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# DealTalk: BankUnited owners cash in, FDIC nurses loss

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By Paritosh Bansal and Clare Baldwin  
NEW YORK | Thu Jan 27, 2011 12:20pm EST

(Reuters) - Veteran banker John Kanas gets to cash in big time on one of the most profitable bank buyouts in years when BankUnited goes public on Thursday.

But the Federal Deposit Insurance Corp, which estimates it lost \$5.7 billion in selling the failed Florida lender to the Kanas-led private equity consortium, faces awkward questions about whether it should sell assets in a fire sale.

Kanas invested \$23.5 million in BankUnited as part of a consortium of private equity interests who bought the Miami Lakes, Florida bank from the FDIC for about \$900 million after it failed in May 2009. He was named the CEO.

After the IPO, the stake he will control will likely be worth more than \$130 million, or more than five times his initial investment. In addition, he will recoup the \$23.5 million through the sale of some shares in the IPO.

And his returns could get even bigger if the shares rise after the offering and as the bank grows.

That isn't all. His compensation, including salary and stock, totaled \$39.7 million over the past two years.

Kanas, 64, who also made about \$185 million when he sold New York-based North Fork Bancorp to Capital One Financial Corp (COF.N) in December 2006, has done better than his partners in the deal, though they are hardly suffering.

The overall investment by the consortium that included Wilbur Ross' WL Ross & Co, Blackstone Group (BX.N) and Carlyle Group CYL.UL are set to more than double in value after the IPO.

The returns fall short of the storied purchase of the failed Long-Term Credit Bank of Japan, which was renamed Shinsei, by buyout firms J.C. Flowers and Ripplewood Holdings in 2000.

That deal returned about six times the initial investment in the IPO in 2004, and at its peak the stock traded up to around nine times that investment. The size of the profit stirred controversy in Japan at the time, given the government spent 3.6 trillion yen (\$43.7 billion) to clean up LTCB's debts.

BankUnited would have a market value of \$2.3 billion if it sells shares at \$24 apiece, the mid-point of the \$23 to \$25 IPO price range. In the

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summer of 2009, investors bought in at about \$10 per share.

BankUnited's IPO is the first for a major failed institution taken over by private investors during the financial crisis.

The returns are in stark contrast to the cost of the BankUnited failure to the FDIC, a federal agency that is largely funded by banks and whose main role is to insure deposits in those banks.

Indeed, the size of the profits from the IPO is prompting doubts about the strategy regulators adopted during the crisis.

"At the height of a financial crisis do you want to be selling a lot of stuff really cheap? My opinion all along was, no," said Campbell Harvey, finance professor at Duke University.

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