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SPECIAL REPORT

WEALTHIEST ANGELENOS

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Riches Under the Radar

Some of L.A.'s richest residents elude the spotlight while piling up millions and even billions in low-profile industries.

By **JAMES RUFUS KOREN** Staff Reporter

T

UCKED into two unassuming office buildings in the Mid-Wilshire area, dozens of workers are on their phones making the same pitch to clients across the country: If you can't pay all your bills, at least pay your car note.

On the other end of the phones are mostly working-class people with bad credit — low FICO scores, bad debts, foreclosures.

Each one, about a quarter-million in all, needed a car and didn't have the money to buy one. So they made whatever down payment they could afford, accepted interest rates that often top 20 percent and got a car loan from **Don Hankey**, an L.A. billionaire you've never heard of.

Hankey is one of a handful of super-wealthy Angelenos who have flown under the radar for years, quietly amassing

hundreds of millions or even billions of dollars in wealth without attracting the same kind of attention as some of their flashier, less-wealthy peers.

"I've had opportunities in the past to get my name in front of the press," Hankey said. "But I've stayed away from the publicity. I've tried to stay under the radar."

Others have, too. Take for instance **San Chun** and **Shu Chin Kou**, who emigrated from China and, starting with a single restaurant, built a massive seafood importing and processing business in the industrial city of Vernon. You probably haven't heard of them or their company, **Red Chamber Group**, but they're a major supplier to Red Lobster and other big chains. The company's annual revenue tops \$1.6 billion and the family's net worth is estimated at \$800 million.

And there's **Chester "Chet" Pipkin**, founder of com-

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Entrepreneurs: L.A.'s super-rich are largely self-made. **PAGE 28**

Year in Wealth: L.A.'s wealthiest benefit from rising markets. **PAGE 29**

The List: Wealthiest Angelenos, ranked by net worth. **PAGE 32-33**

Top 50: Profiles of the Wealthiest Angelenos. **PAGE 35**



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puter and phone accessory maker **Belkin International Inc.** Starting in a Hawthorne garage, he built a billion-dollar business but avoids the limelight. Rather than sitting on museum or opera boards, he donates time and money to such low-profile organizations as the UCLA history department and a Hawthorne charter school he co-founded. He told a local newspaper he feels self-conscious about driving his flashy Tesla Roadster.

Hankey and the Kou family are new to the Business Journal's list of Wealthiest Angelenos this year (Pipkin fell just shy) and likely would have been listed before if not for their preference for privacy, low-profile business practices and total lack of flash.

They stand in stark contrast to some new and longtime members of the list who trumpet their business success, philanthropic activities and, sometimes, even some details of their personal lives.

In their desire for privacy, said **Michael Walsh**, California region head for **J.P. Morgan Private Bank** in Century City, this handful of quiet multi-multimillionaires are more the rule than the exception.

"For every client we work for that's on the Forbes 400, we have two or three trying to stay off," Walsh said. "Privacy matters for a lot of reasons. Being on a list, people feel more harm than good will come from it."

Auto empire

Hankey is a case study of low-profile wealth, a billionaire who has gone out of his way to stay unnoticed. He doesn't make big political contributions or do press interviews, even for stories in automotive trade publications.

He gives to several charities, but usually anonymously or in amounts that don't raise eyebrows. He has real estate holdings across Southern California but neither his name nor the name of any of his companies adorn any of the buildings he owns.

That includes the two office buildings at Wilshire Boulevard and Hudson Avenue where his companies are headquartered and where most of his 1,900 employees work. Even by their design, those buildings seem to eschew attention — one is a drab and institutional midrise, the other low slung and suburban looking.

About the only place his name appears publicly is the Hankey in Kim-Hankey Motors, a Koreatown auto dealership he used to own.

Hankey agreed to be interviewed for this report only after being told he would be listed among this year's Wealthiest Angelenos — a distinction he would have preferred to avoid.

"I don't know if the net result of this is going to be favorable or unfavorable," said Hankey, 69, who is friendly but direct. "I like my low-profile life."

The Business Journal learned of Hankey's wealth by chance after one of his companies, auto lender **Westlake Financial Services LLC**, issued a February press release about a contract it had signed with an auto repossession company.

That led to a review of an earlier press release mentioning a 2011 transaction in which Japanese conglomerate **Marubeni Corp.** purchased a 20 percent stake in Westlake for a whopping \$250 million. That deal, which valued Westlake at \$1.25 billion at the time, offered the first glimpse into what had been a very private world. Hankey owns about two-thirds of the company, which has seen a 30 percent increase in revenue since Marubeni bought in — and whose value has risen accordingly.

Westlake is the largest of several companies he controls as chief executive and principal owner of **Hankey Group**. Other Hankey Group companies are **Knight Insurance Group**; **North Hollywood Toyota**; **Midway Car Rental**; car-dealer software-maker **Nowcom Corp.**; rental car financier **HFC Acceptance LLC**; and **Hankey Investment Co.**, which

How to Keep Your Wealth Under Wraps**Avoid reporters.**

"Sara Blakely, the founder of Spanx, came into the Forbes office because someone wanted to do a story on her. Once we got the numbers, we realized she could be a billionaire."
— *Kerry A. Dolan, Forbes*

Don't issue press releases. Ever.

"We have clients who continue to add to their businesses, but they don't issue press releases when they do. It never hits the mainstream press."
— *Halé Behzadi, Citi Private Bank*

**Buy property through an LLC, not under your own name.**

"When homes are purchased in Bel Air — these \$50 million, \$100 million mansions — they're not purchased in individuals' names."
— *Michael Walsh, head of California region, J.P. Morgan Private Bank*

**Hold other assets in trusts or other entities.**

"An entity can have a name other than a family name. It doesn't create secrecy, but it creates anonymity."
— *Michael Pagano, head of private client services, City National Bank*

If you inherited your money, hope your ancestors were boring.

"I've always been obsessed with old money that's a little scandalous."
— *Matthew G. Miller, Bloomberg*

Avoid ostentatious purchases.

"(Automotive parts entrepreneur) Shahid Khan only came on our radar because of his purchase of an NFL team."
— *Kerry A. Dolan*

Keep your business private.

"You can easily stay under the radar up to maybe \$700 million or \$800 million, provided you are not engaged in public markets. When you start to publicly buy or sell, that's when you're in the press."
— *Halé Behzadi*

Plan ahead to transfer wealth.

"You want to transfer wealth in a private way, not through the probate process. The probate process is there to protect people, but it's public."
— *Michael Pagano*

Make boring stuff.

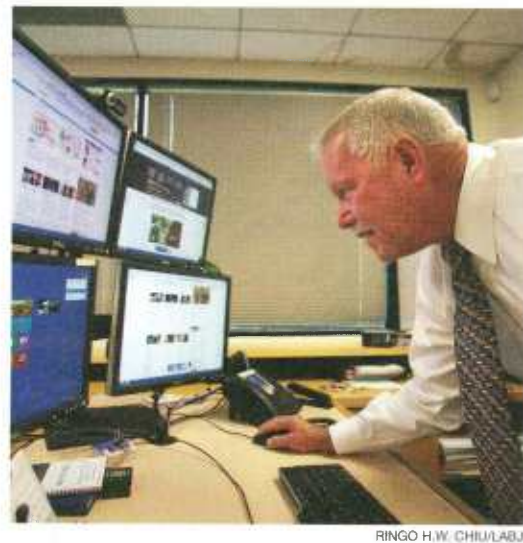
"There are industries that get more media coverage than others. I'm not looking at the value of a company that makes tuna cans."
— *Kerry A. Dolan*

Invest in businesses that don't require advertising.

"I have a client with a great deal of real estate in mobile-home parks. That's effectively a business that generates a lot of income, but he's not reliant on retail sales or manufacturing."
— *Michele Havens, L.A. region president, Northern Trust Co.*

**CHET PIPKIN**

donates time and money to such low-profile organizations as the UCLA history department and a Hawthorne charter school he co-founded. He told a local newspaper he feels self-conscious about driving his flashy Tesla Roadster.



"I don't know if the net result of this is going to be favorable or unfavorable. I like my low-profile life."

DON HANKEY

invests in real estate and makes commercial loans. In all, the Business Journal estimated Hankey's personal worth at \$1.56 billion.

It's a fortune he amassed over decades, all built from his family's partial ownership interest in a single car dealership.

Hankey grew up in Los Feliz Hills and studied business at USC. He went to work as a stockbroker for Mitchum Jones & Templeton, which later became part of Paine Webber & Co.

His father, also named Don, owned a rental car company and part of Midway Ford, a dealership at Vermont Avenue and Beverly Boulevard.

The elder Hankey died in 1962 and the dealership started losing money. By 1972, it was about to go out of business. Hankey took a leave of absence from Mitchum, bought out the other owners and took over the dealership. It was profitable a year later.

As business improved, Hankey noticed many would-be buyers couldn't get bank loans and thought he could increase sales by offering

financing to low-credit buyers himself. Subprime auto financing is big business today, but barely existed back then.

"There were a few other dealerships who carried their own paper, and there were companies that did 'stick' loans," Hankey said. "People would borrow money and they'd encumber their TVs and furniture."

Within a few years, he was not only selling more cars, but also making money on the loans. So he started financing deals for other dealerships and by 1988 spun the financing business into its own entity, Westlake Financial Services.

Friends in the auto business thought he was crazy — that he ought to use his profits to buy another dealership instead of investing in subprime car loans. But Hankey saw the returns were better in financing cars than in selling them.

"I deployed our capital where it treated us the best," he said. "I'm a finance guy who became a car dealer, whereas most car dealers come up some other way. When an opportunity presented itself to

make money on the finance end of the car business, I knew how to exploit that opportunity."

Today, Westlake is one of the largest private auto financiers in the country. It works with about 17,000 dealerships and has a portfolio of more than 250,000 loans. It had revenue last year of more than \$500 million.

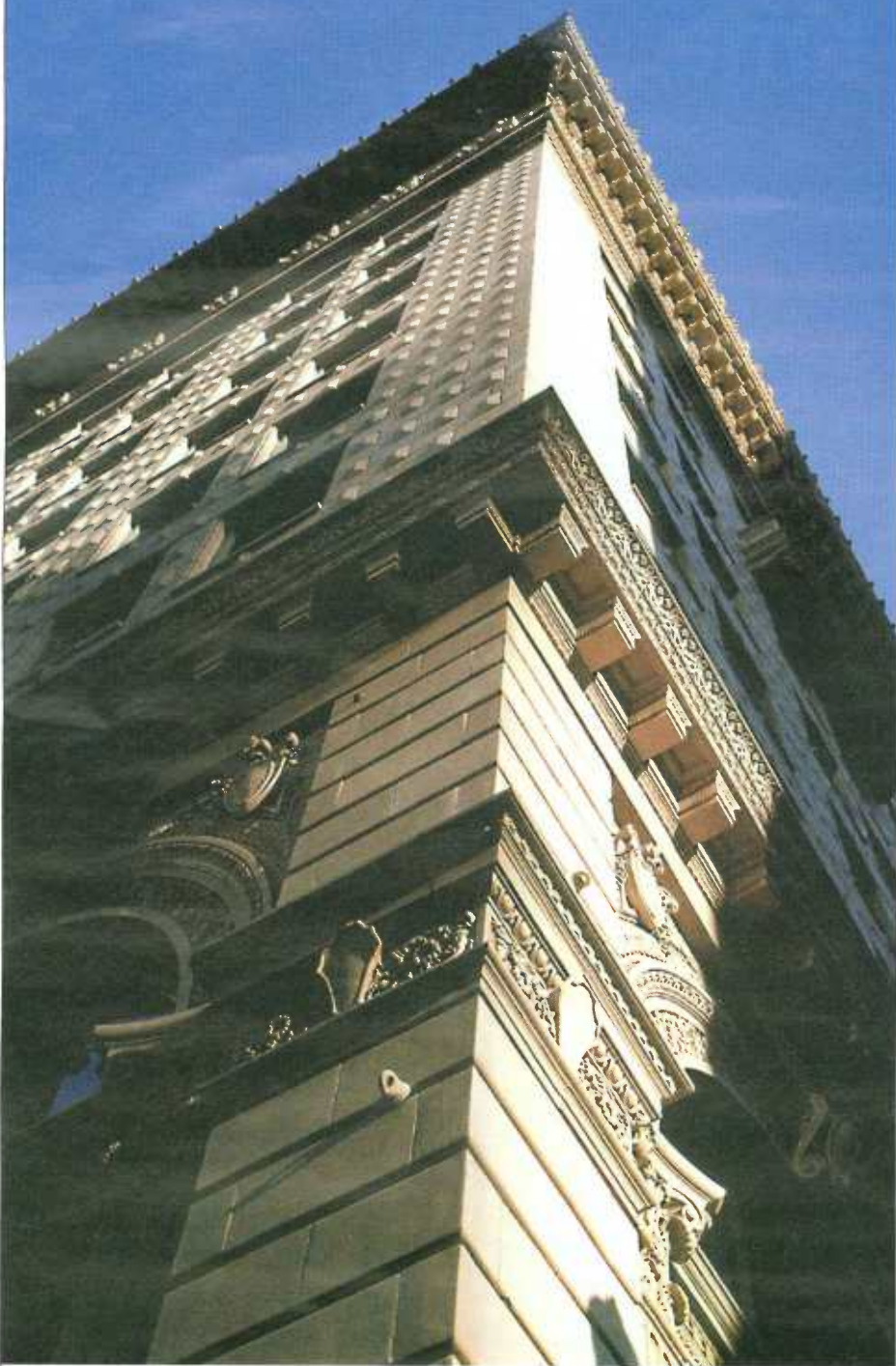
Westlake buys loans originated by car dealerships. Dealers use a desktop computer program, created by Hankey's Nowcom Corp., to see if Westlake will fund a loan, depending on dollar value and a customer's credit.

Once Westlake buys the loan, it goes to work to make sure customers pay. At Westlake headquarters, employees call customers who have fallen behind, trying to convince them to pay — even if it means paying other bills late.

It's a pitch that often works. Even during the recession, people were more likely to pay their car note than other bills, said **Robert Riedl**,

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SPECIAL REPORT WEALTHIEST ANGELENOS

San Chun and Shu Chin Kou emigrated from China and, starting with a single restaurant, built a massive seafood importing and processing business in the industrial city of Vernon.



RINGO H.W. CHIU/LABJ

Simple: Modest Vernon headquarters of the Kou family's seafood business.

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chief investment officer at **Consumer Portfolio Services Inc.**, a publicly traded subprime auto lender in Irvine.

"Between losing equity in their house and needing their car to get to work, that auto payment is prioritized," Riedl said. "You can sleep in your car, but you can't drive your house to work."

Charging high interest rates to customers in dire straits might sound seedy, even usurious. But Hankey notes that his company makes bets on people that banks won't touch, giving them not only a set of wheels but also a chance to turn their credit around.

"I think it's to that individual's advantage to be able to have that car and be able to get to work, rather than to be cut off," Hankey said. "We enable them to get their credit re-established."

Fresh flowers

Though he's likely been worth at least several hundred million dollars for quite a while, Hankey said he tries not to think of himself as super rich. That kind of attitude could get in the way of running his businesses.

"I think you'd lose sight of your profit margin," he said. "I look at other wealthy people and I see how they spend their money. It seems like it would be hard to spend your money one way in private life and then be at your business and be frugal."

To be sure, Hankey is no miser. He lives in Malibu in an estate formerly owned by actress **Olivia Newton-John**, and he and wife, **Debbi**, travel several times a year to destinations including Fiji, Italy and Greece.

But Hankey also gets up every day at 4 a.m., puts in a full day at the office, responds to emails from home in the evening and spends Saturday mornings reading *Barron's*.

He doesn't have a secretary. At press time, his phone number and email address were listed on his company's website.

Now that his wealth is more widely known, he's worried much of that will change.

Indeed, appearing for the first time on the Wealthiest Angelenos list or similar publications by **Bloomberg LP** or **Forbes Inc.** can be life-changing, said **Halé Behzadi**, Southern California and Arizona region head for **Citi Private Bank** in Beverly Hills.

For starters, new or newly discovered billionaires are prime targets for businesses looking for investors and wealth management firms seeking clients.

"Life changes almost instantly because people

do read your list and act on it," Behzadi said. "If we see a new name on the list, we find a way to contact that individual and showcase our capability."

Charities, non-profits and political candidates also see the list as a source of potential donors, said **Marc Nathanson**, a billionaire whose wealth became public after he sold his cable TV business to **Charter Communications Inc.** more than a decade ago.

"I don't see any advantage to being on the list," he said. "You make yourself a target of every charity and every political candidate. And you can't give to everybody."

Even family members ask for cash, said **Rob Babek**, a partner in charge of accounting firm **Marcum LLP's** Century City office. He advises wealthy families and said he's often seen friends and distant relatives come calling after someone's wealth is made public.

"That's one of the biggest drawbacks for people who gain immediate wealth or recognition," Babek said. "All of a sudden an uncle wants to know if you can pay his mortgage. Every financial problem that comes along, they'll ask if you can help out."

Security, a top concern for the super wealthy in developing nations where kidnappings are more common, remains an issue here, though perhaps not as pressing. Hankey recalled hearing a story about how the late local billionaire **Marvin Davis** would have security guards accompany his children to get frozen yogurt.

But Davis, an oil baron-turned-movie magnate, was the definition of high profile, famous for throwing lavish Hollywood parties and for buying and flipping big-name properties such as the Beverly Hills Hotel.

Tom Kasza, a managing director at Chicago security firm **Hillard Heintze LLC**, said bodyguards aren't the norm for the super rich or their children.

In fact, Kasza said the biggest risk for someone whose wealth is made public comes from within their own business. He's seen cases in which employees started pilfering after they discovered their employer's wealth.

"Maybe I'm in charge of issuing credit cards and I issue myself one because I didn't get a bonus," Kasza said. "There's often a justification that, 'They're not going to miss this.'"

Hankey said he isn't worried about employee theft, but he has a similar concern: His employees will suddenly expect him to spend more freely.

"I imagine people saying, 'You can afford to do this, you can spend the money,'" he said.

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“Let’s get a new elevator; let’s have fresh flowers on every floor.”

But that’s not Hankey’s style. He sees the world in profit and loss. Costs are necessary or not, in line with revenues or not. A business is either maximizing its profit or dying.

“I take satisfaction in maximizing profits,” he said. “If you’re doing that, you’re hiring people, you’re helping the economy grow, you’re creating taxes. I can’t imagine someone thinking losing a little money is a good thing.”

He didn’t get to be a billionaire by springing for better office décor. He did it by putting his money where it would reap the most reward, getting rid of underperforming assets and demanding solid returns.

When Hankey took over Midway Ford, he told his managers to get the dealership’s books in line with Ford dealership averages.

“I couldn’t tell them how to do it, but I could ask them to do it,” he said. “What I learned to do was say, ‘I’ll have to bring someone else in if you can’t make us at least as good as average.’”

New money

For some, there’s no good way to keep wealth a secret. Take Dr. **Patrick Soon-Shiong**, who founded and sold two public biotech companies.

“When you sell a company for \$5 billion, it’s hard to hide that,” said **Mike Sitrick**, chief executive of Century City public relations firm **Sitrick and Co.**, who represents Soon-Shiong and other very wealthy clients. “Some people just get thrust in. They’re not seeking the attention, and if they had their druthers, they wouldn’t want the notoriety. Patrick’s a very private guy.”

Given all that comes with public wealth, it’s not surprising that the rich and super rich usually do whatever they can to keep their worth under wraps.

“When you sell a company for \$5 billion, it’s hard to hide that. Some people just get thrust in. They’re not seeking the attention, and if they had their druthers, they wouldn’t want the notoriety.”

MIKE SITRICK, Sitrick and Co.

That might include setting up trusts or limited liability companies to hold assets, making it more difficult for reporters or other inquiring minds to figure out who owns what.

“Typically it’s a conversation between the wealth manager, the client and a lawyer,” said **Nadia Allaudin**, senior vice president for investments in the Century City office of **Merrill Lynch Wealth Management**. “The lawyers find ways to make sure assets are protected, that they’re not public.”

For publications that seek out billionaires and other wealthy individuals, unraveling those protections is difficult and time-consuming work.

“There are complex mazes of holding companies in Liechtenstein and the Caymans,” said **Matthew G. Miller**, editor of the Bloomberg Billionaires Index. “We have 20 reporters in nine countries doing nothing but this stuff. We try to unlock the holding companies people control their funds out of.”

But there are other, simpler ways of keeping wealth under wraps. And new members of the Wealthiest Angelenos list show how it can be done — as well as how to blow your cover.

“You could become a billionaire because of compound return on investments. But I don’t have a window into their investments, so I think there are a lot of people out there all of us are missing.”

KERRY A. DOLAN, Forbes magazine

Kerry A. Dolan, one of two Forbes magazine editors responsible for the annual Forbes 400 and World’s Billionaires lists, said so-called hidden billionaires often have a few things in common. For one, they often operate in industries that aren’t well-known or well-understood.

Hankey, with his subprime auto finance company, and the Kous, who import and process frozen seafood, fit that mold.

“There are some less-sexy industries,” Dolan said. “A guy I looked at had a steel fabrication company. That’s an industry that’s not going to be on the front cover of the New York Times.”

Hidden billionaires also tend to own private companies rather than stakes in public ones. Anyone who holds more than 5 percent of a public company’s stock has to disclose that holding. Those disclosures help the Business Journal and other publications calculate the wealth of billionaires such as **Michael Eisner**, **Elon Musk** and **Sumner Redstone**, all of whom have huge public holdings.

Hankey is on the Business Journal’s list because even though his business is private, he recently sold a stake to publicly traded

Marubeni. Pipkin’s Belkin purchased **Cisco Systems Inc.**’s Linksys networking business from its publicly traded parent.

The acquisition, announced in January, prompted research firm **PrivCo** to publish a report that valued Pipkin at \$1 billion. That was a figure that caught the Business Journal’s attention, even if it could not in the end justify such a high valuation.

The Kous didn’t do business with a public company, but over the years they have left clues about the value of Red Chamber, for years the company has reported revenue figures to publications that track private and minority-owned companies.

But many local companies don’t provide such information. Even if every company did so, there would still be billionaires or near-billionaires escaping notice.

Dolan of Forbes noted that there are likely billionaires — in Los Angeles and elsewhere — whose wealth has grown from sums too small to draw attention.

Invested well, a few hundred million dollars could turn into \$1 billion. Unless a family uses that money to start another business or buy a big stake in a public company, there’s no telling how the money has grown.

“You could become a billionaire because of compound return on investments,” said Dolan. “But I don’t have a window into their investments, so I think there are a lot of people out there all of us are missing.”

Take the Clougherty family. They founded **Vernon meat packer Clougherty Packing Co.** — the parent of **Dodger Dog maker Farmer John** — in 1931. They sold it to **Hormel Foods Corp.** of Austin, Minn., in 2004 for \$186 million in cash.

How was that money split among members of the family? How has it been invested since? Hard to say, especially with a boom, recession and recovery between 2004 and today.

And like many wealthy families, the Cloughertys aren’t talking.



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