

## PE firm buys failed East Coast bank

**Hovde Acquisition has purchased Bay National from the Federal Deposit Insurance Corporation in a deal in which the FDIC is not covering losses.**

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Hovde Acquisition, a Washington DC-based private equity firm, has acquired Baltimore failed bank Bay National, injecting \$24 million in a transaction assisted by the Federal Deposit Insurance Corporation.

Hovde Acquisition had originally considered recapitalising Bay National, which has \$282 million in assets, but instead decided to wait to bid until the bank failed, due to the amount of capital it would need.

The investment was made from Hovde Financial Services Partner Fund I, a \$84 million private equity fund that closed in 2005.

"We've been very focused on investing in a community bank in the Baltimore-Washington market," Hovde managing director Joseph Thomas told PEO. He added that the firm plans to grow the new Bay Bank franchise through additional acquisitions.

In a statement, Thomas said: "We will be seeking the participation of other local investors over time to accomplish our growth plans."

The transaction marks just the fourth time a group has executed such a deal with the FDIC since 2009, during which time a reported 230 banks have failed. The FDIC has in past deals covered some losses for the private equity firms involved.

Hovde Acquisition, which was founded in 1994 to invest private equity within the financial services industry, has made equity investments in ten community banks, thrifts and financial services companies since its creation, including ownership of approximately 70 percent of Sunwest Bank and 55 percent of US Capital, a regional insurance premium finance company.

Prior to the formation of the firm's private equity fund, chief investment officer of Hovde Private Equity Advisors Eric Hovde led the firm's affiliated merchant banking activities, acquiring controlling interests in banks, thrifts and other non-bank financial services companies. Before forming Hovde Financial in 1987, Hovde was involved in mergers and acquisitions on behalf of a regional investment banking firm that specialized in mutual thrift conversions and mergers and acquisitions.

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