

Private Placement & Mezzanine Daily

Thursday November 13, 2008

What to Watch for Today

November 13

- 8:30 a.m. ET: Initial claims (Department of Labor)
- 8:30 a.m. ET: U.S. international trade, September (Bureau of Economic Analysis)
- Treasury to auction \$10 billion 30-year bond
- Treasury to auction \$40 billion 182-day cash management bill

November 14

- 8:30 a.m. ET: Retail sales, October (Census Bureau)
- 10 a.m. ET: Business inventories, September (Census Bureau)

November 15

November 17

- 9:15 a.m. ET: Industrial production (Federal Reserve)
- Treasury to auction 13-week bill and 26-week bill

November 18

- 8:30 a.m. ET: Producer price index, October (Bureau of Labor Statistics)
- 10 a.m. ET: Metro home prices/State resales, Q3 (National Association of Realtors)
- Treasury to auction 52-week bill
- Treasury to auction four-week bill

November 19

- 8:30 a.m. ET: Consumer price index, October (Bureau of Labor Statistics)
- 8:30 a.m. ET: Earnings, October (Bureau of Labor Statistics)
- 8:30 a.m. ET: Housing starts, October (Census Bureau)

Prospect News

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New Issue:

Allete sells upsized \$80 million three-part private placement of first-mortgage bonds

By Paul A. Harris

St. Louis, Nov. 12 – Midwestern energy services provider **Allete Inc.** privately placed an upsized \$80 million amount of first-mortgage bonds (NAIC 1) in three bullet tranches, according to a market source.

Banc of America Securities LLC was placement agent for the deal, which was increased from \$50 million.

The bonds were talked at Treasuries plus 450 basis points across all three tranches, and all three came tight to that talk.

Allete priced \$18 million 6.94% bonds at a Treasuries plus 440 bps spread, \$20 million of 7.7% seven-year bonds at a Treasuries plus 440 bps spread and \$42 million of 8.17% 10-year bonds also at a spread of 440 bps.

Proceeds will be used fund utility capital expenditures and for general corporate purposes.

Last March the company privately placed \$75 million of 6.02% 15-year first-mortgage bonds.

Allete has headquarters in Duluth, Minn.

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BPZ looks to secure project financing in first quarter of 2009

By Stephanie N. Rotondo

Portland, Ore., Nov. 12 – **BPZ Resources, Inc.** is working with IFC to secure project financing for the development of its proposed gas-to-power project, according to the company's quarterly earnings report.

The financing is expected to be between \$100 million and \$120 million, Greg Smith, BPZ's director of investor relations and corporate communications, told Prospect News. Though the details

have yet to be nailed down, Smith said the company "anticipates Libor plus 3 points," on the straight project financing deal.

Smith added that BPZ hopes to close the deal in the first quarter of 2009. Once the terms are decided, he added, more information would be released, as "it is big news for us, especially in this credit market."

BPZ is a Houston, Texas-based oil and gas exploration and production company.

New Issue:

FBL Financial places \$100 million 9¼% unsecured notes in private placement

By Stephanie N. Rotondo

Portland, Ore., Nov. 12 – **FBL Financial Group Inc.** announced Monday it issued \$100 million of 9¼% notes due Nov. 5, 2011 in a private placement.

The unsecured notes rank pari pasu with the company's senior notes due 2014 and 2017, and with the company's bank credit agreement due 2010. The bonds are pre-payable at any time at par.

Farm Bureau Mutual Insurance Co. received \$75 million of the new notes, while an investment affiliate of Iowa Farm Bureau

Federation, the company's majority shareholder, received the remaining \$25 million, according to a filing with the Securities and Exchange Commission.

About \$20 million of the proceeds from the transaction will be used to pay back short-term debt borrowed from Farm Bureau Mutual.

FBL Financial is a West Des Moines, Iowa-based holding company whose primary operating subsidiaries are Farm Bureau Life Insurance Co. and EquiTrust Life Insurance Co.

Issuer:	FBL Financial Group Inc.	Coupon:	9¼%
Security description:	Unsecured notes	Maturity:	Nov. 5, 2011
Amount:	\$100 million	Distribution:	Private placement
		Purchasers:	Farm Bureau Mutual Insurance Co., \$75 million; Iowa Farm Bureau

New Issue: Allele sells upsized \$80 million three-part private placement of first-mortgage bonds

Continued from page 1

Issuer:	Allele Inc.	Spread:	Treasuries plus 440 bps
Amount:	\$80 million, upsized from \$50 million	Seven-year notes	
Security description:	First-mortgage bonds	Amount:	\$20 million
Placement agent:	Banc of America Securities LLC	Coupon:	7.7%
Rating:	NAIC 1	Spread:	Treasuries plus 440 bps
Call protection:	Non-callable, with make-whole provisions	10-year notes	
Price talk:	Treasuries plus 450 bps	Amount:	\$42 million
Five-year notes		Coupon:	8.17%
Amount:	\$18 million	Spread:	Treasuries plus 440 bps
Coupon:	6.94%		

Private Placement & Mezzanine Calendar

IN THE MARKET

PHOTRONICS INC.: Photronics has begun marketing for private placement of an undisclosed amount of senior subordinated debt securities.

PROLIANCE INTERNATIONAL INC.: Proliance signed a letter of intent for \$30 million mezzanine financing; proceeds expected to be used to repay current lead lender; transaction expected to close in fourth quarter.

Las Vegas Sands jumps on financing plan, despite ratings cut; Nortel, Sprint fall again; autos continue skid

By Paul Deckelman and Paul A. Harris

New York, Nov. 12 – **Las Vegas Sands Corp.**'s bonds jumped about 10 points in active trading Wednesday as the market digested the news announced on Tuesday when the fixed-income markets were closed for Veterans' Day that the embattled company will raise \$2.14 billion from the sale of common stock, preferred shares and warrants; investors apparently ignored a ratings cut from Moody's Investors Service as well as the latest depressing gaming statistics from Nevada. Other gaming credits were seen mixed.

Telecommunications credits continued to be hard hit, with declines seen in the bonds of nationwide wireless operator **Sprint Nextel Corp.** and equipment provider **Nortel Networks Corp.** following bad quarterly numbers those companies released on Friday and Monday, respectively.

Amid continued investor angst over whether the federal government will bail out Detroit's beleaguered Big Three, there was more downside for **General Motors Corp.** paper, that of its 49%-owned automotive financing arm, **GMAC LLC**, and of domestic arch-rival **Ford Motor Co.**, which is being hurt by the same industry dynamics which have brought the once-mighty GM down to its current humbled state.

Primary activity was again nil, other than Las Vegas Sands doing a perpetual preferred stock issue as part of its financing package.

Market indicators lower

The widely followed CDX High Yield 11 index of junk bond performance, which had gained 3/16 point on Monday, fell by 1/4 point on Wednesday, a trader said, quoting it at 79 3/8 bid, 79 5/8 offered.

A trader called Wednesday's session "kind of a mushy day," but said that volume, as people came back from Tuesday's holiday, "was better than I had anticipated."

That having been said, though, he added that the market had "a weird feeling – it's tough to really put a pulse on things. I think a lot of people were back, just getting their feet wet again. A lot of people" – here he included

himself -- "took Monday off and made it a four-day weekend, so we were all just getting back and getting squared away." While there were some more earnings coming out, he said, generally, "it felt like a Monday on Wednesday."

He said that "GM, GMAC and Ford seemed to be a lot of the focus." He said all three were lower, while the broader market was at least "a touch lower."

Auto bonds still in the breakdown lane

While the shares of both GM and Ford were modestly higher on Wednesday on investor expectations – or, at least, their hopes – that some kind of a Washington compromise could be worked out to bail out those companies and smaller sector peer Chrysler LLC, bond investors were nowhere nearly as sanguine.

On the increasingly gloomy outlook for the domestic auto industry, underscored by the big losses and intense cash-burn rates which both GM and Ford reported Friday, a trader saw GM's benchmark 8 3/8% bonds due 2033 down 1½ points at 23.5 bid, 25 offered, and saw Ford Motor Co.'s 7.45% bonds due 2031 also down 1½ points at 25 bid, 26.5 offered.

A second trader saw the GM long bonds unchanged at 23 bid, 25 offered, but said that GMAC's bonds "got beat up and moved around every which way" before ending lower, with the 8% bonds due 2031 at 36 bid, down 2½ points. He also saw GMAC's troubled wholly-owned mortgage unit Residential Capital LLC's 8½% notes due 2010 at 30 bid, 32 offered, "down a few points," although he said there was "not much trading" in the credit. Noting that parent GMAC's bonds were lower, he opined that "as GMAC goes, so ResCap goes."

A market source at another desk meantime quoted Ford's 9.98% long bonds due 2047 at the 29 level, up more than a point. But its **Ford Motor Credit Co.** auto-finance unit's 5.80% notes coming due in January were down a point at 88 bid. The source also saw GM's 7 1/8% notes due 2013 falling 3 points to the 25 level and its 7.20%

notes due 2011 down more than 2 points at under 33 bid, while GMAC's 6 7/8% notes due 2012 were 4 points lower at 43 bid.

Las Vegas Sands a winner

A trader saw Las Vegas Sands' 6 3/8% notes due 2015 "very active today," with well over \$30 million having changed hands by early afternoon, far outdistancing the next most active bonds by almost \$10 million. He saw the bonds get as good as 61 bid.

Another trader asked rhetorically "wouldn't you love to be the guy who bought \$1 million of the bonds late Monday at 51?" noting that they were up around 9 points from Monday's close to 60 bid, 62 offered; however, he also said that after having opened at that higher level, they were pretty much unchanged on the day, even after having risen to 62 bid during the session and then falling back.

The Prospect News
High Yield Daily

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Philip Morris, Duke Energy, AT&T, Georgia Power issue in time crunch; spreads wider; new Diageo deal gains

By Andrea Heisinger and Paul Deckelman

New York, Nov. 12 – A window opened in the new issue market Wednesday, allowing companies like **Philip Morris International Inc., Duke Energy Carolinas, LLC, AT&T Inc., and Georgia Power Co.** to price new deals.

Sources were unsure how long the relatively strong stream of new issues would last, noting that most were not issuing due to favorable market conditions.

In the investment-grade secondary market Wednesday, advancing issues led decliners by an eight-to-seven ratio. Overall market activity, reflected in dollar volumes, was more than double Monday's restrained pre-holiday pace.

Spreads in general were seen wider, in line with solidly lower Treasury yields; for instance, the yield on the benchmark

10-year notes fell 10 basis points to 3.64%.

Wednesday's newly priced issues from AT&T Corp. and from Duke Energy Carolinas were seen to have tightened modestly after they were freed for trading – a change from the recent trends of new bonds that priced to cheaply shooting up by multiple points and tightening markedly in the aftermarket.

But **Diageo Capital's** re-opened 2014 notes did continue to firm smartly from their issue price.

The tobacco spinoff of Altria, Philip Morris International, priced \$1.25 billion of 6.875% notes due 2014 late Wednesday, a source said.

The notes priced at 99.512 to yield 6.989% with a spread of Treasuries plus 467.5 basis points.

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Market Data

Recent private placement and mezzanine deals

Date	Issuer	Issue	Agent	Amount	Coupon	Price	Yield	Maturity	Warrants
11/12/2008	FBL Financial Group Inc.	unsecured notes	-	\$100	9.250%	100	9.250%	11/5/2011	-
11/6/2008	Chesapeake Utilities Corp.	unsecured senior notes	-	\$30	5.930%	100	5.930%	10/31/2023	-
10/24/2008	Brookfield Asset Management Inc.	unsecured notes	-	\$750	6.650%	100	6.650%	2013	-
10/24/2008	Brookfield Asset Management Inc.	unsecured notes	-	\$750	6.400%	100	6.400%	2014	-
10/23/2008	River Fuel Funding Co.	senior secured notes	Mizuho	\$70	T+325	100	T+325	2013	-
10/23/2008	J.M. Smucker Co.	senior notes	-	\$376	6.630%	100	6.630%	2015	-
10/23/2008	J.M. Smucker Co.	senior notes	-	\$24	6.120%	100	6.120%	2015	-
10/22/2008	Cyanco Intermediate Corp.	subordinated unsecured promissory note	-	\$43.5	12.000%	100	12.000%	4/22/2013	-

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