



SUCCESSFUL-LY DRIVEN

Sugar Bowl Bakery builds on its success and plans to begin production at a fourth San Francisco Bay Area plant later this year.

BY SHANE WHITAKER

The Ly (pronounced *lee*) brothers are living the American dream, and their road to success was forged through perseverance and hard work. The five siblings and their families faced many challenges when they immigrated to the US from Vietnam in the late 1970s, but nearly 30 years later, they symbolize what an entrepreneurial spirit and dedication can do for those who dream. The brothers and their wives knew little English when they arrived in the US. They worked in kitchens and delivered newspapers to earn money, and they saved their earnings with ambitions of owning their own business.

In 1984, the brothers pooled their savings, approximately \$40,000, and purchased a retail bakery in the Outer Richmond neighborhood of San Francisco, CA. Sugar Bowl Bakery's annual sales were \$150,000 at the time; today the company generates yearly revenues of more than \$40 million and is growing 20 to 25% annually, according to Andrew Ly, president and c.e.o. of the Ly Brothers

Corp., the parent company of Sugar Bowl Bakery.

"As immigrants to a new land, we struggled and had to overcome many obstacles," Mr. Ly said. "We had to learn the English language, learn to be savvy in the American business world and to make the most of many opportunities that came before us. We had to learn how to expand our business, how to build capital and how to invest in more equipment and quality staff.

"For example, in 1986, two years after opening the first Sugar Bowl Bakery, we wanted to open a second location, but no bank was willing to give us a loan for it," he continued. "Fortunately, the owner of the building was willing to finance us, which ultimately contributed to our company's growth."

▲ Key members of the Sugar Bowl Bakery management team — (from left) Kevin Ly, executive pastry chef/operations manager; Janet Wong, marketing manager; Jeff Barnhart, vice-president of sales; Andrew Ly, president and c.e.o.; Jerome Maurice, plant manager; and Michael Ly, general manager — display products and packaging varieties the company offers.



► The final makeup line splits a laminated dough sheet for Petite Palmiers and folds it one final time before it will be divided using a guillotine cutter.



Nine out of the past 10 years, Sugar Bowl has been named one of the "100 Fastest-Growing Privately Owned Companies in the Bay Area" by the *San Francisco Business Times*. However, Mr. Ly said the company continues to struggle with handling its growth and limited financial resources. "We never take our success for granted, and we see these obstacles as little road blocks that we must overcome," he added.

BREAKING TRADITION. In Asian family culture, the eldest brother always has the most say and power, according to Mr. Ly, who is actually the middle brother. However, he ascended to his leadership role with the company because he spoke the best English and had the most formal education among his brothers. When Sugar Bowl incorporated in 1993, Mr. Ly, who earned a degree in business administration and accounting from San Francisco State University, was named c.e.o.

His oldest brother, Tom, serves as chairman and oversees cash management for the company, and all the other brothers are vice-presidents and sit on the board of directors. All five brothers have equal ownership in the company, and at one time each of the brothers oversaw operations at their own retail bakery that was part of

the company. The company has since sold all but one of the retail shops, and the youngest brother, Paul, runs the store that is located on Toland Street adjacent to one of the company's three wholesale plants. Paul is also the company's treasurer. Binh, the second oldest, handles retailing, and Sam is in charge of product development and international markets.

The Lys' next generation also plays a major role in the business today, as six of the brothers' 12 children work for Sugar Bowl. Tom's son Mark is senior national sales manager, and Tom's two sons-in-law — Joseph Pickens, director of sales, fresh division, and Robert Tsui, assistant purchasing manager — also work for the company. Binh's son Michael is general manager and is responsible for purchasing. Michael's brother Hugh is sales manager, and his sister Laura serves as the company's public rela-

Charitable Endeavors

Because the Ly family is extremely grateful for all of the help it received from individuals and organizations as immigrants to this country, it gives back to the community in many ways. "They all contributed, in one way or another, in helping us create a home for ourselves in the US and gave us access to a better future for our families," said Andrew Ly, president and c.e.o. of Sugar Bowl Bakery. "Because our business would not be successful today without the help we received, we like to give back to our communities, especially to organizations that support disadvantaged women and children. We are avid supporters of many community organizations — nonprofits, the arts, homeless shelters, scholarship funds, foundations, etc."

The following is just a sampling of the many ways the Ly family and its corporation gives back to the community. Sugar Bowl donates products to Food Runners, a nonprofit that provides food to homeless shelters and community organizations in the Bay

Area. For the past three years, the company also has sponsored the Costco Scholarship Fund, which grants 4-year scholarships to economically disadvantaged minority students to attend college. Sugar Bowl is also a supporter of the Safeway Foundation, which helps organizations focused in hunger relief.

This past year, it partnered with Clear Channel on the One Warm Coat project, setting up 65 drop-off bins from Napa Valley to San Jose, where people can donate coats that will be distributed to those in need.

In addition, Ly Brothers Corp. was the inaugural sponsor for the Family Business Center at San Francisco State University.

"We feel honored to be in a position to be able to give back to our community and feel that the results have made our society a better place to live," Mr. Ly said. "We are committed to civic engagement and believe that healthy communities build successful families and businesses."

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▶ Petite Brownie Bites easily fall out of silicone pans without the assistance of a release agent.

tions manager. Sam's son Steven is national sales manager, and his other son Kevin joined the family business right out of high school and is the executive pastry chef and director of operations. Kevin Ly also led the design and layout of equipment lines at the McKinnon and Hayward plants.

Sugar Bowl produces baked foods at the Toland and McKinnon plants, both in San Francisco's industrial district, and it operates a third facility in Hayward, CA, which is on the east side of the San Francisco Bay. The company also recently acquired another building in Hayward that it intends to open for production later this year.

MAKING MADELEINES. The Toland plant is the longest operating and smallest of Sugar Bowl's production facilities. The company fills food service orders from this plant, delivering more than 350 different baked foods daily to hotels, restaurants, convention centers and hospitals in the Bay Area. Its fleet of 15 route trucks makes more than 450 stops each day, generally starting around 10 every night and ending in the early morning hours. The company distributes products from this facility seven days a week, every day of the year, except Christmas.

Jerome Maurice, plant manager, described Sugar Bowl's food service operation as a "volume retailer." A big reason for the company's success is that it caters to its customers' needs and maintains good customer service relationships, he said. Sugar Bowl also performs a lot of custom work at this facility.

A wide variety of products are baked daily at the Toland plant, including more than 5,000 muffins, 7,000 to 10,000 Danishes, croissants, cakes and scones. The company hand decorates custom-ordered sheet and wedding cakes.

Sugar Bowl also makes madeleines, a rich, French cake cookie with a shell-like shape, at the 20,000-sq-ft plant. While madeleines are sold in food service orders, they also are packaged and sold in supermarkets, drugstores and warehouse club stores. Sugar Bowl Bakery's largest customer is Issaquah, WA-based Costco Wholesale Corp., which distributes the company's packaged baked foods across the US. The company also recently started running direct-store-delivery (DSD) accounts to Walgreens stores in the Bay Area.

A 340-qt AMF mixer blends the batter for the madeleines. The cookies have a simple ingredient list, featuring flour, unsalted butter, sugar, eggs, vanilla and salt. Adjacent to the



mixer is a butter melter, and because melted butter is added to the mixer, the batter tempers overnight in a cooler.

The company mixes 24 batches of batter per day, and the batter is transferred to six large square totes. The batter in the totes is then pumped to a hopper above a Unifiller depositor. Before being deposited with the cookie batter, the pans run under an oil sprayer. According to quality assurance guidelines, the batter has 12 hours from the time it begins mixing until it is baked. If it is not processed in that time, the batter cannot be used.

Madeleines bake for 17 minutes in one of the nine double-rack ovens supplied by Spartan Bakery Equipment. These ovens also bake a wide variety of products for its food service business, including cakes, croissants and Danishes.

Earlier this year, a new custom-made automated packaging line for the madeleines was installed. The line was designed so that it could be disassembled and relocated to another facility in the future, and it can also be reconfigured, if necessary. Sugar Bowl sells madeleines in 5-, 8-, 18- and 28-oz plastic tubs, as well as in a 3-cookie pack. It makes more than 25,000 units per week.

Because of space constraints, all ingredients used in the Toland plant are delivered to the McKinnon facility.

Going 'Green'

Sugar Bowl Bakery is a "green" company, according to Andrew Ly, president and c.e.o. of the San Francisco-based business. Sugar Bowl teamed up with Pacific Gas & Electric Co. to modify its lights and freezers/coolers to energy-efficient bulbs and compressors.

"We even took it a step further and incorporated this program into our waste," he said. "We now recycle more than 30,000 lb. of paper and cardboard a month."



LAMINATING DOUGH. All laminated dough products are processed at the McKinnon plant, and each product has its own laminating program, according to Kevin Ly. Frozen dough products such as Danishes

and croissants produced at McKinnon are taken to the Toland plant to be baked. Dough for the laminated products is mixed in the same room where it is processed.

Two 75,000-lb indoor canvas silos store flour. A Turbo Sifter screens the flour before it is pneumatically conveyed to one of the three spiral mixers in the laminating room. Water is also piped directly to the mixers, but all other ingredients are measured and added by hand. The mixers make 350-lb batches of dough.

After the dough is mixed, it is dumped onto an inclined conveyor, which feeds a chunker. A dough chunk is then placed on a Canol sheeting and laminating line, which spreads the dough out before placing a ribbon of butter on the dough sheet. The dough sheet is then folded from both sides to make a dough book. An operator cuts the dough sheet and places it onto a pan and then a rack that is rolled into a cooler. After an hour, an operator removes the dough and sheets and laminates it, and this step is repeated throughout the day. The dough sits in a cooler overnight before being made into its final product the next day.

One of Sugar Bowl's most popular laminated products is its Petite Palmiers, a French-style cookie with more than 300 layers of dough. During final makeup of the palmiers, sugar is dusted onto the conveyor as well as the

▼ A thick layer of butter is deposited on the dough sheet, which will be laminated and used to make Danishes, croissants or Petite Palmiers.



top of the dough sheet, so when the cookies are baked, the sugar caramelizes to give them their distinctive golden-brown color around the edges and in the center.

The dough sheet is cut lengthwise and folded in a way to create the heart-shaped cookie when it is baked. A guillotine divides the dough into portions, and an operator at the end of the line lifts up logs of the prepared cookies and arranges them in bread baskets, where they rest overnight in a freezer.

The frozen cookie dough is placed manually onto a conveyor that feeds the oven. The cookies bake in a hybrid — direct-gas and convection — oven from Laser, an Italian-based oven manufacturer. "You will never see nicer palmiers than these — you can see all the layers of butter," Kevin Ly said, looking over the hundreds of fresh baked cookies coming out of the oven.

After the palmiers have cooled for several minutes along the conveyor, employees hand pack the cookies into plastic clamshells. The packaged cookies, which the company sells in 10-, 21.5- and 32-oz containers, then pass over a checkweigher to make sure the packages are in spec and through an EZ Tec metal detection system, before being loaded into boxes.

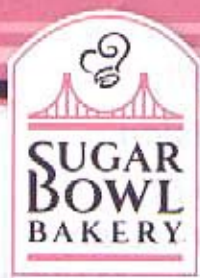
Many high-volume retailers have asked Sugar Bowl to co-pack the palmiers for them, but the company has only been able to fulfill some of those requests, according to Andrew Ly. Ten to 15% of palmiers produced by Sugar Bowl are co-packed or private label products.

BAKING BROWNIES. The scent of cocoa wafts throughout the McKinnon plant thanks to its production of Petite Brownie Bites, which company literature describes as "little bite-sized pieces of heaven." The brownies are baked in the same room as the palmiers.

A premixed bag contains all the dry ingredients for the brownie batter, and water and oil are added by hand to a 140-qt Hobart mixer. An automatic bowl lift raises the bowl and dumps the batter into the hopper of a new Hinds-Bock batter depositor controlled by an Allen-Bradley PLC. Sugar Bowl added the depositor to the line approximately eight months ago, and Kevin Ly called it "one of the best investments we've ever made." Batter is deposited into custom-ordered black silicone pans. The muffins bake in a Laser 50-ft hybrid oven, which is identical to the one used for the palmiers.

Brownie bites are packaged by hand at the end of the line and are available in 14-oz thermoformed containers, as well as 2- and 3-lb square tubs. The packages run through a checkweigher and metal detector before being boxed for shipping.

The brownie bites line runs 24/7; however, it shuts down for one hour at the end of each shift for sanitation and maintenance. Also, on Monday morning, the line is pressure washed, and routine preventive main-



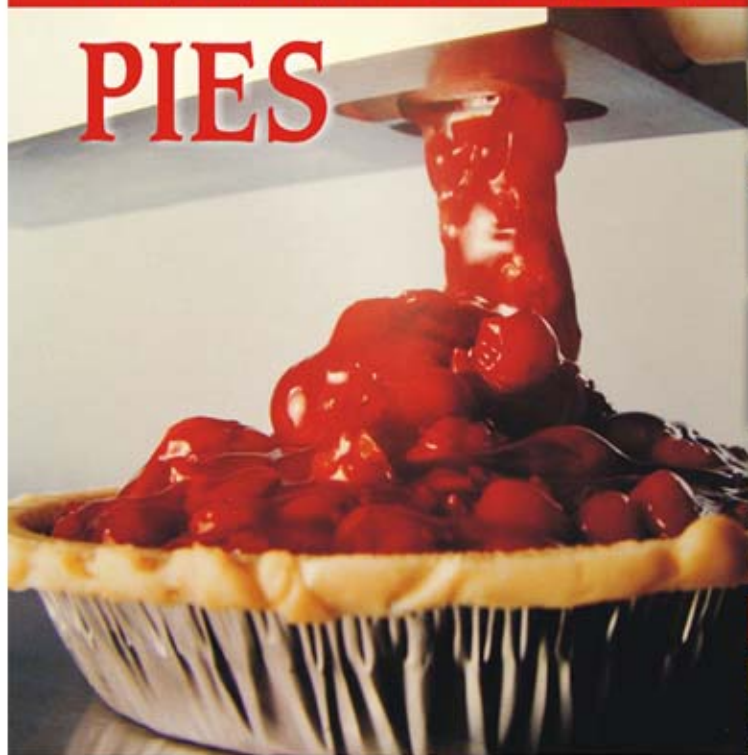
tenance is performed. This line is also used for production of several other baked foods including Sugar Bowl's Cranberry Granola Bites. "Most of our equipment is very versatile, so we can make many products with

little changeover," Andrew Ly said.

Sugar Bowl began production at the McKinnon plant three and a half years ago. Kevin Ly was responsible for the layout of the 60,000-sq-ft facility that has 30,000 sq ft for production, 15,000 sq ft for warehousing and 10,000 sq feet for packaging.

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Beyond Baking

The parent company of Sugar Bowl Bakery, Ly Brothers Corp. has formed strategic alliances with about a half-dozen more businesses other than its flagship bakery operation. Andrew Ly said the corporation has been successful "because of its continued commitment to bringing innovative products to market and because of its ongoing business diversification."

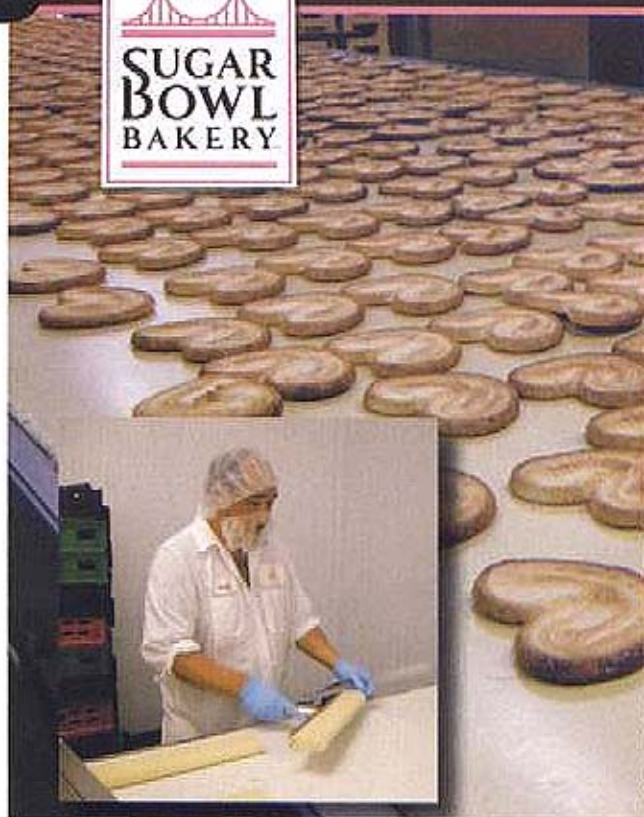
In 2006, Ly Brothers launched a sales, marketing and development company, known as Rising Stars, which "bridges global companies together to optimize their buying and selling objectives."

Other brands and companies developed and managed by Ly Brothers include: Maxwell Dried Foods LLC, Nature 101, Sugar Bowl International and American Bakery. The corporation also invested in Yick Tak Plastic, an Asia-based thermoforming manufacturer, and it imports all of the plastic containers used to package its baked foods from this manufacturer.

▼ An automatic bowl lift dumps brownie batter into the depositor hopper.



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▲ After being cut by guillotine, Petite Palmier dough pieces are placed in a bread basket where they will be stored overnight in a freezer. When baked, the cookies expand and get their golden brown edges from a dusting of sugar that goes both on the top and bottom of the dough during makeup.

McKinnon also features a test kitchen for R&D work. Andrew Ly said that everyone who works for the company helps with innovating new baked foods. In addition to doing its own R&D, the company also uses an outside R&D firm to assist in the development of new recipes. "We are all about creating new products," he noted.

FRYING DONUTS. Sugar Bowl moved its donut frying operations a little more than a year ago to a 67,000-sq-ft plant in Hayward. The company sells its trans-fat-free donuts under the American Bakery brand, and it makes a wide variety of both yeast-raised and cake donuts.

The plant offers 25,000 sq ft of processing space, including plenty of room for production to increase without expanding this space. Dough for yeast-raised donuts is mixed in spiral mixers and then allowed to rest on tables before it is rolled out and cut using hand-rolled cutters.

A first-in, first-out proofer from LBC Bakery Equipment Co. holds up to 12 racks of donuts.



The plant features a mid-sized Belshaw line for frying some products, but it also uses 12 Avalon batch fryers for others.

One of the most important features of this new plant is the Stonhard epoxy floor coatings, according to Kevin Ly. When Sugar Bowl was frying at the Toland Plant, the grease from the fryers would cause the floors to deteriorate very quickly, but that is no longer a concern with these new floors, he said.

Donuts are shipped daily from the Hayward plant to the Toland facility for delivery to its customers. The company also co-packs donuts for other retailers in the Bay Area.

The new building Sugar Bowl purchased in Hayward is less than a mile from this facility. The company plans to add several new lines to this plant to keep up with the growing demand for its products.

At its current pace, Sugar Bowl Bakery would double its sales in another four to five years, and there is no reason to believe it couldn't accomplish this. The company continues to expand and explore new products, while at the same time, it produces high-quality baked foods with a perfect combination of indulgence and bite-sized portion control. ■

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