Blackstone IPO would be a flip-flop

Wall Street is abuzz, asking why a leader in private buyouts would itself go public.

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NEW YORK — The secretive world of private equity investing could soon become a lot more public.

Blackstone Group, one of the world's leading private equity firms, reportedly is planning to sell shares in an initial public stock offering.

Such a deal would be a milestone in the evolution of private equity funds, which buy and restructure companies in hopes of selling them at much higher prices a few years later.

"This has the potential to be the financial transaction of a generation," said Michael Holland, a former Blackstone partner who now runs hi own money management firm in New York. "They have the ultimate position in the financial industry worldwide. They're the best name i the best business."

As money has gushed in from investors seeking huge returns, private equity funds and their close cousins -- hedge funds -- have revolutionized Wall Street in recent years, becoming forces in corporate mergers, securities trading and global finance.

"What was once a niche vehicle is now mainstream," said David Fann, chief executive of PCG Asset Management, a La Jolla-based private equity consulting firm. "Private equity and hedge funds are now mainstream."

New York-based Blackstone has been at the center of the action. Last month, it notched a record-breaking $39-billion takeover of Equity Office Properties, a giant commercial real estate company.

Cable TV business channel CNBC reported that an initial public offering could come within the next two weeks and would value the company at more than $20 billion.

A Blackstone spokeswoman declined to comment.

Under the direction of its legendary chief, Steve Schwarzman, Blackstone has emerged as the Goliath of the private equity industry.

Schwarzman, who earned a reported $200 million last year and is worth an estimated $3 billion, shows up almost as much in New York society pages as in the business pages. His extravagant parties, including his 60th birthday bash last month with Patti LaBelle and Martin Short, have prompted comparisons to bashes thrown by Truman Capote.

Blackstone and gold-plated rivals such as Carlyle Group and Kohlberg Kravis Roberts & Co. raise money from pension funds, college endowments and wealthy individuals to buy publicly traded companies. They restructure the companies -- often laying off scads of employees in the process -- with the aim of selling them in IPOs.

But Blackstone and other firms also have become lightning rods for criticism. Detractors say they strip-mine companies by saddling them with crushing debt while making enormous payouts to themselves.

Despite a heavy snow storm on the East Coast on Friday, Wall Street was buzzing with speculation about why a firm that takes companies private would itself contemplate going public.

Marc Morgenstern, a San Francisco lawyer and veteran dealmaker, said going public would allow Blackstone's founders to seamlessly casł out their stakes when they retire and would let the firm compensate employees with stock options.

It also would give Blackstone a war chest with which to buy other private equity firms, or for emergencies if the market turns down.

"It's always a good idea to take money off the table when you can, and you don't always know when you can," Morgenstern said.

Morgenstern and others said that Blackstone did not need the money to do deals, and that that probably was not its primary motivation ii going public.

For individual investors, a Blackstone IPO would give them a chance to bet on a firm and a Wall Street trend that has until now been the domain of the well-heeled.

But the deal also is likely to be richly priced. And some experts say Blackstone's willingness to go public may signal at least a short-term t(in the market.

"Why not sell stock at what might be the peak of their business?" said Anton Schutz, manager of the Burnham Financial Services fund.

Fortress Investment Group, a hedge fund and buyout firm, raised $630 million in an IPO last month. Its shares soared to $31, from $18.50, on its first day of trading but has sagged since, closing Friday at $25.74.

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