

Public School

Learning how to prepare for an IPO

BY DAVID R. EVANSON

IT WAS ONLY a matter of time before the digital revolution and the Internet took aim at the photo processing market. After all, according to Andy Grove, one of the founders of Intel Corp., any information that can be digitized will be digitized.

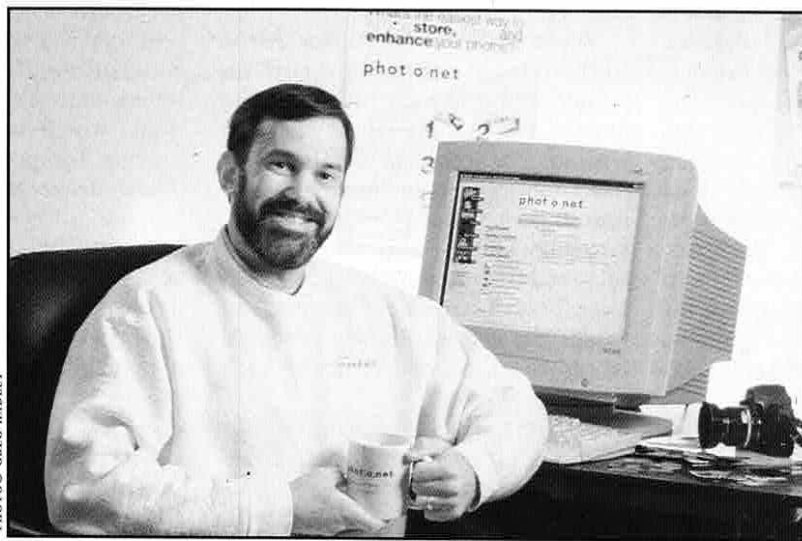
One of the first companies to establish a beachhead in this, well, developing market was Herndon, Virginia-based PictureVision Inc., co-founded by Phil Garfinkle, Yaacov Ben-Yaacov and Elliot Jaffe. The trio met through a joint venture between an American company where Garfinkle was employed and an Israeli technology company Jaffe and Ben-Yaacov worked for. With PictureVision technology, consumers can share, manipulate and store photographs on the Internet.

To develop and roll out this kind of service takes capital, and plenty of it. The sheer excitement and size of PictureVision's market made the always-difficult task of raising money to fund the business somewhat easier. Since opening its doors in late 1995, PictureVision has raised \$9.3 million, with more deals in the pipeline.

Very early on, the partners knew PictureVision was on an initial public offering (IPO) track, says Garfinkle, whose previous position was with a public company. "An IPO is the only way we can access the vol-

ume of capital we need," he says, adding that outside of an outright acquisition, an IPO would be the only way for early-stage investors to cash in on their investment. So, with a public offering looming in what Garfinkle and his partners, investors and employees hope is the not-too-distant future, PictureVision has started to clean house and position itself for a major-league debut.

Unfortunately, according to Glenn



In with the new: For PictureVision co-founder Phil Garfinkle, executing a successful IPO means hiring an innovative management team.

Bierman, founder and chairman of Tycon Equity Partners LLC in New York City, companies sometimes fail to bring their offering to fruition simply through lack of proper planning. Bierman should know: As an investor in many early-stage companies, his company's ultimate return depends on the ability of the companies it invests in to go public. "One of the most important strengths we bring to the table is helping companies structure and present themselves in a way that will be attractive to the capital markets," Bierman says.

What follows, according to Garfinkle and Bierman, are strategies and tactics entrepreneurs must consider now if they think there's an IPO in their future.

❖**Break out of the box.** It goes (almost) without saying that every company looking toward an IPO must build a strong management team. And if you are dead serious about building the kind of company that investors will stake millions on, says Garfinkle, you've got to be willing to hire outside of your own network.

For many emerging growth companies, Bierman says, an underwriter's decision about whether to do a deal hinges on the team they'll be turning the capital over to once it's raised. "Ideally, you want a team with lots of industry experience that

can walk into a room and take command of it," says Bierman. In most cases, the reasoning goes, those names are not lurking in a small-business owner's Rolodex.

For Garfinkle, finding this kind of talent meant retaining professional search firms to fill key posts in marketing and executive management. If you don't have the funds for a search firm, running ads in national trade publica-

tions is another good way to find employees who can bring new thinking to the table.

❖**Enlist top-flight accountants.** According to Bierman, the best accountants for companies considering an IPO come from the so-called Big Six firms. "The reason is simple," says Bierman. "When you're ready to go public, you want to instill confidence in investors, and by and large, investors universally trust the Big Six." Moreover, he adds, while regional or local firms may have the same skills and talent their larger