PRESS CUTTINGS

Mr Brookes
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FINANCIALTIMES

Put option floater from Imasco

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IMASCO, the Canadian consumer products and services company, is arranging a $200m floating-rate note facility backed up by a commitment from banks to buy back the paper.

The structure of the deal, being arranged by Morgan Guaranty, represents a sign of the uncertain times in the international capital markets. It is a compromise between the securitised transactions that have become the vogue in the 1980s and a more traditional type of banking transaction of the sort that many bankers think will become more common.

With equity markets effectively closed to new issues over the last month and fixed-rate bond markets outside the US extremely uncertain, companies have been turning increasingly to banks to provide finance.

Investors have been cautious, too, about buying floating-rate notes. Many have been concerned about their ability to buy and sell the instruments easily, following the crisis of confidence which spread from perpetual floating-rate notes into the dated sector of the market earlier this year.

The key to the Imasco arrangement - a "put" option arrangement between the note investor and a group of underwriting banks - should help to reduce investors' concern about their ability to sell the paper. The arrangement allows investors to put the notes back to the banks on every interest payment date, effectively giving investors a short-term instrument.

The facility has an eight-year maturity and allows the company to issue five-year floating-rate notes during the first three years. The notes will be offered to investors through Morgan Guaranty and any other institution that wishes to join it as a co-dealer.

The facility fee paid to the underwriting banks is an annual 10 basis points and the underwriting price is 15 basis points over Libor if less than half used, with a margin of 20 basis points if more than half used.

- Credit Suisse First Boston is arranging a $100m revolving credit for *Pennsylvania Coal Resources*, a subsidiary of the Pennsylvania Power and Light Company, which is guaranteeing the facility.

The financing, with a 10 basis point commitment fee, carries a margin of 25 basis points and a utilisation fee of 5 basis points if more than half used.

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