Premier ‘spin-off’ going well

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Three weeks after hitting the market, the investment-grade half of the bonds to finance Premier Bancorp’s “bad bank” spin-off have sold out with a waiting list while investors still have not grabbed the half that are high yield, or junk bonds.

Lee Griffin, Premier Bancorp’s chairman-elect, said Thursday that the investment-grade bonds have been oversubscribed, meaning they have more buyers than bonds. Presentations around the country to sell the high-yield bonds have generated a lot of interest but “investors want to ask more questions,” he said.

“They are just going to take time to look at them a lot closer,” Griffin said. “The market has not been as good as it was before Oct. 13, there’s no doubt about it,” he said. The stock market plunge on that day soured investors on junk bonds, blamed by many analysts for the crisis.

“High-yield is a tough sell,” said Marshall Davidson of Kidder & Peabody Co., Inc., the firm that is selling the bonds. “So many portfolio managers have lost money in the high-yield market, it’s just taking time after time to go through the assets with them.”

Davidson and Griffin both said they remain confident the bonds will sell.

“It’s just taking a lot of time and hard work,” Griffin said.

Meanwhile, Griffin and other bank officers scrambled Thursday and Friday answering calls from federal regulators who are checking off the various applications for the spin-off, Griffin said.

Premier is trying to clear its financial slate of about $400 million in troubled loans by creating a separate bank, Florida Street National Bank, the sole purpose of which will be to liquidate its assets.

Premier needs regulatory approval, which bank officials have said is expected, and financing. Premier plans to give FSNB $15 million in start-up cash in exchange for shares of common and preferred stock. FSNB must raise $225 million by selling the bonds, half of which are the investment grade bonds and half, high-end junk bonds.

Griffin said it still is possible that the spin-off will be completed by year-end.

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