THE WALL STREET JOURNAL. ONLINE

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August 27, 2007

IPOS

Bid to Shake Up IPOs Falls Short

Hambrecht's Auction Push Fails to Draw Many Takers; 'Think It's a Better System'

By LYNN COWAN
August 27, 2007; Page C6

Eight years ago, W.R. Hambrecht & Co. promised to shake up the clubby atmosphere that surrounded th offering process by introducing a new format: auction IPOs, where ordinary individual investors would h owning a piece of a new company.

Since then, the biggest year for auction IPOs was in 2005, when five companies used the method; so far done so. Elsewhere on Wall Street, the practice of book-building -- where bankers market deals to major investors and select high-income clients -- appears as entrenched as ever.

"We have been surprised that there haven't been more deals. Clearly, we think it's a better system," says IV, head of investment banking at W.R Hambrecht.

A major chunk of the public offering market in recent years comprises companies owned by private-equi on Wall Street to provide debt financing for their buyouts. Hambrecht executives say that the companies to an auction format are those that are majority-owned by executives, who have a stronger vested interes highest share price and the lowest fees possible for their offerings.

But some academics and executives say the lack of a vibrant auction market in this country can't be attrib inertia on Wall Street. In more than 20 countries around the world, auctions have been tried and then aba method, according to University of Notre Dame finance professor Ann E. Sherman. And in countries wh building is introduced, it generally catches on more than any other type of IPO method, according to Ms.

co-written IPO auction research with Ravi Jagannathan, a finance professor at Northwestern University.

"As many bad things as you can say about investment bankers, they do try really hard to place all of the s
They don't want it to not go through successfully. And from an issuer's point of view, it's such a long, gu
process, they don't want to go through it and have it fall apart," says Ms. Sherman, who says that compar
IPO feel safer when an investment banker is managing their deal.

One such company, Alibris, went through the auction IPO process in 2004, but pulled the deal when the
level that would have forced them to refile the prospectus, redo the road show, and list on Nasdaq's smal
Alibris, which sells used and rare books online, was acquired by private-equity investor Oak Hill Capital

Write to Lynn Cowan at lynn.cowan@dowjones.com[1]

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