We have had offers to build our factory at multiple locations in the metro area. We have a need for 6000 sq. ft of production space as we grow. This would require a move to the suburbs from our current home in NE. Which has an amazing small town feel. We love that! And upon our first visit to 313 Central Ave, we found that. They downtown corridor offers that feeling we are looking for. We still are able to fulfill our shipping requirement with easy access to the 35W corridor. We also know that there are many vacancies on the street and feel we could anchor the revitalization of the downtown area. We are a darling in the media and know that our move to your city will be very press worthy. Which will give permission to others to follow our lead and come check out what Faribault has to offer. A domino effect that has the potential to be a catalyst for growth in many industries. We plan on a retail space within our building as well, offering a destination experience with tastings and events. We feel Faribault has great potential for those wanting to day trip from the Metro. Having a background in restaurants and events we want to do a food and music festival. Bringing in top quality food and drinks. Along with great entertainment from around the country. With the beautiful setting of the river and historical downtown as the backdrop.

When it comes to creating opportunity in the job market. We look to the local population. One of the great connections is that you have a great school for the deaf. We are manufacturers, its not required to talk or listen. We currently employ a gentleman with a masters in Signing and would love to use this excellent resource to provide opportunity for the marginalized in the community. I've provided a graph that shows the potential of what we do as well. The data indicates the 150+ percent growth for hot sauce. Dwarfing other condiments. Its important, because we want to relay the vitality of what we are experiencing in our world. Hot sauce is the most important condiment of our time. And as ambassadors of heat, We plan on being here for a long time to come.

Thank you for your consideration. We look forward to the opportunity to work with you in making your vision for the future a reality.

In closing....with help from the EDA and others. We believe we can make a national push in the next 5 years. With the money we receive we are going to purchase a bottling line. The machine will allow us to do in a day what we used to do in a month. Roughly 2000 bottles an hour. This is critical as we have been chosen for a Minnesota State Fair Booth. This is similar to winning the lottery as many companys do a years worth of business in 17 day. We are also currently working with a company named Jack Links on a product together. They are depending on our ability to scale to meet demand.

We feel 313 Central meets all of our needs. We intend on building a FDA approved facility, with full automation and store front. Which will be a major improvement to the current building status. And as I mentioned in the 2040 Vision.We want to do this not only to better our lives,but the lives of those in the community.

We feel we have caught lightning in a bottle! Please join us on our journey into the future and allow us the honor of representing Faribault here and abroad.



## Request for Action

**TO:** Economic Development Authority  
**THROUGH:** Deanna Kuennen, Community & Econ Dev Director  
**FROM:** Samantha Markman, Econ Development Coordinator  
**MEETING DATE:** June 27, 2019  
**SUBJECT:** Revolving Loan Request – Cry Baby Craig’s

---

### Background:

In 2018, Staff began working with Cry Baby Craig’s (CBC) – a hot sauce company currently based in Northeast Minneapolis – with a relocation and expansion project in Faribault. CBC was first introduced to Faribault through future landlord, John Sheesley. The company toured the space at 313 Central Avenue and have found this location to fit their businesses growing needs. Currently, in Minneapolis, they are limited on space and need a location that can accommodate automation. The business will close their Minneapolis production location with the move south to Faribault. CBC is hoping to be operational in Faribault by early Fall 2019.

In working with CBC they are seeking gap financing assistance to aid in expansion efforts to bring their production process to full automation. Currently, the hot sauce is bottled by hand, limiting their production capabilities. The company is looking to make a national push in the next five years. With gap financing assistance CBC will purchase a bottling line – estimated to cost +/- \$200,000. The machine will shrink bottling capacity from what is done in a month to just one day currently – roughly 2,000 bottles an hour. This is critical as CBC has been selected as a Minnesota State Fair Booth, which in their words is similar to winning the lottery.

Cry Baby Craig’s feels 313 Central Avenue meets all their needs. With renovations which will accommodate a FDA approved facility, with full automation and store front. Fulfilling a current vacant storefront in Faribault’s Historic Downtown since the close of the Coffee Shop once located at 313 Central Avenue. To meet the needs of the business, CBC would look to be in Faribault by the second to third week in August. The annual harvest of peppers from a Hmong Farm along the Hwy 52 Corridor would be delivered to Faribault versus Northeast Minneapolis, aiding in the transition to expanded production and helping cut back on shipping costs.

Throughout this process, CBC has been working with a local financial institution, the State Bank of Faribault, whom has provided a letter of commitment which would finance \$200,000 contingent on an EDA Industrial Development Loan from

the revolving loan fund totaling \$150,000. The application for the Industrial Development Loan includes \$350,000 in total project costs, as identified above. Finances coming from both the EDA and State Bank of Faribault.

The application was sent to the EDA's loan review committee for consideration. The application is currently in review, with no formal action at this time. Once Staff has a recommendation from the Committee, there will be a formal action to support the request.

**Requested Action:**

The EDA is asked to discuss a \$150,000 loan request from Cry Baby Craig's from the Industrial Development Loan fund. No formal action is being requested at this time. Once a recommendation comes from the Loan Review Committee, staff will bring the request back to the EDA for final consideration.

**Attachment:**

- Industrial Development Loan Program Application
- Cry Baby Craig's 2019 Business Plan
- Vision 2040 Summary – Cry Baby Craig's
- Closing Statement – Cry Baby Craig's