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## Banks thriving business

Blunt-talking Minneapolis baker named Small Business Person of the Year

Apr. 22, 2013

Dave Cleveland, then president of Riverside Bank in Minneapolis, had to meet entrepreneurial baker Peter Kelsey for himself one day in 1997.

Kelsey needed \$250,000 to refurbish the abandoned Mirage nightclub on 26th Avenue in the Seward neighborhood of south Minneapolis. But he wasn't building another nightclub. He was building a bakery.

For three years, Kelsey had run a small shop in the Warehouse District. He was able to acquire the 40,000-square-foot nightclub for \$250,000, with assistance from the city of Minneapolis. Authorities had revoked the nightclub's liquor license after a shooting and other problems that disturbed residents.

Kelsey believed bread could trump booze and a hard-rock joint. But he needed another \$250,000 for equipment to build out the bakery.

The banker was impressed. "He seemed shocked when we went ahead with the loan," recalled Cleveland, now retired. "It was a big deal. But I believed in him. He was older and experienced and focused. I remember telling him that we wanted our money back and a little interest."

The deal worked.

By the end of 1997, the New French Bakery invested in equipment, sold more bread and baguettes and employed 27 people. This year, Kelsey's company, which operates seven days a week from two Minneapolis plants, employs 400 people who start at no less than \$10 per hour plus benefits.

Every day, New French Bakery trucks carry fresh bread to 150 Minnesota customers,

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The growth strategy is rooted in Kelsey's drive to "provide a better artisan bread experience through in-store bakeries and penetrate nontraditional markets such as discounters and club stores."

His is the biggest fresh-delivered bakery in town. He also is blunt and unafraid to bash the big banks that turned him down for loans. He's proud of his products and that he knows many of his workers by their first names.

"We're not done growing," Kelsey said in a recent interview. "We're putting in a new production line. ... We make bread 24/7 at both facilities — 3 million pounds a month."

And he's candid about the lean times during the last recession, as well as his battle with oral cancer in 2007.

"The Mayo Clinic saved me. I couldn't talk or eat for four months. Surgery, radiation and chemotherapy. I went from 195 pounds to 155 pounds. I'm back to 191." Kelsey said. "It all taught me to do my best every day and to treat people as I want to be treated because you may not have time to make it up."

Kelsey, the son of a corporate engineer and an anthropology professor, learned the restaurant business from the back end to the front, including a stint managing a California Pizza Kitchen in Los Angeles. He loved baking most. And he jumped when Sam and Sylvia Kaplan, owners of the New French Cafe, invited him to open a retail bakery next door in 1994. He read the trend correctly: Discerning consumers wanted more all-natural, artisan-crafted breads, whether in restaurants or supermarkets.

Kelsey speaks several languages, enjoys travel, reads a lot, flies a Cirrus SR20 and loves cars. Most days, clad in jeans, he is at one bakery or another.

“I know a lot more than I ever thought possible about packaging equipment, sensors

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of foods. He can tear apart a financial statement and do projections that make sense, not just numbers for the banker.

“If he spent a little of his money on clothes, he'd be on the cover of an entrepreneur magazine. But he doesn't care about his image. He cares ... if somebody doesn't think his product is good.”

Kelsey, divorced and the father of two teenage sons, is a blunt entrepreneur who also puts his money where his mouth is. He signed off on a \$1 million, quick-turn expansion of the Seward plant in 2011, largely to land a contract with Target.

“I wasn't sure where I was going to get the money,” Kelsey recalled. “I put some in and Target came through with the business and we did some creative, but expensive, equipment lease financing. It worked.

“Once you've faced cancer, nothing else is too intimidating,” he said.

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