Premier Bancorp received regulatory approval Tuesday for its offering circular that will be used in marketing $225 million in high-yield bonds to help finance the creation of a spin-off bank to dispose of $400 million of Premier's troubled loans.

The Office of the Comptroller of the Currency approved the offering document Tuesday for the spin-off bank to be named Florida Street National Bank, said Neil Williams, vice president and chief financial officer at Premier.

"That just allows us to get out in the market and talk to potential investors about the bonds," Williams said. "This is a critical step, and the most important... is the marketing of the high-yield bonds," he said.

The OCC's approval of the offering circular also indicates that the agency will approve the charter for Florida Street National Bank once the financing is arranged. The applications are still being reviewed, Williams said.

Premier immediately sent the offering circular to the printer to produce 3,500 copies. Copies already are available for distribution to potential investors, Williams said.

Kidder Peabody & Co., the investment banking firm handling the bonds, provided the printer with a mailing list of potential investors. The list includes mutual funds with high-yield bond funds and investors in Grant Street National Bank, a "bad-asset bank" spun off last year by Mellon Bank Corp. in Pittsburgh.

Mellon pioneered the concept. Premier would be the second U.S. bank to spin off a bad asset bank.

Williams said a number of investors in Grant Street National Bank have expressed an interest in Premier's spin-off.

The investment brokers handling Premier's bonds are the same ones who sold the Grant Street bonds, although they now work for a different firm.

Grant Street paid off its two-year bonds in six months and is expected to pay off its four-year bonds in two years, Williams said previously.

To finance the new bank, Premier would give Florida Street National Bank $15 million in start-up cash in exchange for shares of common and preferred stock.

Florida Street must raise $225 million by selling the high-yield bonds, half of which will be BBB-rated "investment-grade" bonds. The other half will be B-rated bonds, which previously have been described by Williams as being "at the high end of the junk bond market."

After the bonds are sold, Florida Street would borrow $40 million from Premier to give it a total of $280 million. That is the discounted rate at which Florida Street will purchase Premier's $400 million in troubled loans.

The $120 million discount is expected to fund the new bank's operating expenses over its lifetime. Florida Street's sole purpose will be to liquidate its assets.

Williams said Kidder Peabody will begin making sales calls on potential bond investors in a "week or so."

With the release Tuesday of the offering circular, investors will need enough time to "read it, study it and get comfortable with it," Williams said.

"We still think the bond offering is a high-quality piece of paper" and Premier is anxious to make its presentation, Williams said. "Time will tell."

The results of the offering will determine the fate of the new bank.

Williams is hopeful the bonds will sell and the bank can open by year's end.

Premier originally had set a target date of Oct. 20 for the opening of Florida Street. It was delayed by a lengthy evaluation of the approximately 2,100 assets involved in the transaction and the compilation of required applications.

If the bonds don't sell, Williams has said alternatives would include restructuring the securities to make them more acceptable to investors or abandoning the new bank creation and liquidating the troubled assets through Premier.