

# FIREBRAND ARTISAN BREADS

## CASE STUDY

### RE-ENVISIONING LOCAL BUSINESS THROUGH INCLUSIVE OWNERSHIP

Firebrand Artisan Breads models a new vision for local economics through its trailblazing move to steward-ownership. The company's transition reflects its deep commitment to creating shared wealth and social outcomes as a community institution. The company's conversion to a trust-ownership structure went hand-in-hand with an aligned growth equity raise from ICA and Candide Group.

### KEY FACTS

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- **Established:** 2008
  - **Location:** Oakland, CA
  - **# of Employees:** 63
  - **Revenue:** \$5.3M
  - **Equity raise:** \$2.5m
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### EXECUTIVE SUMMARY

Matt Kreutz founded Firebrand 12 years ago in a West Oakland warehouse with the vision to produce high-quality baked goods. Since then, the firewood bakery turned into a successful business with an inspiring mission. Centering its employment on the formerly incarcerated and the formerly houseless, Firebrand seeks to break the cycle of recidivism. Today, Firebrand is more than just a bakery, it's a community institution providing employees access to job training and opportunities to build money management skills.

"Firebrand seeks to stand at the center of a new wave of capitalism that leverages business to address complex societal problems," explains Matt. "We believe through business we can create shared value for employees and the community."

To guard this mission in the future and secure aligned investors, Matt transitioned Firebrand to steward-ownership in 2020. Implementing the new ownership structure went hand-in-hand with securing mission-aligned growth capital that will enable the business to grow sustainably, drive social impact, and maintain its independence. Purpose US supported Firebrand in developing its new Purpose Trust structure and in crafting a unique, inclusive growth capital raise. Firebrand successfully closed a \$2.5 million raise, co-lead by Candide and Fund Good Jobs, and supported by Ron McFall and the Mission-Driven Partners at Stoel Rives.

## ESCAPING THE BURN-AND-CHURN TREADMILL

Founded in 2008, Firebrand initially faced challenges common to foodservice: emotionally and physically demanding work with long hours in an industry marked by high turnover, limited career opportunities, and little to no safety net for workers.

When presented with an opportunity to employ formerly incarcerated and homeless community members in 2013, Matt seized the moment to do things differently: Firebrand would become an inclusive, encouraging employer and community player that invited employees to bring their whole selves to work and create quality job opportunities in Oakland.

“It was always a natural and organic thing for us. I’ve never wanted to work at a place where I felt like I couldn’t be myself,” explains Matt. “I’ve also been around a lot of people that don’t have the fanciest education or most privileged background who can just kill it. Where their backgrounds were a real advantage, not on paper, but in real life, they add a huge amount to the company.”

Today, Firebrand offers extensive training programs for employees to create avenues to leadership positions and build capacity in the community. 60% of Firebrand’s managerial staff are women and 80% are people of color. Firebrand is an active Oakland community-member that supports local minority-run businesses by integrating their products into Firebrand’s value chain and offers local baking classes.

“

Steward-ownership tied all the things together for us. We could lock-up the mission, align the ownership structure, and then tie that to the fundraising in a very clear path.

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– Matt Kreutz, Founder

## ALIGNING OWNERSHIP, FINANCING & MISSION



In 2019, Matt started looking for growth capital partners to launch a line of packaged goods, he struggled to find investors who shared his vision. He found that most venture capitalist and private equity investors were interested in quickly scaling and selling the business to the highest bidder. But Matt didn’t want to sell. “I want to grow this business and plan to be highly involved for the long haul,” explains Matt. “I’m so passionate about Firebrand and what we can accomplish, I don’t want to just sell that off or view the company as some sort of payday.”

Instead, Matt wanted a structure that would enable the business to grow, stay independent, and integrate its mission into an inclusive governance form and financing structure. In 2020, Firebrand decided to transition a large portion of its ownership to a Purpose Trust (Firebrand Perpetual Purpose Trust) to legally secure its community benefit programs and inclusive governance structure, while bringing on values-aligned investors.

# LONG-TERM STEWARDSHIP: FIREBRAND PURPOSE TRUST

Matt established the Firebrand Purpose Trust to act as the long-term term steward of the company. Now the largest shareholder of the company, the Firebrand Perpetual Purpose Trust is a non-charitable trust. Unlike a typical trust, in which a person is defined as the beneficiary to its assets, the benefit of the Firebrand Purpose Trust is a purpose, defined in the trust document, according to which the assets must be stewarded.

## Key purposes of the trust

1. Preserve Firebrand’s independence and values, and promote the Company’s mission of creating great jobs, shared value, and thriving communities.
2. Protect employee and community participation in the governance of the trust and board of directors.

3. Operate the Company for the benefit of the Stakeholders rather than profit maximization and shareholder return, while acknowledging the necessity of financial and competitive security for the long-term viability of the enterprise.
4. Prioritize hiring people who are formerly incarcerated, homeless, or otherwise have high barriers to entering the workforce.
5. Protect the inclusion of employee and community participation in profit-sharing.

## Trust Governance

The Firebrand Purpose Trust is governed by the Trust Stewardship Committee, composed of the founder, employees, and community members. This committee is responsible for the governance of the trust shares’ in accordance with the trust’s purpose, appointing board members to represent trust ownership, and overseeing board performance as it relates to the trust’s purposes.



## INCLUSIVE, NON-EXTRACTIVE FINANCING

In partnership Candide Group, ICA, Purpose, and Firebrand crafted an investment structure for its \$2.5m equity raise that will enable the company to sustainably grow while providing investor returns and sharing wealth with the community in a way that doesn't require the company to sell.

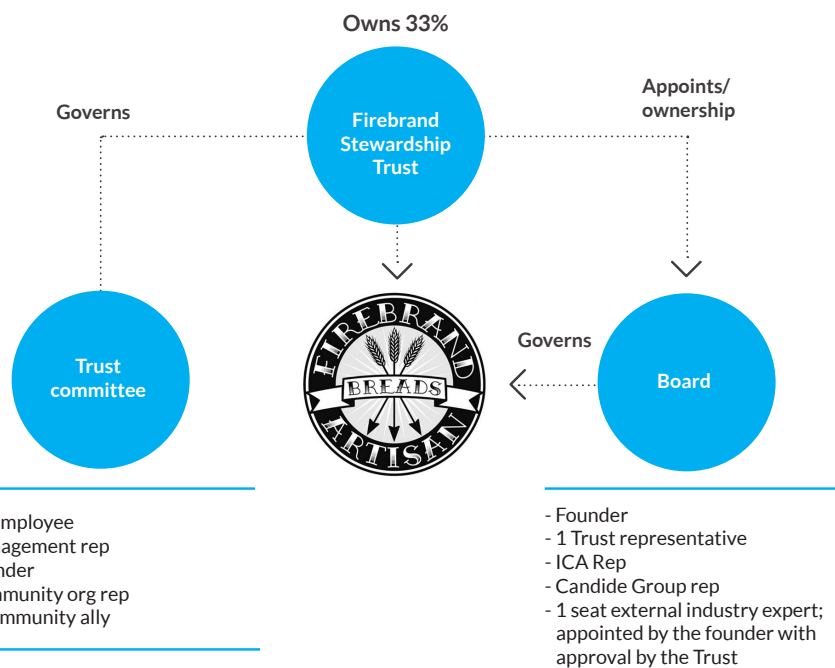
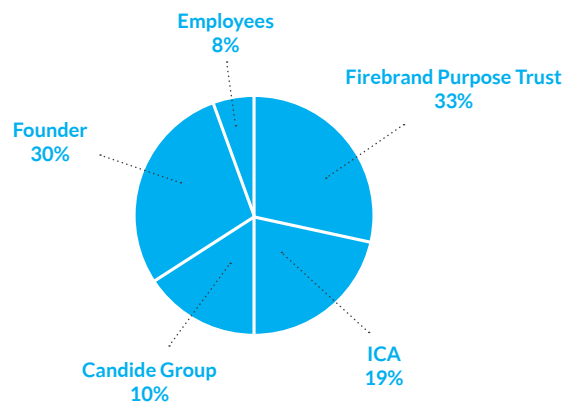
The deal structure also ensures that employees and community organizations dedicated to supporting the formerly incarcerated and homeless in Oakland have a voice in the stewardship of the company and financially participate in the company's growth. Employees and community representatives hold seats in the trust and the board; a structure intended to help balance between the needs of financial investors and the interests of other stakeholders.

"Matt expressed two clear goals to us: to be able to bring on capital that doesn't force him to sell the business, and to be able to share the value created by the business with the workers," explains Aner Ben-Ami, founding Managing Partner at Candide.

"At Candide we believe both those goals are essential to building a more equitable and just economy, and so we were beyond excited to work with Firebrand and our partners and to structure an inclusive profit-sharing investment that helps achieve these goals.»

The Firebrand model demonstrates how a purpose-driven company can knit together investors and community in true partnership. Firebrand brings investors, employees, community advocates, and the founder together to co-determine a path forward for the business and its mission.

Cap Table Post-Conversion



- An employee
- Management rep
- Founder
- Community org rep
- A community ally

Trust ownership will grow to 100% overtime

- Founder
- 1 Trust representative
- ICA Rep
- Candide Group rep
- 1 seat external industry expert; appointed by the founder with approval by the Trust

## INVESTMENT DEEP DIVE: PROFIT-FLIP & STRUCTURED EXIT

In designing this transaction, Firebrand, Candide Group, and ICA shared a common set of goals. Their objectives were to:

1. Enable the company to grow, expand its product offerings, and enter into the consumer packaged goods space;
2. Provide investors with risk-adjusted returns while sharing wealth with employees and the community;
3. Project the long-term independence of the company, by designing an investment structure that wouldn't require the company to sell in order to provide liquidity to investors.

To accomplish these goals, Firebrand and its investors set up a profit flip for the investment. In this structure, investors receive 90% of the distributed profits until they have achieved 2X their initial investment. The remaining 10% of profits are distributed to employees. Once investors achieve 2X their initial investment, profits are distributed pro-rata based on ownership. The company's multi-stakeholder board of directors determines the distribution of profits. The Purpose Trust exists to protect profit sharing to employees now and in the future.

Investors and the company have redemption rights: investors after Year 7, the company after Year 10. Shares bought back from investors will be allocated to the Firebrand Perpetual Purpose Trust, thus increasing employee/community ownership and their proportional share in profits. At the time of redemption the share price will either be calculated as:

1. Fair market value minus any distributions made after the profit flipped and investors achieved 2X their initial investment; or
2. 2X the original share price.

The Firebrand model demonstrates how a purpose-driven company succeeds in bringing together investors and a community in true partnership. This form of a structured exit supports the trust-ownership framework and complements the company's multi-stakeholder structure. It succeeds in including employees and community organizations of the targeted & often vulnerable population by giving them a voice in the company's governance and by sharing the economic upside of the company in a way that doesn't require a sale.

Firebrand's new legal framework creates an inclusive governance structure that creates a new form of employee and community-centric ownership and protects the mission of the company and thus the hiring practices serving formerly incarcerated and homeless people.

