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Doral-based U.S. Century Bank is close to new recapitalization deal

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U.S. Century Bank is close to reaching an agreement that would bring in two private equity firms to inject fresh capital into the ailing institution. The deal, U.S. Century's third attempt at resuscitation in recent years, will allow the Doral bank to remain independent.

The bank's chairman, R. Alexander Acosta, disclosed to about 25 shareholders who attended U.S. Century's annual meeting Monday evening that under the recapitalization plan, the two as-yet-unnamed firms will invest \$20.5 million each, for a total of \$41 million. Another \$24 million will come from current shareholders and local investors. The agreement is subject to shareholder and regulatory approval.

It's the latest step in U.S. Century's hunt for new capital — a requirement of a June 2011 consent order issued by federal banking regulators.

So far, an "agreement in principle" has been reached. One lead investment firm has already signed off on the deal, and the bank is awaiting the co-lead firm to sign off before disclosing the names of the entities, Acosta said.

Perhaps most significantly, the proposed recapitalization will enable U.S. Century to survive as an independent bank, one of the few locally owned banks of its size. Others, including City National Bank of Florida and BankAtlantic, have been sold in recent years to foreign owners or larger U.S. banks.

The deal will also give existing shareholders a bigger stake in the bank than in other failed attempts to raise capital. Under the proposed recapitalization, the two private equity firms combined would hold about 65 percent of the company, with existing shareholders owning the other 35 percent.

The latest offer of a capital infusion comes six months after a local group of wealthy investors pulled the plug on their deal to recapitalize U.S. Century.

Jimmy Tate, Sergio Rok and Jorge Perez, all local real estate developers, had put together a group of deep-pocketed local investors. The deal was still pending approval from the Federal Deposit Insurance Corp., as well as a settlement on pending litigation alleging wrongdoing by certain current and former directors and managers, when the deal expired at the end of 2013. The investors had already reached an agreement with the U.S. Treasury Department to pay about \$9 million of a \$50.2 million TARP loan owed by the bank.

That failed deal would have injected \$50 million into the bank and brought in a third party to buy non-performing loans. It would have given the new investors 75 percent of the bank's shares, with U.S. Century's existing 441 shareholders retaining a 25 percent share. Those existing investors, who paid as much as \$26 a share, would have seen their shares valued at \$1 each.

A previous purchase deal with C1 Bank of St. Petersburg was terminated by C1 in late 2012.

Meanwhile, U.S. Century has worked at reducing its non-performing loans and operating expenses, said U.S. Century President and Chief Executive Carlos J. Dávila.

The latest process to recapitalize U.S. Century Bank began a few months ago when the bank hired Keefe, Bruyette & Woods, an investment bank headquartered in New York, to find potential investors or buyers, Acosta said. After reviewing several proposals, the bank pursued the current deal.

The investment firms have already performed due diligence, and the bank has begun talks with regulators about the deal, Acosta said. Under the proposed recapitalization, no entity will own more than 9.99 percent of the bank's shares, which could make approvals easier. Soon, the bank plans to lay out more details for current shareholders who want to participate in investing, he said.

U.S. Century's shareholder litigation, alleging wrongdoing by certain current and former directors and managers, is still pending. Its resolution is a condition of the new recapitalization, Acosta said.

Established in 2002, U.S. Century Bank has nearly \$1 billion in assets and 22 branches — 21 in Miami-Dade and one in Broward. The troubled bank is rated the lowest rank of zero stars by Coral Gables-based BauerFinancial, which ranks zero to five stars based on capital ratios, profitability, delinquent loans, charge-offs and repossessed assets, among other factors.

Industry watchers and insiders differ on the causes of U.S. Century's woes. Some maintain the unforeseen collapse of the housing market and the recession caused its collapse; others blame the culmination of an over-emphasis on real estate lending and insider loans.

U.S. Century still expects a loss of about \$155,000 this year — a significant improvement from recent years, Dávila told shareholders at the meeting. The bank's non-performing loans have been reduced by 82 percent since their peak in 2011, and 30-to-89 day delinquencies have fallen by 97 percent from 2012. Annual operating expenses have dropped to \$36 million from \$55 million a couple of years ago, a reduction achieved by cutting staff positions and consolidating branches, he said. At the same time, the bank has reignited its lending activity to local business owners and professionals.

"We're transitioning from being a distressed institution to a more normalized institution," Dávila said. And the new capital will not only meet regulators' requirements, but help the bank "to grow and drive earnings."

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