

## **Argentica Commits to Hold ‘Tradable’ B-Piece**

In its first outing as a B-piece buyer, **Silverpeak Argentica** is taking an unusual step apparently aimed at demonstrating its commitment to the sector.

A Silverpeak unit, Argentica Real Estate Finance, has agreed to buy most of the below-investment-grade portion of a \$634.9 million conduit offering (WFCM 2017- RC1) that is on track to price next week.

The bulk of the underlying loans is being contributed by **Rialto Capital** (30.8%), **Wells Fargo** (29.9%) and Argentica (27.1%). Wells is the bookrunner and will fulfill the risk-retention requirement by holding 5% of each class.

Argentica is taking down the remaining 95% of the below-investment-grade classes. Because Wells is the risk-retention party, Argentica’s B-piece isn’t subject to any trading restrictions. But in a twist, Argentica is voluntarily committing to retain the B-piece for five years.

B-piece investors often flip the double-B portions of their purchases, while retaining the higher-yielding unrated and single-B components. That allows them to potentially boost their returns and also recycle capital for other investments.

So why would Argentica give up that option?

“I think they want people to see that their intent is to build a long-term platform,” said one source familiar with the firm’s strategy. “They don’t want it to look like they’re in it for the trade. They’re in it for the long haul.”

Argentica could also benefit another way. If investors react positively to a deal that has roughly double the minimum 5% retention level, they might be willing to pay more for the investment-grade portion of the offering. As a leading loan contributor, Argentica would share in the higher prices.

Argentica provided its commitment to Wells, the transaction’s depositor, and agreed not to finance or hedge the B-piece.

Sources suggested Argentica might do the “elective retention” again if investors pay up, and that other shops could try it as well.

When a B-piece buyer officially serves as the risk-retention party on conduit deals, it must hold the bonds for at least five years. But the risk regulations make any subsequent trade hard to pull off, so buyers effectively have to retain the bonds for the full 10-year life of a transaction.

In an item in *The Grapevine* on Feb. 10, **Commercial Mortgage Alert** incorrectly reported that the WFCM deal would be structured with an L-shape retention strip and that Silverpeak would retain the horizontal portion of the strip. The item also misstated the deal’s “RC1” series number as “C38.”