

FT: Kathleen King, I am so excited to have you on the show, thank you for joining us.

KK: Thank you Farnoosh, it's a pleasure to be here.

FT: I nearly jumped out of my chair when my friend mentioned that she was connected to you, wanted to introduce me to you, to have you on the podcast. I am a big fan of your cookies, Tate's Cookies, Tate's Bake Shop. We actually have the privilege of the Brooklyn Fair across the street selling them and my husband and I are huge fans and he is so excited to hear this interview and we feel like we have a little... You are a household name in our household.

KK: Thank you.

FT: So for that and many more reasons, I'm excited to have you on this show. Your business... Talk about breaking ground and having a breakthrough in a business that is pretty, pretty saturated. I mean, there are a lot of cookie companies out there and they've been around for a very long time. So I'm curious to learn about your journey, how you started the business, and maybe start with a question about your childhood. This was something that you encountered as a young girl growing up on a farm, did you ever think that you would take what was initially kind of a side job, a side business, an early introduction to baking would turn into the empire that it is today?

KK: Well, not originally, of course. I grew up on a farm out here in Southampton and when I was 11, my dad told me that I had to bake cookies to sell at his farm stand so that I could buy my own clothes for school, which I did and by the time I got into high school, I was baking in the summertime, seven days a week, about 10 hours a day. And I originally wanted to be a veterinarian but I wasn't smart enough, I knew that. So I said to myself, "Well, I have something with these cookies." And so I went to two years of school for restaurant management, and when I graduated college, there was a fully-equipped bakery for rent when I was 20 years old in Southampton. So, I needed a job and I was doing those cookies all along and I knew that I could make a living on them and... At least I hoped I could. I knew, at least when I was living at home I could. So, I went into business and opened my first company, Kathleen's Bake Shop when I was 21.

FT: Well I'm sure you had some nice clothes. The cookies did very well. In fact, exceeded your father's... Some of your father's business.

KK: Well yes. In the beginning, he said he would buy all the ingredients for me and I would make the cookies and I would get all the money. So, that was a win-win. I mean it was 100% profit.

[laughter]

KK: But I started baking and selling so many cookies, he told me, "We have to reevaluate this... "

[laughter]

KK: "This agreement."

FT: Actually, the cookies are... What I love about them is that they're thin...

KK: Yes.

FT: They're crispy and they come out of the package tasting so fresh, like... Has the recipe always been this recipe or has it evolved over the years?

KK: Basically, it has always been. I mean when I was making the cookies at the farm, they were different. They were about five or six inches across because back in the late '60s early '70s, super sizing was not a common thing, so I just thought to be different, I said, we'll make these cookies, these big cookies and people might wanna try them. But by time I opened the bake shop in South Hampton, I felt that the smaller cookies would be better and then I just moved it to the smaller cookie, and it evolved into the thinner, crisper cookie. I can't say that I sat down and said, "This is gonna be the new biggest thing."

[laughter]

KK: I just baked to the way I like to eat.

FT: What was your big break? What was, I guess, the tipping point?

KK: Well I had so many. When I... First of all when I graduated college there was a fully equipped bakery for rent. Number one. Then when I was 23, I purchased the building, which we're still in today, just up the road in Southampton and that break there was a... The gentleman that was selling the business held the mortgage for me. 'Cause I would not have been able to get a bank loan. So he held the mortgage for me and I was \$10,000 dollars short on my down-payment and a wealthy woman in town that my father used to help, died and left him \$10,000.

FT: Wow.

KK: Yeah. So, those were some breaks right along the way. The cookies always were successful from the day I opened the store. So that, and they kind of sold themselves within reason, as I tried to wholesale them on a smaller market in the farm stands and then I eventually went into New York City because I wanted a year-round business, being that Southampton's a seasonal area. And back then it was the early 80's. So there wasn't a lot of competition back then.

FT: Right.

KK: And people were dying for something like that, that was just, tasted homemade and looked homemade, and if I had the experience and the smarts that I have now then, it would have been a faster journey up.

[laughter]

FT: But every journey, it's sort of meant to be and I'd like to get into that journey even further. Let's start though with... I'd love to hear, given that you have decades of experience running your own business, as a woman too in an industry that is often dominated by men, what would you say is your number one financial philosophy that guides your personal financial decision making but also perhaps how you run your business?

KK: Well for me, I was never... I mean of course, I had to watch the bottom line, but all my decisions were not about the bottom line. All my decisions were about doing what was right and what was good for the company and the product. I never really focused on the money truthfully. I mean, when I first went into business, I was 21. All I wanted was a car and an apartment. And then after that, then you wanted a house. I wanted like a little house.

FT: Right. [laughter]

KK: You know, for me, the definition of success is really waking up happy everyday and being able to cover your life, to cover your expenses, the necessities. And that's, you're already 90% there. I mean anything beyond that is just really gravy. And I always focus on that because I grew up in a relatively poor family and it was never, nothing was ever about the money.

FT: Right.

KK: And you know that money can't buy you all the things that you really appreciate. And then when you do get some money and you do buy some fancy things, you realize how dull it is. It's really not very exciting, so it doesn't really matter. [laughter]

FT: Take us down memory lane a little bit, Kathleen. Growing up on the farm, you said you weren't raised... Your family was relatively I guess, poor, you would characterize it as somewhat poor. How would you say you were influenced financially growing up? What was your biggest money memory?

KK: Well, my father and mother always taught us from a very early age how to make money and save money, and pay for our own things. In the beginning, my father when I was even younger than 11, he would give me a calf and I'd have to raise the calf. And then, he would buy the calf back. And that seemed to work out okay, but when I realized that the calf was going to slaughter, that only worked out once. So then, after that, then I had to rake leaves in the neighborhood. People would go to my dad asking for odd jobs, so he would put the kids on it. And then we would go and have to do it and get paid. And we always had to really manage our money and make money from a very, very early age. And that just set the precedence because I never felt... I had a fantastic family and a very stable upbringing, and a very independent mother, but there was never any... You never knew like I had a fall back zone, financially. There was never any of that.

FT: So you were you conditioned to really assume that as an adult you would have to be responsible for your own income and perhaps be entrepreneurial as a result, that no one was gonna guarantee you a pay check?

KK: Oh yeah, of course. Well, I knew I could also get a job but that wasn't really in my nature, going out and getting a job. I could have gotten a job, my other brothers and sisters, some of them did, some of them do other things. But I definitely knew for sure that I was responsible for myself and whatever my adult world was going to be like was going to come from me.

FT: Now, as you are growing your business... As I said, you've been at this for four decades, it was not a straight shoot to the top. You had some zigzags along the way. I'd love if you would share, and maybe that's putting it lightly 'cause I have an inkling of what you might be saying to this question. So my question is, what was your biggest financial failure? I understand you had some tough lessons learned from different partners that you had as you were growing your business. Could you take us to some of those experiences? What happened, what were the lessons learned?

KK: Yeah, sure. So when I was around 40, I was then in Kathleen's Bake Shop for almost 20 years and I worked a lot and I just kind of wanted less stress and to enjoy life a little bit more. And unfortunately, I took on... I had no partners then and I took on partners. And I did it in an incredibly naïve, foolish way. One of

them used to be like a bookkeeper for me, and he built trust with me over the few years that we had worked together. And basically, I gave my whole business away and I didn't get any money for it. They were gonna pay me as the business grew and over time and there was two of them and one of me and each of us had one-third. So obviously, two of them together is two-thirds, and I'm one-third. And ultimately, they fired me and I ended up... Then I had the lawsuit. So in 2000, I had lost everything, everything. I had no money left to my name, I was almost bankrupt.

KK: I was \$200,000 in debt from what they... They had driven Kathleen's Bake Shop \$600,000 into debt so with the lawsuit, I was able to get 200,000 of their debt. So I started Tate's Bake Shop, \$200,000 in debt, not a penny in my bank account, my house was up for sale. And started Tate's Bake Shop with a mission to grow it and sell it.

FT: So okay, let's just go back for one second 'cause that's a huge bomb that you just dropped. And I have so many questions but first is, they took... They literally, these partners, they not only fired you but they basically retained the rights to the business and the name of the business. You not only started from a financial ground zero, but from an everything ground zero. You had to really reinvent this business. Did they also take away the rights to the recipe?

KK: Well, they got the name, they had the recipes, but they never could bake them correctly anyway. And the thing with recipes is you change them a little bit and they can become yours. So I opened Tate's Bake Shop, a lot of the things I did use the same. The cookies... With Kathleen's Bake Shop, we used to do the cookies half margarine and half butter. And then, when I opened Tate's, I did the cookies with all butter because I had to compete now against my old self. So I had to make them one bit better than they were.

FT: And how did you do that?

KK: I just used all butter instead of half margarine and half butter.

FT: Butter makes the world go round.

KK: It does, it does. So I had to start a whole new name. When I had to make orders, I had to fill out all new credit apps and some people were amazingly wonderful, some of my vendors, and gave me credit and gave me time to pay some of the debt that my partners had driven up. And others were not very forgiving, so just like life, that's the way it goes.

FT: Now, I can only imagine while this is happening to you, Kathleen, you're literally getting your business taken from underneath you, you say that you had this determination to rebuild it, but there must have been some, in the interim, you were having probably some self-doubt. What was the emotional range that you were going through? And what ultimately, psychologically, emotionally helped you get over that hump?

KK: Wow. Well, there were so many. From the beginning, I was like a doe in headlights when it first happened and got fired... I just didn't even really kind of... It was just so bizarre. And then there was the lawsuit that went on for six months and I didn't know what was gonna happen. And during that time, I just would kinda think, "Well, maybe I'll move and completely start over somewhere," not necessarily in the bakery business, but to just start all over and do whatever. I didn't have a lot of skills, I mean I have a lot of skills and I don't have a lot of skills, if you know what I mean. I was an entrepreneur, I baked and I made things happen, and this and that, and what I needed I could hire, but I was concerned about my abilities with the computer and all of that.

FT: Right.

KK: If someone wanted to hire me to be their manager or something I could do that, but I wasn't as technically advanced as that what they are looking for today. So that made me concerned, but I figured I'll figure it out. My biggest concern was the money, was that I didn't have any money. And as I told you, there's no fallback plan in our family. That was my biggest concern because I was always able to be very independent and take care of myself my whole life even as a kid.

KK: So that was the thing that lingered the most for me. But I kinda just stayed in the moment, which was really crucial for me. You hear that line, "stay in the moment" la, la, la but during that time I would say I was staying in the minute. Because if I went past the minute, it was all too frightening and I would just stay in the minute and take one step at a time. And then the lawsuit settled and I got my building back 'cause I had bought that when I was so young, it was paid for. And that was my big break there, too. I re-mortgaged the building to get money to start Tate's Bakeshop and then I had the building. So fortunately, my ex-partners, they left the building, they took the business to Virginia, two years later it was completely gone and destroyed.

FT: Nice.

KK: Yeah.

FT: Redemption.

[laughter]

KK: And I proceeded with Tate's and the wholesale business and building that up again.

FT: I was gonna ask what happened to those partners, are they still around? And what do they think now of your success? Have you connected with any of them since all of this went down?

KK: No. I have no clue honestly. I know that their business doesn't exist, it was gone soon after. I've never seen or heard from them and don't care.

FT: Yeah, I don't care either. Thank you for sharing that. I know that was a tough time in your business and it must have been quite the emotional roller coaster. But I think it sounds, obviously now, clearly you're better than ever, you're back and better than ever.

KK: Well, it was an experience that was life altering and in a positive way. Once you can get to the other side of it, sometimes I talk to people, like a lecture or something and I just always say, "Don't fear these really challenging times because what have we really learned and changed from happy?"

FT: Right. Yeah. Fear, you gotta dance with the fear as Tony Robbins says because that is, well, I guess, the human common denominator, right? Everybody experiences fear and those who are able to face it and go ahead, go forward, and use it as fuel really to move from...

KK: Right, and for me too, I didn't, truthfully I didn't have a lot of choices. I didn't have a husband, I didn't have a family that had money that they could help me. When you're really... I mean I don't mean to say on my own, I wasn't on my own financially, I have a great family, I wasn't gonna be homeless ever, but it gives you a different sense of power because I couldn't fall apart. I couldn't say "I can't do this," because then who was?

FT: Right. It was born out of necessity, yes. Some of the best entrepreneurship is built out of necessity and it sounds like that was a necessary time for you to get your business back.

KK: Yes, and as far as regarding Tate's, that's the way I knew how to make money, that's the fastest way I knew how to make money to fix my debts and everything, so I just went back and did it again.

FT: Let's shift now to success. You've had so much success and I would say even out of that failure grew the best success. What would you say is your So Money moment at a time in your perhaps personal even life where you achieved such financial greatness that you really pat yourself on the back. What happened? What did you learn?

KK: Well, I guess that's recently back in August 2014 when I actually sold Tate's Bake Shop.

FT: You reached your goal, that's amazing.

KK: I reached the goal. I set the goal. And I had said when I was 55, I would retire. And I turned 55 in December and in January, I put it on the table to sell, and in August of 2014, I sold it.

FT: Was it that easy?

KK: Well, I had contacted TM Capital in New York City. They sell businesses, that's what they do, the bankers. And they contact people all over the world to get interested in your company. And they had said when I hired them that it takes six to nine months to sell a business, and the end of August, it was done.

FT: And so, what's on your plate now?

KK: Well, I still own part of Tate's Bake Shop and I'm on the board of directors. But I do recipe development and some quality control, but I'm not a day-to-day person at all. And so now, I just... Enjoying having my own time and less stress and just enjoying life itself. I'm not making any plans the first year because it's such a big transitional year. I wanted it to just kind of unravel a little bit and find my place before I started doing anything bigger. And I don't mean that by going into business again, I don't think that that is what I would do. But just different things like maybe doing a language immersion class for one or two months in another country or things like that, some fun things that you'd always dream about and wished you'd do, 'cause you don't do.

FT: Yeah, you've been working since you were 11 and in this same industry of basically baking. I can only imagine there's a list of things that you wanna accomplish that you just haven't had time to reach.

KK: Yes, yes that is true, and so I'm just kind of enjoying doing that. And people say, "Oh, you're gonna be in the city, stay overnight." I'm like, "Okay."

FT: Nice. You have flexibility. That's priceless.

KK: There's no price for freedom, that's for sure.

FT: What is your number one financial habit, Kathleen?

KK: My number one financial habit. I'm not wasteful at all. I am not an impulse buyer or shopper. Even now, to be honest, I could go into a shop and in my head I could say, "Oh, my gosh. I could buy whatever I

wanted in here but I don't want it." And if I see something I like I leave the store and if I think about it I go back and get it. If I don't think about it, it means I forgot it and I didn't really want it. So I don't really... I have a lot of great money habits that make a sum of the whole but I don't have a really one very specific that is life changing.

FT: Yeah, but it helps you avoid wastefulness and I totally agree what you're doing is really psychological. As humans, we tend to be impulsive and we think very much in the now as opposed to, "Do I really want this 10 days from now?" And so having... Building in just even a 30-minute break from whatever it is that you're considering can sometimes make the difference and it can really have you see the truth behind what you're buying.

KK: Right. And I also find stuff causes stress. And as I said before, there's no price on freedom and the more stuff you have the less freedom you have. And of course I'm talking about having the luxury of having a roof over your head, and food, and all the basics of course. So after that it just kind of, it just weighs you down and it takes away your freedom.

FT: Right, absolutely. Kathleen, it's been such a joy speaking with you. I'd love to wrap things up now with my So Money fill in the blanks. This is the... Just kick back, listen to the sentences, finish them as you would just kind of off the top of your head, don't over think it. So I will start with this, this is my favorite one of all. If you won the lottery tomorrow, let's just put a number on it, at 100 million, just an immeasurable amount of money, the first thing you would do is...

KK: Donate.

FT: Where would you donate?

KK: I would donate to the Peconic Land Trust which is an organization out here that preserves farm land. And then, I would donate to some of my other local organizations out here that help young women and empower young women, because I'm a big believer in helping in the area in which you live and grow.

FT: Is your family's farm still around and thriving?

KK: It is. My brother runs the farm now and it's about two miles from my home. And when I grew up, it was a dairy and poultry farm, and now it's a farm stand where they raise vegetables and they still have the fresh eggs.

FT: Oh, that's nice to hear. That is always good to hear. Moving on, the one thing I spend my money on that makes my life easier or better is...

KK: Well, I have a personal trainer, which in the big picture then does make my life easier because I stay healthy and strong. And when I go into New York City, I hire a driver which to me is the ultimate of everything.

FT: Such luxury.

KK: Because I hate to drive, and I can't find my way out of a paper bag. And when I have someone drive me into the city and pick me up, to me there's nothing better.

FT: Yeah, hailing a cab in the rain is no fun.

KK: Right. So, I love that. And that's probably one of my only big luxuries and then, of course, travel is wonderful. But, you know what, to be able to sit down and pay your bills, that's a beautiful luxury.

FT: Yeah. To know that there's money, there's more where that came from. My biggest guilty pleasure... Now, you mentioned trainer and drivers and travel, and that's all making your life easier and better. What about like a small guilty pleasure that you have that not many people know about, but it is who you are, it's part of who you are?

KK: Well, I would say food, but people know about that. I will spend money on food, good quality food, like of everything. I just am very particular on what I eat. So, even organic grass-fed beef, I order it online and get it to the house and things like that. I would say what I spend my money most on is travel and food. [chuckle]

FT: Where are you headed to next? I'm curious what's on your travel agenda.

KK: I'm going cycling in Costa Brava, Spain.

FT: Nice. Are you a cyclist?

KK: Yes, I am. And that's a nice trip. And then I was thinking of going and doing a bike across New York trip, which is it's just for a week and it's \$300, and you go camping along the way, and it's quite a challenging trip. So, I thought that in the summer might be fun.

FT: Yeah. We have the bike, I guess it's a bike marathon here in New York every May. And it's just for the day. It's nothing like you're doing but could be fun if you wanna experience the city. One thing I wish I had known about money growing up is...

KK: How evil it makes other people sometimes.

FT: Yeah. You know about that. Well, you know what, they get theirs one day too.

KK: It's astounding to me how some people actually... When they have money, they actually think they're better than somebody else. That's a shocking realization that I've been able to unfortunately witness, especially growing up and then working in a wealthy community.

FT: Yeah. Especially on The Hamptons. There's a lot of various wealthy people in The Hamptons.

KK: Yeah. And it's fantastic. It's a wonderful, wonderful area that's been so supportive of me and they donate to so many of our local things, but it's just in general, when you go, when people actually think their job or their money makes them a better human being.

FT: Right. Well, we associate money with power. It's just it's the way things have been run for centuries, but the mistake is thinking money equals power in your relationships and your community and like when it matters. When you have more money, you can do more things. The richer countries ultimately succeed faster, but that's... At a microlevel, if you think like that, you're in for some disaster.

KK: Yeah. So, that's the part that makes me probably the saddest and the most surprising when I got out into the world.

FT: Oh, last but not least, Kathleen. I'm Kathleen King and I'm So Money because...

KK: I'm So Money because my career and my creations make people happy.

FT: They do. It's that butter. It's that butter instead of half-and-half. I love it. Thank you so much, Kathleen King. I am so honored to have you on the show. Good luck with your travels. Good luck with your early retirement. You deserve it.

KK: Thank you so much. And I really appreciate you taking the time and having me on your show.