

HOW I MADE IT: ADAM BERNHARD

Selling fashion in a flash

ANDREA CHANG

The gig: Adam Bernhard is founder and chief executive of HauteLook, an online "flash-sale" marketplace where members can buy designer apparel, accessories, home décor and other products at deep discounts during a limited time period. HauteLook was founded four years ago and was acquired in March by Nordstrom Inc. for as much as \$270 million in stock. The Los Angeles company had revenue of more than \$100 million in 2010 and expects sales to rise 50% to 60% this year.

Background: Bernhard, 42, grew up in Chevy Chase and graduated from Palisades High School. He attended Cal State Northridge but dropped out during his senior year. "I still have two classes left," he said. "One day I'm going back to finish them for my mom."

Starting young: When Bernhard was in fifth grade, his grandmother gave him \$20, which he used to buy bubble gum. He took the gum to school on the day of the book drive, when he knew fellow students would have cash.

"I gave gum to all the cool kids. Then I put the gum on my desk, and I sat there and sold gum to the kids for a quarter apiece, and I'd bought five pieces for a quarter. Huge margins," he said. "I was exploiting my non-cool friends."

First ride: Bernhard knew he wanted a car when he turned 16, so at age 14, he got a job busing tables at a local pizza joint; he also stocked shelves at a drugstore and worked at a neighborhood gym. His mother matched every dollar he made, and shortly after his 16th birthday, he bought a Volkswagen GTI. "Most people decide what they're going to buy based on what they have," he said. "I decided what I wanted to buy, and then I figured out how to get the money."

Hollywood life: After college, Bernhard got a job as a production assistant on the 1994 movie "Disclosure," starring Michael Douglas and Demi Moore. After that, he did production and development work for Clint Eastwood's Malpasso Productions. The two still keep in touch, and Bernhard said he took Eastwood to the Coachella Valley Music and Arts Festival this year.

Quarter-life crisis: When he was 26, Bernhard decided the movie business wasn't for him and abruptly quit his job. On a whim, he and six friends flew to



GENARO MOLINA/LOS ANGELES TIMES

ADAM BERNHARD founded HauteLook, a "flash-sale" website, four years ago in downtown L.A. Its 2010 revenue topped \$100 million.

Switzerland for a snowboarding trip.

Serial entrepreneur: In the late 1990s, Bernhard and a friend teamed up with the owners of Mulberry Street Pizzeria, a small chain of pizza restaurants, to expand the chain to mall food courts and other locations.

After selling his stake in Mulberry Street, he was approached by a Joe in the apparel business who wanted to roll out his clothing line, Joie, internationally. Bernhard joined the company and began traveling throughout Europe and Japan to set up international distribution channels.

Got the idea: While working at Joie, Bernhard noticed a market for off-price goods — typically excess or leftover merchandise that is sold to retail buyers at below-wholesale prices — and began selling those items to buyers in Europe, the Middle East and Asia.

Many asked if he could find more products, so he left Joie and joined a liquidating business. Within a few years, Bernhard had set up a website, *liquidbase.com*, that sold off-price goods directly to consumers.

Bernhard soon improved the website and renamed it. HauteLook launched in December 2007 with four employees in a rundown building at the corner of Los Angeles Street and Olympic Boulevard. Today the site has more than 6.5 million members.

How HauteLook works: The company works with major labels to offer goods that appeal to HauteLook's "California casual" customer base.

Members sign up for free to receive access to the latest private sales, which typically offer 50% to 75% off retail prices and last a few hours to a few days. Brands recently featured on the site include Elizabeth & James, Betsey Johnson and Jessica Simpson.

Designers like the arrangement because selling products on flash sites allows them to place larger manufacturing orders, which drives costs down. And because sales are available for only a few days, brands are able to create buzz without the risk of hurting their images down the line.

Why it works: Bernhard acknowledges that HauteLook and rival sites such as Rue La La and Gilt took off in large part because of the sluggish economy. But he's predicting the burgeoning industry will have staying power.

"Great brands at great prices will always be in style. The scarcity encourages the consumer to come back every day. We've changed the way people think about shopping on the Internet. Up until the private sale business, it was intent-based shopping... What we've done is created this discovery-based way of shopping."

Secret to success: "I don't have any fear. If I believe in a product, I can sell it," he said. "The No. 1 most powerful attribute for a good salesman is you have to be a very good judge of who you're selling to, who you're dealing with. One thing is constant: When you've made the sale, stop talking."

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INVESTING

Vanguard fund takes contrarian approach

ANDREW LECKEY

Question: I'd like to know whether I should keep my shares in the Vanguard Capital Opportunity fund.

Answer: It is understandable that some longtime owners of this popular fund would become concerned.

Underperforming stocks of Research In Motion Ltd., maker of the BlackBerry, and chip maker Cree Inc. have lately held back overall results, a natural consequence of a contrarian growth approach that often includes volatile technology.

The Vanguard Capital Opportunity fund was up less than 2% in a recent 12-month period to rank in the lower one-fifth of large growth funds.

That doesn't erase excellent returns over the long haul, and there is no need to panic. Its recent three-year annualized return of 26% ranked just outside the top third of its peers, and its 10-year annualized return of 6% ranked in the top 3%.

"While this fund is not doing great this year, a long-term investor can benefit from its strong performance," said David Kathman, mutual fund analyst with Morningstar Inc.

The team from Primecap Management Co. that runs the fund gives each of five managers a portion to handle independently. They prefer fast-growing stocks purchased when out of favor, a strategy that can sometimes involve heavy weightings in a sector.

Four of the managers have more than \$1 million of their personal money invested in the fund, and one has between \$50,000 and \$100,000 invested, according to filings. That aligns their financial interests with those of shareholders.

Vanguard Capital Opportunity, which is closed to new investors, has a portfolio worth noting. Kathman pointed out that a similar fund, Primecap Odyssey Growth Fund (POGRX), remains open. Top holdings recently included Biogen Idec Inc., Amgen Inc., Alterra Corp., Monsanto Co., Eli Lilly & Co., Roche Holding, FedEx Corp., Symantec Corp., Medtronic Inc. and Novartis. It has a low annual expense ratio of 0.48%.

Important dates for dividends

Question: I am confused by the various dates given for stock dividend increases and payments. Can you explain?

Answer: Dividends become more important in a volatile period when investors can't take price appreciation for granted.

"If a company announces a dividend increase, it has confidence that its earnings are going to be sufficient to pay that dividend and keep on paying it," said Kelley Wright of the Investment Quality Trends newsletter in Carlsbad, Calif.

Here are the important dates for dividends: Declaration date is the date on which the company announces publicly that it will pay a dividend.

Record date is the date on which the company checks its books to determine the shareholders of record who will receive the dividend.

Ex-dividend date is the date (after the record date) when anyone purchasing the stock increases its entitlement to the dividend.

Payable date is the date that the company mails out the dividend to the holders of record.

"When a company has to reduce or eliminate its dividend, it is a bad sign that shows management lacks confidence about its earnings prospects," Wright said.

Andrew Leckey answers questions only through the column. Write to him at money@tribune.com

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On Tuesday December 20, 2011 the Sterling Charitable Foundation will give 41 grants to 30 charities, and 11 high schools. The Sterling Foundation has committed over \$5,000,000 in grants. The Foundations' mission in 2011 is to contribute to those in need.

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