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# 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  
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Eight years ago, W.R. Hambrecht & Co. promised to shake up the clubby atmosphere that surrounded the offering process by introducing a new format: auction IPOs, where ordinary individual investors would be 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 none have 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 Michael 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-equity firms on Wall Street to provide debt financing for their buyouts. Hambrecht executives say that the companies that have moved to an auction format are those that are majority-owned by executives, who have a stronger vested interest in the 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 attributed to inertia on Wall Street. In more than 20 countries around the world, auctions have been tried and then abandoned. The method, according to University of Notre Dame finance professor Ann E. Sherman. And in countries where book-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 : 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

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