

Mattel Dolls Up Bond Offering With 'Poison Puts'

INVESTING: Toymaker defends action as necessary in credit-crunched market

By MITCH DEACON

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In a \$350-million bond offering earlier this month, Mattel Inc. laced its five-year notes with "poison puts."

The puts enable investors to redeem the notes for 101 cents on the dollar in the event of a change in ownership and a subsequent downgrade in the rating of the El Segundo-based company.

A spokesperson for the world's largest toymaker insisted that the so-called poison is harmless, adding that

the puts are necessary to raise capital in today's debt markets.

"The change-of-control put is a standard clause now commonly requested by credit investors in debt issuances," said Jules Andres, director of corporate communications, in a statement.

But with reasonably sound public firms like Mattel trying to lure investors with poison, evidence is growing that the credit crunch is creeping into the upper echelons of Wall Street.

"It's a sign of the times," said Lloyd Greif, president and

chief executive of L.A. investment bank Greif & Co. "A year ago it was a borrower's market. Nowadays, lenders are not just going along for the ride. They want the ability to jump off at any time."

While Mattel remains in healthy financial condition, storm clouds are gathering on the horizon. The downward spiral in the housing market is raising concerns for retailers and their suppliers.

"Retailers will be ordering fewer toys than last year, and that is still not reflected in the

share price," said Gerrick Johnson, an analyst with BMO Capital Markets in New York.

Even if Mattel's sales remain strong, the company might end up fighting on a different front. Costs of production are rising in China and Southeast Asia, where the toymaker's manufacturing operations are located.