SLICING & DICING
GETS GREAT PRICING
THE SECURITIZATION
DEALS OF THE YEAR

By George Weltman

**EAST**

Transaction: Dong Fang Container Finance (SPV) Ltd $200 million ABS Notes

Winners: Deutsche Bank – Joint Bookrunner and Lead Structuring Agent,
BNP Paribas – Joint Bookrunner and Co-Structuring Agent,
BofA Merrill Lynch – Joint Bookrunner

**WEST**

Transaction: Buss Capital 279.25 Million Container Asset Backed Secured Notes

Winners: BNP Paribas – Sole Bookrunner, Sole Structuring Agent and Joint Lead Manager
DVB – Joint Lead Manager
ING – Financial Advisor

Much to the chagrin of the owners of other shipping assets, the container lessors, with their simple and inexpensive assets, have exclusive access the ABS market at least as far as the rest of the industry is concerned. It is amazing to us that these assets encumbered for the most part by five-year long-term leases can be magically structured (we don’t know the secret sauce) to achieve an "A" credit rating and access to the cheap longer term capital from this market.

BNP Paribas, BofAML, Credit Suisse, Deutsche Bank and Wells Fargo (in alphabetical order so as not to incur the ire of any of them) are the main players in this market and the source of the nominations in this category. There were two straightforward operating lease securitizations for Seaco and Cronos for $400 million and $300 million respectively.

In a transaction led by BofAML, TAL Advantage V LLC, an indirect wholly owned subsidiary of TAL International, successfully sold $253 million Series 2013-1 Fixed Rate Notes Class A (rated A) and $18.75 million of Series 2013-1 Fixed Rate Notes Class B (rated BBB) with coupons of 2.83% an 3.96% respectively. This transaction is noteworthy for having a significant set of key transaction terms defined by series through supplements to the indenture. This allows differentiation and flexibility between series (in addition to note coupon and amortization schedules) with respect to credit enhancement, multiple note credit priorities, hedging requirements for floating rate series, container eligibility, concentration limits, management fees, restricted cash amounts, early amortization events, manager defaults and events of default. Each series of notes will be secured by assets of the issuer (TAL Advantage V). However, as a departure from prior ABS programs, collections on those assets are to be allocated among series on a monthly basis based upon a series collection allocation percentage for each series. Once allocated, the funds will be applied in accordance with an expanded series waterfall. Asset base calculations are to be performed on a series specific level utilizing a separate series asset allocation percentage. In short, these features will streamline future TAL Advantage V transactions and reduce costs as additional series are added to the program.

**Dong Fang**

While we applaud the hard work and innovation of the TAL transaction, it was Deutsche Bank’s successful execution of a $200 million cross-border ABS notes offering...
for Dong Fang International Investment Limited’s ("DFIIL") which caught our eye. A subsidiary of the China Shipping Group and ultimately owned by the PRC, DFIIL is a top ten container lessor with a strong growth story and a robust capital structure. This was the first U.S. capital markets transaction for a Hong Kong based issuer and priced only 15 bps wider than public benchmark issuer, Textainer’s TMCL 2013-1, done just one week earlier. Rated A, the Notes were priced to yield 4.20% with a weighted average life of 5.1 years based upon a scheduled maturity of nine years and a legal maturity of fifteen years. The notes were collateralized by $255 million as well as a $7.85 million pre-funding account giving an advance rate of 74%. The collateral consists of a young fleet, with a weighted average life of 2.4 years and long-term leases with an average remaining term of 4.2 years. The counterparties on the leases comprise strategically important Asian shipping lines.

**Buss Capital**
There was also a new kid on the block with a new structure which turned the traditional container ABS transaction on its head, with multiple firsts. On behalf of Buss Capital, BNP Paribas arranged Global Container Assets 2013-1 ("GCA 2013-1"), a $279.25 million transaction collateralized by a pool of 216,854 containers managed by six container lessors. With the net book value of the containers at $427 million, the transaction has an advance rate of 64%. This ground breaking transaction was the first container lease ABS transaction with separation of ownership and management. Here the equity source is not a lessor but a German KG fund equity source (Buss Capital) and involved multiple container lessors, also unheard of previously, as shown in the diagram below:

Another unusual feature of the transaction was the equipment which consisted of predominantly dry containers with a weighted average age of the portfolio of approximately six years, which risk was mitigated by a higher proportion of long-term leases and shorter note tenor.

And, finally, this was the first container ABS transaction with a time-tranched debt structure. Previously, every container ABS transaction issued has a single tranche, 5-year weighted average life, 10-year amortization, 15 year legal final structure. This transaction had two tranches, an A-1 tranche, with a 2-year WAL, 4-year amortization and an A-2 tranche which is a 4-year soft bullet with no amortization until year 4 with both tranches having a 15 year legal final. As a result, it priced on a weighted average cost basis at 3.02% with the A-1 tranche at 2.20% being the lowest priced container ABS note since the re-opening of the market in 2010. The notes are fully secured by the collateral and contain strong structural protections including, but not limited to a full cash sweep and 100 bps step-up coupon should the borrower not repay the notes by the expected maturity in October 2017.

Interestingly, the differences opened up the market to short term investors, banks and asset managers, for the A-1 tranche as opposed to the traditional insurance-money investors that buy the 5-year WAL notes, which in turn allowed tightening of the A-1 coupon.

It was another big year for securitizations. Now, if someone could only securitize a ship and a charter.