

Rubicon Bakery

PARENT AGENCY: RUBICON PROGRAMS

BUSINESS SUMMARY: Rubicon Bakery is a premium wholesale bakery that produces cakes and tarts, while providing quality entry-level jobs for disadvantaged community residents in the food service industry.

1999		INDEX OF RETURN
Enterprise Value	\$10,846,670	6.00
Social Purpose Value	\$19,375,461	10.72
Blended Value	\$29,645,132	16.41
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Investment to date	\$1,806,919	
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Number of Target Employees	18	
Percentage of Target Employees	80%	
Hourly Wage Range	\$6.74-\$12.40	

Employment Risk Assessment (ERA)			
Homeless or at-risk of homelessness	58%	Public assistance	42%
Convicted of a crime	42%	Not a high school graduate	17%
Mental health issues	33%	With dependent children	25%

OVERVIEW

- Sales are projected to increase from \$761,474 to over \$4.5 million in five years
- In October 1998, Rubicon opened a 25,000 square foot bakery manufacturing facility and outfitted it for volume baking production and developed a training facility, including classrooms, counselors offices, and job search areas
- Rubicon Bakery saves the public on average \$16,807 in public assistance and social service costs and generates \$2,911 in new taxes per target employee

TARGET EMPLOYEE STATISTICS

AVERAGE TIME WITH RUBICON BAKERY

All positions are permanent

AGE

- 8% 22-29 years old
- 67% 30-39 years old
- 17% 40-49 years old
- 8% 50-62 years old

RACE/ETHNICITY

- 83% African-American
- 17% White

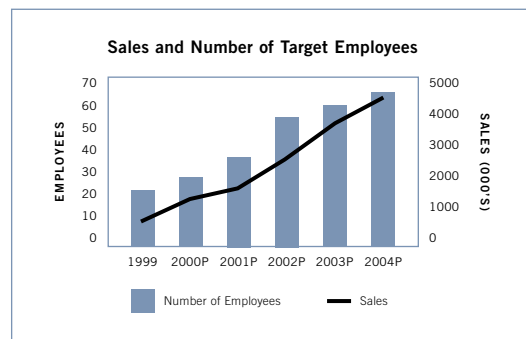
GENDER

- 67% male
- 33% female

EMPLOYEE HIGHLIGHT

Angela is separated from her husband and has three children and an invalid mother. She was living in a hotel and surviving on welfare for the past four years. Angela started her 13-week training in the bakery in June 1999 and was offered a full time job as a member of Rubicon Bakery in September 1999. Her attendance has been outstanding since she was hired.

If it hadn't been for Rubicon, Angela said that she might have given up. Now her goal is to be a role model for her children so that they avoid the same path that she walked down. She encourages them to study and read and get all they can out of their education. She instills in them her belief that they can be anything they want to be if they work hard. Angela's dream is to buy her own home.



Rubicon Programs Agency Mission Statement
Helping people and communities build assets to achieve greater independence — Rubicon works with people who are homeless or living in poverty and people with disabilities to develop their assets and build their self-worth so that they succeed in achieving greater independence.

Rubicon Bakery Mission Statement
We bake premium hand-crafted desserts, provide personalized service to our customers, and transform the lives of the people we train and employ.

MANAGEMENT TEAM

RICK AUBRY PH.D., EXECUTIVE DIRECTOR — RUBICON PROGRAMS INC.

Dr. Aubry has been director since 1986, overseeing growth of the agency from \$980,000 to over \$14 million in annual revenues. Before assuming directorship of Rubicon, Dr. Aubry worked as a therapist, program administrator, house painter and cab driver. He has a Ph.D. in Psychology from the Wright Institute Berkeley, an M.A. from W. Georgia University and a B.A. from Syracuse University.

RICH KENNEALY, DIRECTOR

Mr. Kennealy has over 25 years experience in the food industry, overseeing business units, production and sales. Mr. Kennealy's most recent position before joining Rubicon in 1999 was with a subsidiary of Sara Lee Corp., Gallo Salame.

KAREN LAZZARESCHI, SALES ACCOUNT MANAGER

Ms. Lazzareschi has been with Rubicon since 1999. She has over 20 years experience in bakery sales, primarily developing accounts with national and regional grocery chains representing most recently, Maplehurst Bakeries.

PEGGY DAY, PRODUCTION MANAGER

Ms. Day has been with Rubicon since 1997. She has over 20 years experience managing bakery production facilities including multi-million dollar facilities, such as Nemo's.

BUSINESS DESCRIPTION

Rubicon Bakery is a premium wholesale bakery that produces cakes and tarts. The bakery was developed in 1994 to create quality entry-level jobs for disadvantaged community residents in the food service industry and to fill a market opportunity for high-end wholesale desserts.

Within the bakery operations, a training program teaches general work skills as well as specific food service skills to community residents who are homeless, mentally disabled or the hardest to serve of the welfare-to-work population. Over 80% of the bakery's line staff have come from the training program.

BUSINESS PROFILE

Rubicon Bakery's product lines include cakes and tarts. For fiscal year 1999-2000, it is expected that of the three major market segments 75% of its revenues will be direct store delivery, 5% from distributed store delivery, and 15% from the food service market. The largest customers of the direct store delivery are Raley's, Andronico's, Mollie Stone's, and Whole Foods. The Bakery is currently selling to 100 of the 150 high-end grocery stores in the nine Bay Area counties.

STRENGTHS AND CHALLENGES

STRENGTHS

- Brand equity for high quality products
- Diversified distribution
- New facility with \$10 million production capacity

CHALLENGES

- Almost 40% of sales from single customer
- Managing continued aggressive growth

NEW INITIATIVES

In October 1998, Rubicon opened a 25,000 square foot bakery manufacturing facility, outfitted it for volume baking production and developed a training facility. The site can support production of at least \$10 million in sales, through expanding onto existing floor space and increasing hours of production.

In September of 1999, Rubicon launched its new single serving product line. The Bakery has recently entered into an agreement with Raley/Nob Hill/Bel Aire Markets to sell its products to their 130 stores beginning in summer 2000.

OUTLOOK

The Bakery expects to generate \$4.5 million sales by fiscal year 2004, an increase of \$3.7 million over 1999 revenues. Its working capital needs have been well managed over the years and it already owns most of the large equipment needed to increase capacity. Rubicon Bakery is well positioned to manage its growth strategy with experienced managerial staff on board.

SROI Analysis — Rubicon Bakery

SOCIAL PURPOSE RESULTS

Rubicon Bakery provides entry-level jobs in the food service industry for disadvantaged community residents. Rubicon's social purpose value is approximately \$19.4 million which has an index of return of 10.72. The value is primarily due to the fact that the Bakery saves the public on average \$16,807 per target employee on public assistance and social service costs. Because Bakery employee wages on average increased by over \$19,400 after being employed at the Bakery, \$2,911 in new taxes were also generated. The net financial benefit to the target employee, after considering the new taxes they must pay and reduced public assistance, is approximately \$15,500 per year.

ENTERPRISE FINANCIALS

The enterprise value for Rubicon Bakery is estimated to be approximately \$10.8 million. Each year sales and margins have consistently risen. It is projected that for 2001, the Bakery will be self-sufficient before considering subsidies and social operating expenses (S&S). In 1998, the net margin after S&S was higher than in projected years due to the one time capital grant for the building expansion. This, in addition to its new contracts with larger customers, will enable Rubicon to achieve its expected level of growth.

SOCIAL PURPOSE ENTERPRISE INDICATORS

In 1999 and projected in 2000, Rubicon hires seven new target employees each year. Each year, the amount of subsidies needed per target employee is reduced due to increasing sales. Assuming the cost savings and new tax revenue remain constant on a per target employee basis for the projected 25 to 102 target employees over the next ten years, total social savings and new taxes are over \$25.2 million in today's dollar. It will only cost Rubicon approximately \$5.9 million in social operating expenses to generate such value. In addition, it is expected to provide the parent agency with over \$8.2 million in revenue.

REVENUES AND EXPENSES

From 1998 to 2000, dependence on outside funding continues to decrease as sales rise. The proportion of social operating expenses to total enterprise and social operating expense in 1999 is higher than in the previous and projected year due to the expansion initiatives. While expenses exceed revenues 1998 through 2000, net margins continue to improve. Rubicon Bakery will be entirely self-sufficient by 2004.

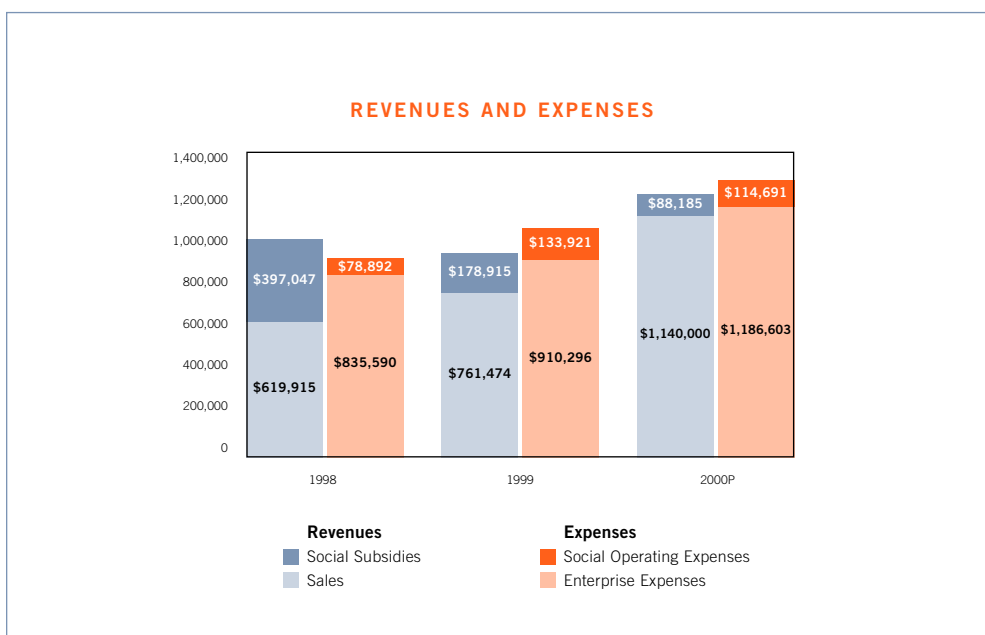
SOCIAL PURPOSE RESULTS (PER TARGET EMPLOYEE)		1999
PUBLIC SAVINGS		\$16,807
NEW TAXES		\$2,911
WAGE IMPROVEMENT		\$19,405
FINANCIAL IMPROVEMENT		\$15,493

ENTERPRISE FINANCIALS	1998	1999	2000P
SALES	\$619,915	\$761,474	\$1,140,000
GROSS MARGIN	41%	42%	51%
NET MARGIN (BEFORE S&S) ¹	-35%	-20%	-4%
NET MARGIN (AFTER S&S)	17%	-14%	-6%

SOCIAL PURPOSE ENTERPRISE INDICATORS	1998	1999	2000P
TOTAL EMPLOYEES / TOTAL TARGET EMPLOYEES	13/11	22/18	34/25
FTE EMPLOYEES / FTE TARGET EMPLOYEES	11/9	18/14	29/20
SOCIAL OPERATING EXPENSES PER TARGET EMPLOYEE	\$7,172	\$7,440	\$4,588

TOTAL PROJECTED INVESTMENT	\$573,261
TOTAL PROJECTED SOCIAL SAVINGS AND NEW TAXES	\$25,257,111
TOTAL PROJECTED SOCIAL OPERATING EXPENSES	\$5,881,649
TOTAL PROJECTED CONTRIBUTION TO PARENT	\$8,207,716

¹S&S: Subsidies and Social Operating Expenses



KEY SOCIAL IMPACT FINDINGS

Select Results from the Rubicon Enterprises Employee Survey

Enterprise employees participated in face-to-face interviews designed to retrospectively gather information about their situation at the time of hire (baseline) and six months prior to the date of the interview (follow-up). The retrospective interviews assess each employee's experience of change in the areas of employment, income, housing stability, use of public assistance, use of social services, criminal justice involvement, and other barriers to employment. The results below reflect key findings on the social impacts based on the responses of Rubicon Enterprises' employees interviewed from Rubicon's Landscape Services and Bakery enterprises. Only statistically significant changes and changes reflecting an impact among more than 20% of the interviewed employees are included.

EMPLOYMENT

91% of respondents experienced a real increase in monthly income from work from their time of hire to their time of follow-up. The average amount of increase is \$1,223 per month.

BARRIERS TO EMPLOYMENT

Comparing time of follow-up to time of hire, a significantly smaller proportion of respondents experience the following as barriers to finding and keeping a job: substance use issues (28% down to 0%), lack of childcare (26% down to 10%), a need for education/skills training (36% down to 12%), physical health issues (32% down to 18%), mental/emotional health issues (21% down to 7%), and lack of transportation (23% down to 14%).

HOUSING

30% of respondents have experienced an increase in the stability of their housing situation while 59% remained in a stable home and 11% stayed at risk for homelessness. Housing stability did not decline for any respondents.

74% of respondents who spent some money on housing at time of hire are spending a smaller proportion of their total monthly income on

housing at time of follow-up. The proportion of income that respondents spend on housing has decreased from 44% at baseline to 22% at follow-up, a proportion well below the 30% guideline proposed by HUD for low-income communities.

PUBLIC ASSISTANCE AND SERVICE UTILIZATION

33% of respondents stopped receiving public assistance benefits from time of hire to time of follow-up. At the same time, there is a very significant increase (32%) in the proportion of monthly income accounted for by work sources. On average, at time of hire, work sources accounted for 59% of respondents' total monthly income, as compared to 91% from work sources at time of follow-up.

41% of respondents became insured with private health insurance since employment at a Rubicon enterprise.

SATISFACTION WITH RUBICON PROGRAMS

100% of respondents say they would recommend Rubicon programs to a friend or family member seeking vocational services.