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Sleep on It: Chief Executive Ken Karmin, who is also principal director of investment bank JMP Group, holds mattress coils at Ortho's warehouse in La Mirada.

Dream Job

Investment banking was the family business for Ken Karmin when he decided in 1999 to acquire and run Ortho Mattress.

By HOWARD FINE Staff Reporter

KEN Karmin owns and runs the Ortho Mattress Inc. retail and manufacturing company in La Mirada. But that's not the extent of his leadership in the world of business and finance. He's also principal director of JMP Group Inc., a San Francisco investment bank. At Ortho, Karmin decided to bring manufacturing back from China and is set to launch production of memory foam mattresses to compete with Tempur-Pedic. At JMP, Karmin has helped steer the company through the financial storms of the last five years. And if that weren't enough, he also runs the family investment business from an office in Brentwood. Karmin, 51, grew up in Chicago and followed in his family's financial industry footsteps, joining high-flying Drexel Burnham Lambert. Karmin sat down with the *Business Journal* in his Brentwood office to discuss balancing his work at Ortho and duties at JMP, how his mother came a day away from death during the Holocaust — and the joy of raising chickens in the backyard of his Pacific Palisades home.

Question: You've always been part of the finance industry.

Answer: Yes. I grew up in a household where finance was the topic of conversation around the dinner table most nights, so it's in my blood. My grandfather was a commodities trader in Europe before immigrating to the U.S.; later, he worked for the Chicago Board of Trade, the giant commodities mar-

ket. My father was a partner at the Burnham investment house that later merged with Drexel. He also hosted a local television show back in Chicago called, "Ask an Expert." It was one of the first stock market and investing shows on television. It was on one of those grainy UHF channels, so it didn't have the biggest audience.

Your career also benefited from good timing; you started at Drexel Burnham in August 1982, the same month the 1980s bull market began.

I was incredibly lucky in my timing. I also started in the derivatives market right when that was beginning to take off, too. It was a great time to be in the business: I got the chance to meet many people who would go on to become legends in finance. I worked for one of those people, Richard Sandor, who taught me much of what I know about derivatives and trading.

Of course, things probably looked quite different in 1989, the year you left Drexel.

Yes. It was clear to me that things were happening at Drexel Burnham, things that were making my clients very uneasy. As the situation unraveled and Michael Milken was brought up on charges (of securities fraud), it was a very sad time. Leaving Drexel was one of the saddest moments of my life.

Was that the experience that prompted you to step back from day-to-day finance?

Ken Karmin

TITLE: Chief Executive

COMPANY: Ortho Mattress Inc.

BORN: Chicago; 1960.

EDUCATION: B.A. in economics from Washington University in St. Louis.

CAREER TURNING POINTS: Getting hired at Drexel Burnham Lambert in 1982; leaving Drexel for another Chicago investment house in 1989; deciding to buy Ortho Mattress in 1999.

MOST INFLUENTIAL PERSON: Richard Sandor, head of derivatives trading section and Karmin's boss at Drexel.

PERSONAL: Lives in Pacific Palisades with his wife, Beth, a philanthropist for local non-profits; four children, ages 13-22.

ACTIVITIES: Golf; skiing — especially in Taos, N.M.; travel; raising chickens at Pacific Palisades home.

No. I continued to work in derivatives trading through most of the 1990s, first at a company in Chicago and then being posted to London. But by the late 1990s, when the firm I was working for was being sold, I decided it was time to step back from the industry. Derivatives were being more finely-tuned with ever-faster computers and younger people adept at running those computer programs.

How did you end up owning and running a mattress company?

In the late 1990s, I decided to step away a bit from finance and was looking for a company I could buy that I could turn around. That's when I heard from my father-in-law, who was an executive at a mattress company, that Ortho Mattress was for sale — or rather, the bank note was available for purchase. My father-in-law thought that Ortho was a good asset. It had already gone through quite a period of turmoil — at one point, Gary Winnick had turned it; at another point, it was in bankruptcy. I bought the bank note in 1999 from California Mattress, which in turn had acquired the note from Mr. Winnick.

But you had no experience in the mattress industry. What made you decide you wanted to actually run the company?

After I purchased the bank note, I got more deeply involved in the company. I realized I had brought a brand that meant something to people. But the brand was in trouble and I felt it would be a worthwhile challenge to try to turn the company around. At the time, Ortho had shed its manufacturing operations and shuttered most of its stores outside the immediate Los Angeles area.

So what did you do?

There was no quick fix. I first had to re-establish the company's name in the marketplace, and that meant more advertising. We landed Rick Dees (as a spokesman) at KIIS-FM and stepped up our advertising in the Los Angeles Times. Then we had to expand our real estate:

I took the company from 26 retail locations to the more than 70 we have today.

How did you go up against all the advertising from other mattress companies, especially from places like Sit 'n Sleep?

We have a different focus. Sit 'n Sleep is a retailer that sells third-party mattresses. Our bread and butter is our own brand, direct from the factory. That's what we focused on.

But at the time, most of the manufacturing was contracted out to China. How and why did you decide to move it back to the United States and take it in-house?

Once our retail base got big enough, we decided it was worthwhile to bring manufacturing back to California. But we discovered it was hard to break into the manufacturing business here. It's an oligopoly. There were very few domestic suppliers and they were tied up with other manufacturers, so we had to go overseas for mattress springs and other parts. It wasn't until 2007, when the housing slowdown started to affect us, that we purchased our own equipment that allowed us to make all the component parts in-house.

Were you prepared for all the regulations and other costs that manufacturers in California must contend with?

I knew it was going to be hard to follow all the rules here in California. What I didn't realize was just how hard it really is. There's no way to keep up with every regulation and law that's passed in Sacramento. But it's a tradeoff between the regulations and the great customer base we have here.

What's the biggest challenge you now face at Ortho?

The mattress market in Southern California is nowhere near as big as it was five years ago, thanks to the housing collapse. So we're not taking on any new debt. Also, we're re-examining our real estate: leaving borderline locations and improving other locations.

What about the challenge of Tempur-Pedic and its memory foam mattresses?

No question they have created a different marketplace for memory foam mattresses. They've been very effective at this. We're getting set to introduce new memory foam products and we will boost our advertising for this. You could say that this is in response to the changes in the marketplace from Tempur-Pedic and their foam mattresses.

How do you balance running a mattress company with your continuing leadership role at an investment bank?

The two are not as separate as you might think. What goes on at our stores inside the shopping malls is linked to what happens in the financial markets. Also, I'm not involved on a day-to-day basis in the markets. I'm the presiding director over at JMP Securities, which basically means I run the board meetings.

What's been the biggest challenge at JMP?

JMP never took any TARP money, yet we still had to deal with the bad rap that the entire investment banking sector took after the financial crisis. In fact, JMP went out and bought loans at the bottom of the market.

JMP is in San Francisco. How often do you go up there?

Generally a couple days a month, for the board or committee meetings. I also chair the audit committee.

So how do you spend your typical day? Do you divide it evenly between these two businesses?

I generally travel down to (Ortho's offices in) La Mirada every morning, taking calls along the way. I try to take care of whatever business I can at the La Mirada headquarters and factory by 2 p.m. - budget meetings, looking over our advertising campaigns, etc. Then I return to my office here in Brentwood and turn my



Family Man: Karmin with, from left, son Henry; daughter Hannah; wife, Beth; son Edmond; and daughter Chloe at Edmond's bar mitzvah last year.



Linked Up: With Capital Group's John Emerson and President Clinton last year.



Lying Down on the Job: Karmin at Ortho's mattress warehouse in La Mirada.

attention to the two financial outfits I run.

What's the other financial company?

It's called High Street Holdings and it's essentially the family investment business. Again, I don't do trades on a daily basis, but I look after the general health of the family investment portfolio.

How do you balance your twin careers with your family and leisure activities?

Sometimes I wonder. I guess the way I handle

it is when I'm traveling with my family, I try to stay on holiday and not get interrupted by work. I also try not to make the needle move so fast when I'm working on the investment side. Being more disciplined with the investments really helps.

You raise chickens in the backyard of your home in Pacific Palisades. How did that start?

My wife and I saw a Sunset magazine article on raising chickens a few years back and we looked

at each other and decided we wanted to do that ourselves. We built a chicken coop and bought four chickens. We feed them whole grains.

What's that been like?

Well, one thing: We never buy eggs now when we go to the grocery store. Our four chickens lay about 20 eggs a week. The interesting thing: The chickens are really quiet, except when they are laying their eggs. Then they make some noise.

How did you meet your wife?

We met originally in high school, then reconnected several years later when we were both in Chicago. Her family was active in local philanthropic circles and so was she. We started dating and got married in 1988.

You say you like to travel. Any favorite destinations?

Locally, we love to go to Santa Barbara and Napa. When we were in London, we spent quite a bit of time in Provence in Southern France - that's one of my favorite places.

Your mother survived a concentration camp during the Holocaust. What happened to her?

My mother was from Holland; she was sent to the Bergen Belsen concentration camp toward the end of the war.

Just like Anne Frank. Did your mother know Anne Frank there?

In the camps, everybody knew everybody, so yes, she met Anne Frank. She hasn't said much about that, however.

Was it hard to get your mother to tell you what happened to her in the camp?

Yes. She was very reluctant to talk about it. I first learned about her experience when I was 9 or 10 years old, but I didn't really get the full story until I was 15 or 16, and that was by accident.

What do you mean?

One evening, one of my father's business associates - I believe he was one of the name partners in the Burnham investment firm - had come over to dinner and he asked my mother straight out what had happened to her during the Holocaust. That's when I first heard her describe how she was actually put on a train from Bergen Belsen to Auschwitz. The train was stopped by the advancing Red Army. Some Red Army soldiers took her off the train and took her to the nearest town and gave her some clothes. She was then taken to a displaced persons camp. If she had been on the previous day's train, she probably would have been killed at Auschwitz.

What happened to your mother after the war?

She first went back to Holland. Then she found out she had relatives in Australia, so she got on a plane and flew there, making many stops along the way. She spent a few years in Australia and then, after she turned 18, found out about other relatives in Chicago and decided to come to the United States.

What has it been like to be the son of a Holocaust survivor?

It never, never leaves you. You learn not to take anything for granted and that there are things that happen that are simply beyond your control.

What's the best piece of advice you've received?

That came from my first boss at Drexel Burnham Lambert, Richard Sandor. He said one should always ask the same question over and over again until you get a thorough and satisfactory answer or you can see physical evidence to support the answer.

Any other advice?

My second boss told me that, in business, you really end up making a lot of money when you do all the little things well.

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