

Anchorage Capital — Distressed Investor Primer

For: Maxwell Nides · Senior Associate interview with Pat McGrath, Global Head of Restructuring, Anchorage Capital Advisors

Compiled: May 23, 2026 **Companion to:** anchorage_master_prep_FINAL.md (narratives, deal teardowns),

anchorage_interview_prep.md (mental model + 3 deal walkthroughs), anchorage_gatto_integration.md (Gatto

crosswalk) **Purpose:** The PM-side reference. Every term, framework, source, base-rate, and verbatim Pat-position you need so Pat cannot drop a phrase that makes you go blank.

⚠ CRITICAL CORRECTIONS TO PRIOR PREP — READ FIRST

Prior prep docs contain Anchorage personnel errors. These were corrected by web research May 23, 2026.

Prior doc said	Reality (May 2026)
"Charles Tauber, founder/CEO of Anchorage"	Tauber left Anchorage Sept 2021 , now partner at PJT Partners . NOT current Anchorage personnel.
"Tom Mitchell, co-CIO"	Not found in current Anchorage Capital Advisors bios. Likely confusion with another firm.
"Anthony Davis, President"	Not found in current ACA L.P. bios. Likely confusion with another firm.
"Altice creditors received 31% equity"	Actually 45% equity to creditors (BlackRock/PIMCO/Fidelity/Elliott/Anchorage). Drahi retains 55%.
"Anchorage AUM ~\$15-20B"	Currently ~\$26.1B (BusinessWire press, Aug 2025).

Current Anchorage leadership (use these names if asked): | Name | Role | |---|---| | **Yale Baron** | Co-CIO & Managing Principal | | **Thibault Gournay** | Co-CIO & Managing Principal; Co-PM ACO IX | | **James Frost** | Partner; Co-PM ACO IX | | **Patrick McGrath** | Partner, Global Head of Restructuring; ACO IX IC voting member | | **Kevin Ulrich** | Chairman of legacy ACG; Chair of Legacy Funds IC |

ACO IX vehicle (the fund you are joining): - Final close: **August 19, 2025** - Commitments: **\$1.5B** (exceeded \$1.25B hard cap) - Co-PMs: Thibault Gournay + James Frost - LP base: **>70% repeat LPs** from prior vintages - Strategy: stressed/distressed credit, special situations, structured credit, U.S. + Europe, emphasis on **smaller / more complex** capital structures

Two-entity corporate structure (don't conflate): - **Anchorage Capital Group, L.L.C.** — legacy funds (ACP, AIO III-VII). Chairman: Kevin Ulrich. Site: anchoragecap.com. - **Anchorage Capital Advisors, L.P.** — successor org (2022). Runs ACO drawdown funds, performing credit, structured credit, CLOs. Site: anchoragecapital.com.

HOW TO USE THIS DOCUMENT

- **Tonight (2 hr):** Read Part I (mental model), Part VII §A (top-5 read-this-week list), Part VI deep-dives 1–4. Memorize the 10 base-rate stats in Part V.A.

- **Morning of (1 hr):** Re-read Pat's verbatim positions (Part I §1.2), the iron triangle (§1.3), the Anchorage DIP-to-equity playbook (Part II §2.3), and the 2026 LME landscape (Part I §1.5).
- **In the room:** Anchor on the deal-away credibility four-part test, the "pick 2 of 3" iron triangle, and the J.Crew → At Home playbook repeatability. If you don't know an answer, say *"I'd want to underwrite that more carefully — my instinct on first principles would be..."* and reason from the frameworks here.
- **Always:** Speak as an investor, not a lawyer. The advisor-to-investor language shift table in Part I §1.6 is the cheat code.

PART I — THE DISTRESSED INVESTOR'S MENTAL MODEL

1.1 The First 20 Minutes on a Name (PM-style triage)

A distressed PM running a new credit at speed asks these questions in this order:

1. **What's the basis?** Where is the security trading? At what price (cents on the dollar) did it last clear size? Where would I have to buy to build a meaningful position?
2. **What's the fulcrum?** Where in the cap structure does enterprise value break? Fulcrum holders become the new equity in any restructuring — identifying it correctly is the primary analytical task. (See Moyer Ch. 9; Gatto Ch. 16 fulcrum drill.)
3. **What's the catalyst?** Why will price converge to value, and over what hold period? Distressed without a catalyst is dead money. Catalysts: maturity wall, covenant trigger, missed coupon, asset sale, refinancing window, sponsor exit, secular re-rating, litigation milestone.
4. **What's the loss path?** What's the worst plausible recovery if I'm wrong? What's the probability-weighted expected recovery? Position size scales inversely with downside.
5. **Who else is here?** Which funds hold the same paper or the layer adjacent? Are there steerco / co-op dynamics already forming? Is there a sponsor still in the cap structure?
6. **Is this an active or passive play?** Passive: ride to recovery, take liquid markdown. Active: build a control block, sit on steerco, drive the restructuring outcome.

These six questions are the standing prompt every IC presentation answers. Master them.

1.2 Pat McGrath's Verbatim Positions (Bloomberg FICC Focus, Mar 5, 2025 — 1h48m)

Source: [bloomberg.com/professional/insights/markets/anchorage-mcgrath-breaks-down-lmes-state-of-distressed-debt/](https://www.bloomberg.com/professional/insights/markets/anchorage-mcgrath-breaks-down-lmes-state-of-distressed-debt/)

On the incumbent creditor's advantage in LME negotiations:

"Even if we hear rumblings that NDAs are out there with third parties and private lenders are looking at assets... we're still in a position where — why wouldn't they come back to us — because we have more to give."

"If I've invested in a structure and I have a group, I can give them more time. I can address interest rates. I can probably provide the money a little bit cheaper and I can give them certainty as opposed to them saying I'm going to finance the business away."

On asymmetry of information — incumbents often know less about what the company has disclosed to third parties under NDA than the company knows. Must assess credibility of "deal away" threats with limited information.

On institutional reputation — creditors who engage in creditor-on-creditor violence in one deal risk long-term market relationships. Firms known for aggressive tactics may be excluded from future co-op groups. *This is critical to Anchorage's positioning — they brand as steerco-credible, multi-deal repeat players.*

On the buy-side view of LMEs (WRDIC Feb 21, 2025, with Roopesh Shah):

"Elevating in the cap structure is NOT a great way to make money."

The investor's frame: an LME that elevates you in priority but doesn't fix the business is a delay, not a fix. Real money is made when (a) you correctly underwrite a recoverable business AND (b) you sit in the right tranche when the recovery flows through the waterfall.

1.3 The LME Iron Triangle (Pat's WRDIC framework)

Source: WRDIC 2025 panel recap at restructuringnewsletter.com.

An LME can deliver at most two of three objectives: 1. **Discount** — buying back debt at a price below par 2. **Maturity extension** — pushing the maturity wall out 3. **New capital** — raising fresh money to fund operations / liquidity

Why "two of three": - Discount + new capital → no maturity relief (debt still falls due) - Maturity extension + new capital → no discount (you paid par or premium for the extension) - Discount + maturity extension → no new capital (you didn't raise anything; you only restructured what was there)

Investor stress-test: When you see an LME term sheet, ask which two corners it's hitting and which one is left undone. If new capital is missing, the company will be back in 12-24 months. **Ankura data confirms: only 14% (5 of 35) of 2017-2024 LMEs avoided subsequent default.**

1.4 The Deal-Away Credibility Four-Part Test (Pat's framework)

When a borrower threatens to take a deal "away" from incumbents (to private credit or a new lender group), the incumbent group must assess whether that threat is real. Pat's four tests:

1. **Severable assets** — does the borrower have collateral packages or unrestricted subsidiaries that can be carved out for new financing? If no severable assets, no deal-away.
2. **Willing alternative lenders** — is there actually capital on the other side of the NDA, or is this a bluff? Private credit AUM has grown to \$3.5T, so this test increasingly resolves "yes."
3. **Permissive documentation** — does the credit agreement permit the contemplated structure (drop-down, uptier, double-dip)? Post-Serta/Mitel, this is documentation-engineering work.
4. **Calculable borrowing capacity** — what's the actual debt incurrence capacity under the existing baskets? Is there room for a meaningful new-money facility?

If all four resolve in favor of the borrower, the deal-away threat is credible and incumbents must compete on price/terms. If any fail, incumbents have leverage.

1.5 The 2026 LME Landscape (Pat will expect fluency)

Market numbers (Octus + 9fin + S&P): - 2025: ~\$47.9B across 51 LME events through Oct - 2025 total: ~28 LMEs (vs. 34 in 2024) — modest pullback in volume, peak in cultural/legal attention - 2024: 145 global defaults, **nearly 60% were DDEs** — first year DDEs constituted majority of defaults (S&P 2024 Annual Default Study) - **LMEs = 73% of the default landscape at 2025 peak vs. 9% in Jan 2020** (CreditSights via Ankura)

Maturity wall: - \$2T (2024) → \$3T (2026) jump in debt maturities - Leveraged-credit specifically: ~\$580B loans + ~\$625B HY bonds → \$1.2T maturing 2027-2029 - Interest coverage on Morningstar LSTA US LL Index fell to ~4.6x (post-Q3 2025) from ~6x in 2022

Private credit AUM: - Global: **\$3.5 trillion** (2025); projected \$4.5T by 2030 - 2024 deployment: \$592.8B globally (+78% vs 2023) - North American direct lending: \$644B (7x growth over decade — Marks "What's Going on in Private Credit?" April 2026)

Key 2024–2026 court rulings reshaping the playbook: | Case | Date | Court | Ruling | Effect | |---|---|---|---|---| | **Serta Simmons** | Dec 31, 2024 | 5th Cir. | "Open market purchase" ≠ private non-pro-rata exchange | Killed dominant uptier structure | | **Mitel Networks** | Dec 31, 2024 | NY 1st Dept | "Purchase by way of assignment" permits cashless exchange | Mitel-language uptiers survive | | **Wesco/Incora** | July 2024 (Bankr.) / Dec 2025 (Dist.) | S.D. Tex. | Dist. ct reversed bankruptcy ct; transactions valid | Inconsistent lower-court outcomes | | **ConvergeOne** | Sept 25, 2025 | S.D. Tex. Dist. | Plan's exclusive equity backstop = unequal treatment, §1123(a)(4) violation | Limits in-plan upside-monopoly mechanisms | | **Purdue Pharma** | June 27, 2024 | SCOTUS | Non-consensual third-party releases of non-debtors NOT authorized | Mass-tort Ch11 + Texas two-step disrupted | | **Robertshaw** | June 20, 2024 | S.D. Tex. Bankr. | LME breach remedy = unsecured claim only, not unwinding | Limits damages for LME violations |

The post-Serta playbook (Oregon Tool, Better Health, Cabinetworks): Borrowers and lenders now structure "extend-and-exchange" transactions that blend uptier + dropdown + double-dip elements explicitly avoiding the "open market purchase" language Serta killed. Direct exchanges via amendment + tender (not "purchase"). Cabinetworks (May 2026) is the cleanest recent example.

1.6 The Advisor-to-Investor Language Shift

If you say these phrases, Pat hears "Davis Polk associate cosplaying." If you say the right-column phrases, he hears "investor."

ADVISOR / LAWYER LANGUAGE	INVESTOR LANGUAGE
"We advised the AHG..."	"Our basis was 48..."
"The covenant package allows..."	"The capacity is X under the basket; deal-away is credible if Y..."
"The opinion held..."	"After Serta, the market repriced post-LME paper to..."
"We negotiated a discount..."	"We're long the fulcrum at a 40% discount to my recovery..."
"Section 363 sale"	"credit bid / fulcrum-to-equity / cleanup buyer"
"Fiduciary duties of the board..."	"What's the sponsor's exit path? Does the IPO window matter?"

ADVISOR / LAWYER LANGUAGE	INVESTOR LANGUAGE
"Cram-down under 1129(b)..."	"Where does indubitable equivalent get us if they fight?"
"Plan confirmation..."	"When does the paper start trading on a recovery basis?"
"EBITDA add-backs..."	"Quality of earnings — am I underwriting a sustainable run-rate or a one-time bump?"

The frame: lawyers think in case names; investors think in basis, fulcrum, catalyst, hold. Translate every legal concept into "how does this change my P&L?"

PART II — THE TRADE TAXONOMY (Gatto's 8 Strategies, Anchorage Cuts)

Gatto's *Credit Investor's Handbook* (Wiley 2024) Ch. 19 codifies 8 strategies. When Pat asks "what kind of trade is this," answer with one of these 8 by name.

2.1 New Financing (DIP, Exit, Emergency)

The trade: Provide debtor-in-possession or exit financing into a distressed/bankrupt situation. Earn yield + structuring fees + sometimes equity kickers.

When it works: Company has positive unit economics at zero leverage. Secured creditors can act fast enough to consolidate before second-lien fights break out.

Anchorage signature: *DIP-to-equity*. Price the DIP as control-acquisition cost with embedded call on post-emergence enterprise value, NOT as a yield instrument. The DIP rolls up at emergence into the new term loan AND a meaningful equity stake.

Concrete examples: - **J.Crew 2020:** Anchorage + GSO + Davidson Kempner provided \$400M DIP that converted to exit term loan + majority equity. Anchorage emerged as majority owner. - **At Home 2025:** Anchorage in lender group with Redwood/Farallon/Silver Rock/Aryeh/Glendon. DIP converted to ~98% of reorganized equity. RSA supported by 96% of funded debt. - **Tailored Brands** (non-Anchorage parallel from Gatto): term loan at \$40 → 93.3% of NewCo equity + take-back paper + 7.5% MIP + 6.7% to unsecureds.

2.2 Spread Tightening

The trade: Buy a stressed bond at a wide spread when the market is over-discounting default risk; ride the spread tightening as the credit profile improves or refi window opens.

When it works: Issuer has temporary stress (cyclical, regulatory, sector rotation) but stable cash flow + reasonable cap structure. No restructuring needed — just price recovery.

Canonical example: Macy's 5.125% 2042 in Nov 2020 — bought at \$60.20, traded to \$93 in 8 months → **63% IRR**.

The Pat connection: Anchorage's "performing credit" book runs spread-tightening trades alongside the special-situations book. It's the bread-and-butter that funds the patient-capital distressed work.

2.3 Distressed-for-Control (DfC) — Anchorage's Signature

The trade: Buy fulcrum debt at a deep discount. Drive the restructuring outcome to convert that debt into post-emergence equity. Hold the equity for 3-7 years to realize operational value.

When it works: Same as new financing — positive unit economics at zero leverage, secured creditors disciplined.

The Anchorage playbook (J.Crew → At Home template): 1. Accumulate position in fulcrum tranche at deep discount (pre-petition or in market) 2. Join ad hoc / steering committee; help structure the DIP 3. Provide DIP with conversion mechanic at emergence 4. Take majority equity stake at emergence 5. Operate or sell 3-7 years out

The two conditions for the playbook to work: 1. Company has unit economics that are positive at zero leverage 2. Secured creditors can act fast enough to consolidate before fight breaks out at the second-lien level

Both J.Crew and At Home had this profile. Saks Global (live, filed Jan 2026) is structurally similar; that's why it's your pitch.

Other recent DfC examples: - **Tailored Brands** (Gatto Ch. 19 walkthrough) - **AMC Entertainment** (less clean — meme-stock interference)

2.4 Fundamental Value (Long or Short)

The trade: Buy a stressed name with valuable assets/business that the market is over-discounting (long); OR short a name where market is over-paying for a deteriorating asset base (short).

Canonical example (short): JCPenney equity short 2013 — \$15.20 → \$7 in 6 months, \$4.5M on \$10M short. Gatto's go-to fundamental-short case.

When it works: Information advantage on operations, sector knowledge, or contrarian read on management.

2.5 Capital Structure Arbitrage

The trade: Long one tranche / short another tranche of same issuer's cap structure, capturing relative-value dislocations. Works in both directions: stressed (waterfall recovery delta) or pre-stress (insurance).

Canonical example: Aleris GFC (Adam Cohen at Caspian) — long secured TL, short both unsecured layers heading into GFC. Won on both sides as the credit deteriorated.

The investor's mental model: - If TEV breaks at the unsecured layer, secured recovers ~100%, unsecured recovers (say) 30%. The pair tightens. - If TEV is robust, the pair widens. You lose the spread but keep the secured. - Pay attention to indenture cross-default provisions — sometimes a default on one tranche force-defaults others.

2.6 Trade Claims & Vendor Puts

The trade: Buy claims directly from vendors / trade creditors of a distressed company (at deep discount) before the bar date, then collect post-emergence recovery. OR write/buy puts on vendor exposure pre-bankruptcy.

Canonical (cautionary) example: Kmart 2001 — wrote vendor put at 1.5%/month × 3 with 90% strike; Kmart filed in January, claims went to 46¢, hedge covered \$20M of the \$30M unhedged loss (~\$12M net loss). The lesson: don't sell calls on tail risk you can't price.

2.7 Liquidations

The trade: Buy a name where the going-concern value < liquidation value of asset components. Drive a 363 sale or wind-down. Capture the gap between book value and going-concern.

Canonical case study: Gatto's KHA Corp liquidation walkthrough (Ch. 19) — the most complete recovery-math template in the literature. Asset-by-asset NOLV × time-to-sell × wind-down cost (1.0-1.5% IB fee + \$2M/month admin + ~\$30M stay bonuses for a large retailer).

2.8 Special Situations

The trade: Anything that doesn't fit the other seven. Sovereign distress, mass tort, holdout litigation, Texas two-step shielding, channeled-injunction settlements.

Canonical example: Elliott vs. Argentina — 14-year battle, \$115M cost basis → \$2.4B. **Silver Point's Quinn / Aventas** (the Gatto appendix case study, taught at Columbia/Harvard/Fordham).

2.9 Anchorage's Trade Mix (What ACO IX Actually Runs)

Per ACA materials and the WRDIC framing, ACO IX runs a multi-strategy mix: - **Stressed/distressed credit** (Strategies 2, 3, 4, 5 above) - **Special situations** (Strategy 8) - **Structured credit** (CLO equity, mezzanine — separate playbook, asset correlation work) - **Performing credit** (Strategy 2 baseline)

The "1+1+1>3" mantra (Pat's phrase): Research + restructuring + trading combined. ACO IX's edge isn't any one strategy — it's the cross-pollination. Research surfaces names early. Restructuring desk gets them through the legal complexity. Trading desk handles execution and pair-construction.

PART III — POSITION LIFECYCLE (Entry → Hold → Exit)

3.1 Sourcing

How distressed PMs find names (in Pat's order of frequency):

1. **Broker color** — sales coverage at the leveraged-finance desks (JPM, BofA, Citi, GS, MS) ping PMs when paper moves; smaller shops (Imperial, Seaport, Mariner) for off-the-run names
2. **Secondary market screens** — Bloomberg DRSK, ICE BondPoint, MarketAxess for stressed loans; LCD for primary issuance
3. **Trifecta of news** — Octus / 9fin / Pari Passu — same morning read for the whole community
4. **Idea-share networks** — informal calls with peer PMs at non-competitive shops
5. **New-money mandates** — sell-side approaches you with a DIP / exit / rescue financing pitch
6. **Sponsor relationships** — PE shops with portfolio company stress sometimes call distressed funds directly
7. **The mailman** — court-filed motions, RSA exhibits, plan supplements (PACER monitoring)

3.2 Entry

Two distinct postures:

The patient buyer: Builds a 5-10% position quietly over weeks/months, in size that doesn't move the market. Goal: own enough to matter at the AHC table without telegraphing.

The cleanup buyer: Comes in after the first big shoe drops (covenant breach, missed coupon, plan supplement file). Buys from forced sellers (HY mutual funds at NAV discount, CLOs hitting OC tests). Goal: enter at a basis that lets you survive even if a second shoe drops.

Pat's bias: Patient buyer in the fulcrum; cleanup buyer for spread trades. ACO IX's structure favors patient capital.

3.3 Hold

Mid-trade questions: - **When to add?** When the credit deteriorates but the path-to-recovery has not changed. - **When to scale?** When new information improves the recovery thesis (asset sale announced, sponsor concession, court ruling in your favor). - **What kills you mid-trade?** - Cap structure surprise (drop-down or uptier you didn't see coming) - Subordination shock (intercreditor turnover invoked) - Litigation overhang (an unexpected adversary proceeding) extending hold period beyond fund life - Macro re-rating (sector ETF outflow forcing PM to mark-to-cost-basis)

3.4 Exit

Four exit paths: 1. **Par recovery** — credit cures; bond trades back to par. Best outcome on a spread-tightening trade. 2. **Restructuring resolution** — your tranche gets re-paper'd into new debt + cash + equity. Mark the new instruments and hold or sell. 3. **Sale / 363** — company sold; cash + take-back paper. Distributes to creditors per waterfall. 4. **Write-down / loss** — recovery short of cost basis. Lessons learned go into the IC postmortem.

Hold-period discipline (Pat's view): Distressed funds have 3-5 year drawdown lives + 2-year extension options. Trades that exceed 5-year holds tie up capital without compounding. Discipline = exit at "good enough" rather than "perfect."

3.5 The Steerco Seat (Altice Playbook)

When Anchorage is on the steering committee of a co-op, that's a distinct workflow:

The Altice France case (closed Oct 1, 2025, IFR EMEA Restructuring of the Year): - 18-month negotiation; €24B gross debt - Anchorage on steerco alongside Elliott, PIMCO, BlackRock, Fidelity, UBS-AM, Sona, Sculptor - Cooperation agreement scaled to **200+ institutions** covering **€19B of opco debt** - Held **94%** of secured debt + 98.5% of co-op group through 18 months - Outcome: ~€8.6B debt eliminated, creditors took **45% equity stake**, Drahi retained 55% - Mechanics: French accelerated safeguard proceeding + U.S. Chapter 15 ancillary

What the steerco seat actually requires: 1. Patience for 18-month negotiations 2. Reputation that other creditors will follow you 3. Legal sophistication on cross-border tools (French sauvegarde, English Part 26A, US Ch 15) 4. Ability to hold a 200-institution co-op together against borrower divide-and-conquer tactics 5. Quantitative discipline on the equity-for-debt swap math

PART IV — BOOK CONSTRUCTION (The IC Voting View)

4.1 Concentration vs. Diversification

Distressed isn't equities — you can't own 200 names. Concentration is the norm: - Top 10 positions typically 50-70% of NAV - Top 5 typically 35-50% - Single largest 8-15%

Why concentration is rational: distressed analysis is labor-intensive and idiosyncratic. Diluting to 50 names means undeniable underwriting on most of them.

4.2 Correlation — "Diversified across 12 names" is often one bet

The risks distressed PMs really worry about: - **Sector correlation** — 5 retail credits in 2025 was effectively one tariff bet - **Sponsor correlation** — 3 KKR-owned portcos in trouble is the sponsor's risk profile - **Macro correlation** — every levered name reprices when HY spreads blow out - **Process correlation** — 4 names in the same judge's S.D. Tex. docket carry correlated litigation risk

Practical IC test: "If [macro variable] moves by [X], what is the book-level NAV impact?" If the answer is >5%, the book isn't actually diversified.

4.3 Hedges

CDS index hedges — short HY CDX or iTraxx Crossover to hedge book-level credit beta. Cheap but imperfect (sector composition mismatch).

Single-name CDS — when liquid, can hedge specific names. Watch the bond-CDS basis post-Hertz / Energy Future (auction settlement can be a trap).

Equity sleeves — short the parent or competitor equity as a fundamental-value hedge.

Sector ETF shorts — short XRT (retail), XLY (consumer disc) against retail distressed book.

4.4 The Liquidity Premium

Distressed paper trades at a discount to fair value partly for liquidity. PMs must price this: - Liquid distressed (>\$2B issue, multiple dealer markets): ~50-150bps liquidity premium - Moderately liquid (>\$500M, occasional dealer markets): 200-400bps - Illiquid (private credit, claims, small issues): 500bps+

If you're getting paid the liquidity premium, hold to recovery. If not, exit.

4.5 Multi-Strategy Platforms (Where Pat's Desk Sits)

ACO IX runs across: - Stressed/distressed (Pat's restructuring desk) - Special situations - Structured credit (CLO equity, mezz) - Performing loans + bonds

Cross-pollination value: Same names appear in different forms across the desks. Pat's desk surfaces names early via the restructuring lens; structured credit desk holds CLO equity in the same names; trading desk knows the secondary marks. The "1+1+1>3" is real because information flows across desks at the same firm.

Anchorage's claim: Better at smaller / more complex capital structures than a single-strategy distressed fund because of this cross-product information advantage.

PART V — DISTRESSED INVESTOR GLOSSARY (~180 entries)

Organized by category — the PM doesn't think Code-section-by-Code-section. Cross-references in [brackets].

V.A — The Base Rates You Must Know Cold

Memorize these 10 stats. Pat will probe one or two; getting any wrong signals weakness.

#	Stat	Source
1	LMEs = 73% of default landscape at 2025 peak vs. 9% in Jan 2020	CreditSights via Ankura 2026
2	S&P 2024: ~60% of 145 global defaults were DDEs — first year DDEs were the majority	S&P 2024 Annual Default Study
3	Ankura: only 14% (5 of 35) of 2017-Aug 2024 LMEs avoided subsequent default	Ankura "Bandage or Bridge?" Jan 2026
4	Fitch: DDE recoveries 77.8–92.8% (2024/Q1 2025) vs. ~63% historical 1L bankruptcy recovery	Fitch via Bloomberg July 2025
5	S&P LossStats: bank loans avg 79% discounted recovery vs. 49% for bonds. With strong debt cushion (>75%), 1L loans hit 94% .	S&P LossStats 2023

#	Stat	Source
6	Moody's long-run recoveries: 1L bank loan 82% avg, sr secured bond 65%, sr unsec 38%, sub 15%	Moody's Annual Default Study
7	Altman baselines: HY default 3.3%/yr long-run avg, recovery 45% par avg, lev loan recovery 60-65%	Altman NYU Salomon
8	Harvard BRT: within 2 years of an LME, only 22% of companies avoided both bankruptcy and re-default	Harvard Bankruptcy Roundtable Feb 2026
9	Roe & Rotaru (Yale L.J. forthcoming May 2026): most coercive LMEs still file — coercive structures load priority debt, don't deleverage	SSRN id 6103369
10	Pat's iron triangle: an LME delivers at most 2 of 3: discount / maturity extension / new capital	WRDIC 2025

V.B — The Basis (Trading & Position)

- **The basis** — your cost in cents-on-the-dollar (e.g., "we're in at 48").
- **Off the run** — trading at a discount to similar-quality on-the-run paper, usually for technical reasons.
- **Inside / wide of par** — trading above / below par.
- **The stub** — the residual unsecured / equity left after a senior-led restructuring. Sometimes valuable, often not.
- **The tail** — the long-dated maturity tranche; usually the deepest discount, biggest convexity.
- **Trades inside the curve** — paper that's priced tighter than the credit curve would predict — often a sign of technicals or a covenant arbitrage opportunity.
- **Two-way market** — there are real buyers and sellers at quoted prices; dealer is willing to make a market both ways.
- **Print** — a transaction that crosses; what last traded in size.
- **Color** — informal info from a dealer or sales coverage about flows, sentiment, who's accumulating.
- **The book** — a fund's position sheet; "what's in the book" = the active portfolio.
- **Cleanup buyer / cleanup trade** — buyer who takes out the last sellers near the bottom; can earn 5-15% over patient buyers if timed right.
- **Tape** — the printed trade record (TRACE for bonds; less reliable for loans). "Watch the tape" = monitor what's actually trading vs. what's quoted.
- **DV01 / spread duration** — dollar P&L sensitivity to a 1bp move in yield/spread. Stressed bonds at \$40 have very different DV01 than at \$95.
- **Z-spread vs. OAS vs. asset-swap spread** — three ways to measure a bond's spread to a risk-free curve. Z-spread = static; OAS = option-adjusted; ASW = swap-based. Distressed PMs use Z-spread mostly; OAS for callable paper.
- **CDS-bond basis** — gap between bond spread and CDS spread on same issuer. Trades to converge but post-Hertz / Energy Future auction-settlement traps make this dangerous.

V.C — The Trade

- **The trade** — the specific position thesis (long/short/pair/structure) plus the catalyst path.

- **The thesis** — the underwriting case; what has to be true for the trade to work.
- **The path** — the sequence of events / catalysts that get you from entry to exit.
- **The fulcrum** — the security in the cap structure where TEV breaks. New equity in any reorganization.
- **Fulcrum-and-a-half** — the layer just below the fulcrum; gets meaningful recovery (often 30-50%) in many scenarios.
- **Above / below the line** — above the fulcrum (likely to recover par) vs. below (likely to take a haircut).
- **The pair** — long one layer / short another in the same cap structure.
- **The hedge** — offsetting position designed to neutralize a specific risk.
- **The basis trade** — buying paper that's mispriced for a process reason, betting on convergence.
- **The cleanup** — see V.B.
- **Going-concern multiple vs. liquidation** — the two ways to value the enterprise; pick higher in good-faith cases.
- **TEV (Total Enterprise Value)** — the value of the whole pie; the number from which the waterfall flows.
- **What-need-to-be-right** (Pat's phrase) — the minimum operational assumptions for the trade to clear at your hurdle rate.
- **The trade-away** — when a borrower threatens to take a deal to alternative lenders (see Pat's four-part test).
- **The deal-away** — same as trade-away in PM slang.

V.D — The Book

- **Concentration** — % of NAV in top N names.
- **Correlation** — degree to which positions move together (sector / sponsor / macro / process).
- **Liquidity bucket** — how fast a position can be exited at acceptable discount.
- **Mark-to-market vs. mark-to-cost vs. mark-to-recovery** — three accounting frames PMs run mentally.
- **The IC** — Investment Committee. ACO IX's IC includes Pat as voting member.
- **The PM** — Portfolio Manager. ACO IX co-PMs: Thibault Gournay + James Frost.
- **The hold** — how long capital is tied up in a position.
- **The drawdown** — fund's commitment-to-drawdown structure (LPs commit; GP calls capital as needed).
- **The vintage** — fund year; ACO IX is the 9th vintage.
- **DPI / TVPI / RVPI** — distributed/total/residual to paid-in capital. Distressed funds target DPI of 1.5-2.0x over 5-7 years.

V.E — The Negotiation

- **The AHG / AHC** — Ad Hoc Group / Ad Hoc Committee. Informal creditor group, no fiduciary duties to non-members.
- **The steerco** — Steering Committee. Subset of the co-op that drives negotiations.
- **The co-op** — Cooperation Agreement. Binding among signatories; restricts deal-making outside the group.
- **Tiered co-op** — co-op where steerco gets enhanced economics ("carve-out premium") while broader lenders get base terms (2025-2026 innovation).
- **Lock-up agreement** — RSA-style commitment to vote a certain way; usually conditioned on plan terms staying within a range.
- **DQ list / disqualified lender list** — sponsor's roster of banned lenders. Modern credit agreements often include them; can be weaponized to exclude vocal critics.

- **Holdout / holdouts** — creditors who refuse to participate; can be coerced via priming, exit consents, or majority-rule sacred-rights waivers.
- **Sacred rights** — credit-agreement provisions requiring 100% (or each-affected-lender) consent to amend: principal, maturity, pro-rata sharing.
- **Required lenders** — typically 50.1%; can amend most provisions except sacred rights.
- **Each affected lender** — heightened consent standard; required for collateral release, lien stripping in some docs.
- **Vote-strip** — amendment that removes a lender's voting rights or relegates them to a separate class.
- **Collateral-strip** — amendment that releases collateral from a tranche's package.
- **Open-market purchase** — defined exception in many credit agreements allowing borrower / affiliate purchases. Post-Serta 5th Cir, this term requires actual secondary market trading.
- **Cashless exchange** — debt-for-debt swap with no cash; survived in Mitel (NY 1st Dept) under "purchase by way of assignment" language.
- **The hill** — the specific contract clause being fought over (e.g., "the hill in Serta was the 'open market purchase' definition").
- **Drop-down** — transfer of collateral to an unrestricted subsidiary, used to raise new senior secured debt against that collateral while existing lenders lose access.
- **Uptier** — priming exchange where a majority of lenders exchange existing debt for new super-senior debt; minority left subordinated.
- **Double-dip** — claim structure where new debt has two parallel paths to recovery against the same obligor (e.g., direct guarantee + intercompany loan).
- **Triple-dip** — three parallel claim paths; emerging structure post-Serta.
- **Pari-and-a-half / pari-priming** — middle-priority debt that's senior to existing pari but junior to a new tranche.
- **J.Crew blocker / trapdoor blocker** — covenant language in modern credit agreements designed to prevent the 2016 J.Crew IP-transfer maneuver.
- **Anti-PetSmart provision** — covenant preventing transfer of subsidiary equity to unrestricted subsidiaries.
- **Anti-stalking-horse provision** — restriction on borrower's ability to give one lender preferential access.
- **Backstop / backstop fee** — commitment from a creditor group to underwrite a new-money piece; earns a fee (typically 5-10% of underwritten amount).
- **Roll-up** — DIP financing structure where existing pre-petition debt converts ("rolls up") into the DIP, jumping in priority.
- **Carve-out premium** — economic enhancement for steerco members in tiered co-op structures.
- **Non-boycott covenant** — borrower-side innovation (WBD 2025) restricting lenders from forming cooperation groups. The "game changer" per IFR.
- **Texas two-step / divisive merger** — Texas-law mechanism splitting a company into "good co" and "bad co" — bad co immediately files Ch11. Disrupted post-Purdue.
- **Sauvegarde / accelerated safeguard** — French restructuring procedure used in Altice France. European analog to Ch11.
- **Part 26A (UK)** — English restructuring-plan tool; allows cross-class cram-down. Used in Fossil, Petrofac, Cineworld.
- **Scheme of arrangement (UK)** — older UK restructuring tool; predecessor to Part 26A.
- **Chapter 15** — US recognition of foreign main proceeding; used in cross-border restructurings (Altice, Intrum, Fossil).

V.F — The Docs

- **Credit agreement** — the loan document. Most LME action lives here.
- **Indenture** — the bond document; governed by Trust Indenture Act §316(b) limitations on majority-rule amendments to payment terms.
- **Intercreditor Agreement (ICA)** — governs priority between secured lenders. Turnover provisions determine waterfall flow.
- **First lien / second lien ICA** — typical structure; second-lien lenders subordinate to first-lien on collateral proceeds.
- **Pari-passu ICA** — two equal-priority lenders with shared waterfall.
- **Equal and ratable clause** — bond indenture provision requiring borrower to grant equal liens to bondholders if granting to others.
- **Springing maturity** — maturity that accelerates if certain trigger conditions met (e.g., if revolver still outstanding at term loan maturity).
- **Covenant-lite (cov-lite)** — loan with minimal financial maintenance covenants; no quarterly leverage tests. Now ~85% of new-issue lev loan market.
- **Maintenance covenant** — must be satisfied every quarter regardless of new debt issuance.
- **Incurrence covenant** — only tested when borrower takes a specific action (e.g., new debt, dividend, M&A).
- **MFN (Most Favored Nation)** — provision requiring borrower to give existing lenders the best terms offered to new lenders.
- **Anti-layering** — covenant preventing borrower from issuing debt junior to existing debt but senior to the tranche with the anti-layering protection.
- **Capped vs. uncapped baskets** — capped baskets have fixed dollar limits; uncapped ("grower") baskets scale with EBITDA or assets.
- **Available amount** — composite basket counting cumulative CNI, ECF proceeds, equity contributions, etc. Often the largest single capacity.
- **Builder basket / restricted-payments builder** — RP capacity that "builds" with retained CNI plus optional equity contributions.
- **Leverage-based step-down** — basket that shrinks as leverage rises (or grows as it falls); built into many modern docs.
- **Cumulative CNI builder** — RP capacity = sum of consolidated net income since closing × specified %.
- **Debt buyback basket / Dutch auction** — capacity for borrower to repurchase its own debt below par via Dutch auction; can be coercive.
- **ECF sweep** — Excess Cash Flow sweep; mandatory prepayment of a % of ECF.
- **Unrestricted subsidiary (UnSub)** — sub outside the credit agreement's covenant perimeter. J.Crew / PetSmart used UnSubs for trapdoors.
- **Restricted subsidiary (RSub)** — sub subject to all the credit agreement covenants.
- **CFC blocker / §956 inclusion** — tax structure where foreign subsidiaries' guarantees would trigger §956 deemed-dividend tax; lenders accept 65% pledge of CFC equity instead.
- **Foreign subsidiary 65% pledge** — limitation on US-borrower pledges of foreign sub equity to 65% to avoid §956.
- **Bankruptcy-remote SPV** — separate legal entity structured to be insulated from parent bankruptcy; used in securitizations, JV financings.
- **True sale vs. secured loan** — characterization of a transfer; "true sale" puts assets outside bankrupt seller's estate, "secured loan" leaves them in.
- **Recharacterization risk** — court re-labels a "true sale" as a "secured loan," pulling assets back into estate.
- **Equity contribution / cure right** — sponsor's right to cure a financial covenant breach by injecting equity.

- **Spendable cash / cash dominion** — credit-agreement provisions on how much cash the borrower can hold vs. sweep to lenders.

V.G — The Recovery (Process / Mechanics)

- **§363 sale** — sale of assets free-and-clear of liens during Ch11; can be faster than plan confirmation.
- **Stalking horse** — first bidder in a 363 auction; sets the floor.
- **Bid procedures order** — court order setting auction rules.
- **Break-up fee** — fee paid to stalking horse if outbid (typically 2-4% of bid).
- **Expense reimbursement** — stalking horse's expenses if outbid.
- **Credit bid** — secured creditor bidding its debt instead of cash at a 363 sale. §363(k). Limited by Fisker, RadLAX.
- **DIP financing** — Debtor-in-Possession loan; super-priority during Ch11. §364(c)-(d).
- **DIP roll-up** — feature where pre-petition debt rolls into the DIP, jumping in priority.
- **Cash collateral order** — court order allowing debtor to use secured-creditor cash collateral during Ch11.
- **Adequate protection** — payments / liens given to secured creditors to compensate for use of their collateral.
- **§506(b) post-petition interest** — over-secured creditors entitled to post-petition interest at contract rate (vs. judgment rate).
- **§506(c) surcharge** — debtor's ability to charge secured creditor's collateral with costs of preserving it; typically waived in DIP orders.
- **§502(b)(2) unmatured interest** — disallowed in claims; affects make-whole enforceability.
- **§1111(b) election** — under-secured creditor's option to be treated as fully secured (waiving deficiency claim) or as bifurcated (secured to extent of collateral value + unsecured deficiency).
- **§1126(e) vote designation** — court can disqualify a creditor's vote for bad faith.
- **§1129(b) cram-down** — confirming a plan over a class's "no" vote, if the plan is fair-and-equitable.
- **Absolute priority rule (APR)** — no class below the rejecting class can recover until rejecting class is paid in full.
- **New value exception** — controversial APR carve-out where equity holders contribute new value to retain stakes.
- **Best-interests-of-creditors test** — §1129(a)(7); each impaired creditor must receive \geq Ch7 liquidation value.
- **Feasibility test** — §1129(a)(11); reorganized debtor must not need further restructuring.
- **Gerrymandering of impaired classes** — debtor structuring classes to create impaired-accepting class (required by §1129(a)(10)) — courts scrutinize.
- **Designation of votes** — see §1126(e). DBSD, Allied Nevada are key cases.
- **Equitable mootness** — appellate doctrine declining to review confirmed plans if effective. Tribune limits it; Serta 5th Cir rejected it as bar to review.
- **Equitable subordination** — court power to demote a creditor's claim for inequitable conduct. Mobile Steel factors.
- **Substantive consolidation** — collapsing separate legal entities for distribution purposes. Augie/Restivo + Owens Corning factors.
- **Fraudulent transfer / conveyance** — pre-petition transfer voidable under §548 (federal) or state UFTA / UVTA. TOUSA, Lyondell, Tribune.
- **Preference / §547** — pre-petition payments to creditors within 90 days (1 year for insiders) voidable.
- **Cram-down interest rate / Till rate** — formula rate (prime + 1-3%) for secured cram-down in Ch13/Ch11. Momentive applied Till; market-rate alternative.

- **Indubitable equivalent** — §1129(b)(2)(A)(iii); alternative to fair-and-equitable for secured class.
- **Plan confirmation** — court approval of the Ch11 plan; binds all creditors.
- **Effective date** — date plan distributions begin.
- **Bar date** — deadline for creditor claims.
- **Exit consent** — bondholder consent solicitation that strips covenants from non-tendering bonds. Marblegate-era jurisprudence applies.
- **Make-whole / yield-protection / call premium** — premium on early redemption. Ultra Petroleum (5th Cir) = generally disallowed as unmatured interest, except under solvent-debtor exception.
- **Solvent-debtor exception** — when debtor is solvent, creditors entitled to full contractual recovery including make-whole + post-pet interest at contract rate.
- **§1141(d)(6) corporate discharge exception** — pre-petition fraud-related debts not discharged for corporate debtors.
- **§1129(d) tax-avoidance** — court may reject plan whose principal purpose is tax avoidance.
- **§108 CODI exclusion** — cancellation-of-debt income excluded from gross income if discharged in Ch11; outside Ch11, only excluded if insolvent.
- **§382 NOL limitation** — change-of-control limits NOL utilization. Distressed-debt exchanges trigger §382 ownership shifts.
- **§382(l)(5) vs. §382(l)(6)** — two elective regimes for preserving NOLs through Ch11 emergence. (l)(5) is full preservation with strict eligibility; (l)(6) is partial preservation but more flexible.
- **AHYDO penalty** — Applicable High Yield Discount Obligation rules limit deductibility of OID-laden distressed debt. §163(i)(1).
- **Stock-for-debt exchange** — typically excluded from CODI under §108(e)(8) at FMV of stock issued.
- **§956 deemed dividend** — US tax on undistributed earnings of CFCs to extent of certain US investments; triggered by foreign-sub guarantees / pledges of more than 65% of CFC stock.
- **QSF / Qualified Settlement Fund** — §468B fund holding mass-tort proceeds pending distribution.
- **GUC trust** — General Unsecured Creditor trust receiving recoveries on behalf of GUCs post-emergence.
- **Liquidating trust** — trust holding remaining estate assets for monetization and distribution.
- **§524(g) channeling injunction** — asbestos-specific permanent injunction channeling future tort claims to a trust.
- **§1145 vs. §4(a)(2)** — registration exemptions for plan-issued securities. §1145 = freely tradable post-plan; §4(a)(2) = restricted, requires accredited investors.
- **Third-party releases** — releases of non-debtor parties (sponsors, directors). Post-Purdue, non-consensual ones are NOT authorized.

V.H — Doctrine & Case-Name Shorthand

When Pat name-drops a case, recognize it instantly.

- **Serta Simmons (5th Cir Dec 31, 2024)** — open-market-purchase ≠ private exchange; uptier void.
- **Mitel (NY 1st Dept Dec 31, 2024)** — "purchase by way of assignment" permits cashless exchange; uptier valid.
- **Wesco / Incora (S.D. Tex. July 2024 Bankr / Dec 2025 Dist)** — bankruptcy court found LME breach, district court reversed; "falling dominoes" framework rejected.
- **ConvergeOne (S.D. Tex. Dist Sept 2025)** — exclusive equity backstop = §1123(a)(4) unequal-treatment violation.

- **Purdue Pharma / Harrington (SCOTUS June 2024)** — non-consensual third-party releases NOT authorized.
- **Robertshaw (S.D. Tex. Bankr June 2024)** — LME breach remedy = unsecured claim, not unwinding.
- **Marblegate (2d Cir 2017)** — Trust Indenture Act §316(b) does not prevent out-of-court exchanges that don't formally amend payment terms.
- **Cash America** — paired with Marblegate on §316(b) limits.
- **Tribune** — equitable mootness; intentional fraudulent transfer in LBO.
- **TOUSA (11th Cir)** — fraudulent transfer of upstream guarantees.
- **Lyondell** — fraudulent transfer in LBO.
- **Ultra Petroleum (5th Cir)** — make-whole = unmatured interest, disallowed; solvent-debtor exception recognized.
- **Hertz (D. Del.)** — post-petition equity recovery when debtor turned solvent.
- **Energy Future** — make-whole + creditor standing.
- **Czyzewski v. Jevic (SCOTUS 2017)** — structured dismissals cannot violate priority rules.
- **Momentive (S.D.N.Y.)** — applied Till formula for cram-down rate.
- **Charter Communications** — substantive consolidation; equitable subordination.
- **MPM Silicones** — cram-down interest rate.
- **Fisker / RadLAX** — limits on credit-bidding in 363 sales.
- **Caesars** — fraudulent transfer + parent guaranty; Sujeet Indap "The Caesars Palace Coup" book.
- **Mission Product Holdings (SCOTUS 2019) / Tempnology** — trademark license non-rejection.
- **DBSD** — vote designation under §1126(e).
- **In re Genco** — TEV methodology.
- **In re Mirant** — post-petition interest.
- **Augie/Restivo** — substantive consolidation factors.
- **Owens Corning (3d Cir)** — substantive consolidation factors.
- **Mobile Steel** — equitable subordination factors.
- **Sutton 58 Assoc** — sale free-and-clear limits.
- **Stearns Holding** — "gift plan" doctrine.
- **In re Iridium** — solvency analysis.

V.I — Macro & Market Context

- **Maturity wall** — concentration of debt maturities in 2026-2029 (~\$3T 2026, \$1.2T 2027-2029 leveraged).
- **HY default rate** — long-run avg 3.3% (Altman); current ~6% distress ratio (2026, near historic lows).
- **HY spread blowout** — when HY spreads widen >800bps, signals broad credit stress.
- **K-shaped economy** — bifurcation between strong (large-cap, tech, services) and weak (consumer, levered, import-dependent).
- **Tariff shock** — 145% China tariffs post-April 2026 driving distress in consumer/import sectors.
- **Private credit** — \$3.5T global AUM; \$644B North American direct lending. The new fulcrum of credit market evolution.
- **CLO market** — ~\$1T US CLO AUM; OC tests trigger forced selling in stress events.
- **Volcker rule limitation** — banks can't run distressed prop books; created the post-2008 distressed hedge-fund opportunity.

V.J — The "Pat Vocabulary" — Phrases to Recognize / Deploy

- **"Investment-first principle"** — Pat's framing; underwrite the business and security FIRST; LME participation is downstream.
 - **"Iron triangle / pick 2 of 3"** — Pat's LME-objectives framework.
 - **"Deal-away credibility test"** — Pat's four-part framework (severable assets / willing alternative lenders / permissive docs / calculable borrowing capacity).
 - **"Incumbency premium / step-two shortcut"** — Pat's framing of incumbent advantages.
 - **"More to give"** — Pat's verbatim phrase; incumbents can offer time + rate + cheapness + certainty.
 - **"1+1+1>3"** — Pat's mantra; research + restructuring + trading combined.
 - **"Elevating in the cap structure"** — Pat's phrase; what an LME does mechanically.
 - **"Recoverable business"** — Pat's verbatim phrase; the binary test for whether ANY LME structure works.
 - **"40 of them, not one of them"** — Pat's WRDIC phrase on the volume of LMEs Anchorage sees; pattern recognition as an edge.
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PART VI — DEEP-DIVE CONCEPTS (Half-page each)

These are the topics where Pat probes 3 layers deep. Glossary entries are insufficient — you need the mechanics.

6.1 DIP-to-Equity Option Valuation

The Anchorage signature. Don't price the DIP as a yield instrument — price it as a **call option on post-emergence enterprise value with the DIP principal as the strike**.

Components: 1. **Yield component** — coupon × hold period to emergence. Typically 8-12% on senior DIPs, 12-18% on junior. Modest. 2. **Roll-up component** — DIP converts to exit term loan at par with tighter docs. Cleanup of existing position. 3. **Equity component** — DIP converts (in whole or part) to post-emergence common. Sized to give DIP providers control (>50%) or blocking (>33%). 4. **Embedded call value** — option on the gap between (a) reorg TEV ÷ shares-issued = implied equity value per share, and (b) DIP \$ ÷ shares-issued = implied basis. The wider the gap, the more option value.

The math: Run three TEV scenarios (low / base / high). Compute equity-per-share at each. Probability-weight. Subtract DIP basis. That's your option value.

J.Crew worked example: \$400M DIP (Anchorage + GSO + DK) converted to exit TL + majority equity. Anchorage's effective basis on the equity stake was materially below reorg TEV. Held the equity 3+ years before partial monetization.

Sources: Gatto Ch. 19 (Tailored Brands); Anchorage At Home docket (2025); Moyer Ch. 9.

6.2 The Altice Sterco Playbook

How a creditor co-op holds together for 18 months in a 200-institution group against a determined sponsor (Drahi).

Key mechanics: 1. **Defined steerco** (7-9 institutions) drives negotiations; broader co-op (200) holds collective bargaining power 2. **Lock-up provisions** — co-op members agree not to deal individually with sponsor; sanctions for defection (usually loss of voting rights, claw-back of negotiated economics) 3. **Sponsor's countermove** — Drahi explored "deal-away" with select creditors; sauvegarde threat used as leverage; PR campaigns to fracture the group 4. **Cross-border tools** — French sauvegarde threatened by Drahi as way to force-impose plan; US Ch15 used by creditors for recognition 5. **Outcome economics** — €8.6B debt eliminated, ~€15.5B remaining, **45% equity to creditors** (BlackRock/PIMCO/Fidelity/Elliott/Anchorage etc.), 55% Drahi 6. **Doc tightening** — restrictions on Drahi's related-party transactions; this is as important as the equity stake long-term

Why this matters for Anchorage: Pat directly worked this. Knows the playbook. Co-op formation is the defensive counter to the LME wave — and Anchorage runs it both ways (as incumbent, as steerco participant).

Sources: Octus "Five Lessons" (Oct 2025); IFR EMEA Restructuring of the Year writeup; Pari Passu Altice Distressed Diaries.

6.3 Cap-Structure Arbitrage Pairs

The classic distressed-PM trade. Long one tranche, short another, betting on relative recovery.

Setup framework: 1. Identify TEV scenarios (low / base / high) 2. Run recovery waterfall at each — capture % recoveries by tranche 3. Compute "implied price" of each tranche based on prob-weighted recoveries 4. Find dislocations: tranche trading above implied price = sell; trading below = buy 5. Construct pair to neutralize macro / sector risk

Aleris GFC example (Adam Cohen / Caspian): - Long 1L term loan (would recover ~100% in restructuring) - Short both unsecured tranches (would recover ~20-30%) - Outcome: both legs paid as credit deteriorated

Risks: - **Convergence trade reversal** — if credit recovers, both legs move toward par; the short hurts more (limited upside, unlimited downside on a covering rally) - **CDS settlement risk** — single-name CDS hedges can be traps; auction-settlement determines the payout (Hertz, Energy Future) - **Recall risk on the short** — distressed paper hard to borrow; recalls happen at worst times

6.4 Backstop Commitment Economics

When a creditor group "backstops" a new-money piece (DIP, exit financing, rights offering), they commit to underwrite the amount if other creditors don't subscribe.

Compensation structure: - **Backstop premium** — 5-10% of underwritten amount, payable in cash or in-kind (additional new-money allocation, discounted equity) - **New-money discount** — backstop participants buy the new instrument at a discount (typically 5-15%) to issue price - **Priority** — backstop new money gets senior priority + tightest covenants

The IRR math: - Premium of 8% on \$200M backstop, paid up front - Hold the resulting position ~6 months to emergence - Annualized: $8\% \times 2 = 16\%$ **IRR** just from the premium - Plus the new-money discount + the underlying tranche return

The catch: The backstop is real underwriting risk. If you backstop \$200M and nobody else subscribes, you own \$200M of paper in a still-stressed company. Size accordingly.

Recent precedent: Anthology DIP rollup (Dec 2025) — non-pro-rata DIP rollup where steerco got the rollup benefit; Ropes & Gray issued the post-mortem (URL in primer list).

Sources: Ropes & Gray Distressed Debt Legal Insights; Jones Day BRR Jan-Feb 2026 (ConvergeOne ruling).

6.5 Cooperation Agreement Valuation & Game Theory

Co-op agreements are the defensive counter to LME tactics. Roe & Rotaru (Yale L.J., May 2026) is the canonical academic treatment; Pari Passu's "From Shield to Sword" piece (Feb 2026) is the practitioner read.

The collective action problem: - 200 lenders, each holds 0.5% of debt - Borrower offers a coercive uptier to majority (52%) lenders - Without coordination, each lender's dominant strategy is to defect (take the new senior debt before being subordinated) - Co-op agreement binds lenders not to defect; sanctions defectors

Tiered co-ops (2025-2026 innovation): - Steerco (5-10 institutions): gets enhanced economics ("carve-out premium") - Broader co-op (50-200 institutions): gets base terms - Justification: steerco invests time/capital in negotiations; deserves enhanced returns - Critique: tiered co-ops privilege insiders, look like the LMEs they were designed to prevent ("From Shield to Sword")

Borrower-side counter: Non-boycott covenants (Warner Bros Discovery 2025) — credit-agreement language restricting lenders from forming cooperation groups in the first place. IFR called this a "game changer."

Investor's value calc: - Without co-op: expected recovery = $(P_{\text{protected}} \times \text{full_recovery}) + (P_{\text{subordinated}} \times \text{stripped_recovery})$. Often negative against par. - With co-op (member): expected recovery is preserved at the steerco-negotiated level. - The co-op premium = $(\text{co-op recovery}) - (\text{no-co-op recovery})$. Sometimes 15-30 cents on the dollar.

6.6 The 5-Step Investor Recovery Waterfall

Lawyers run 12-step waterfalls (priority claims, admin, secured, GUCs, sub debt, equity ...). The investor's framework is tighter:

1. **TEV range estimate** — comps + precedents + DCF (carefully, terminal value drives 60-80% — Gatto skepticism); avoid liquidation unless going-concern fails
2. **Priority claim haircut** — wind-down costs (1.0-1.5% IB fee + \$2M/month admin + \$30M stay bonuses for large retailers); admin priority; secured-collateral pulldown
3. **Waterfall through layers** — apply remaining TEV to layers in order; track which layer absorbs the break (the fulcrum)
4. **Recovery percentages** — convert to cents-on-the-dollar by tranche
5. **Risk-adjusted recovery** — discount for: time (until emergence), litigation risk, valuation risk (court vs. consensus TEV), post-emergence equity volatility

The KHA Corp drill (Gatto Ch. 19): Walk through a \$300M / \$400M / \$675M TEV scenario sensitivity on a \$50/\$100/\$200/\$400 cap structure. Should take 60 seconds in your head after sufficient reps. Do this drill twice before the interview.

6.7 The Deal-Away Credibility Test — Expanded

Pat's four-part test (see §1.4) deserves a 10-minute mental walkthrough on each Anchorage live name.

For each test, the diagnostic questions:

(1) Severable assets - Is there an unrestricted-subsidary basket the borrower can use? - Are there IP / brand / equity assets that can be carved out without operational impact? - What's the dollar value of severable assets vs. the new-money need? - *If severable < 30% of new-money need: deal-away is bluff.*

(2) Willing alternative lenders - Has the borrower retained an advisor known for soliciting private credit (Houlihan, PJT, Lazard)? - Are there public reports of NDA solicitations? - Is the deal size within range for typical private credit single-deal commitments (\$100M-\$2B)? - What's the borrower's relationship history with private credit shops? - *If no specific signs of advisor engagement: deal-away may be bluff.*

(3) Permissive documentation - Run the 5-minute credit agreement scan (master prep doc has this) - Specifically check: trapdoor blocker present? Anti-PetSmart? J.Crew-style language? - Check the open-market purchase definition (post-Serta, this matters) - *If docs have post-2024 blockers: deal-away requires structural workaround.*

(4) Calculable borrowing capacity - What's the available-amount basket? - What's the unrestricted-sub basket? - What's the lien-cap basket? - Sum the new-money capacity; compare to actual new-money need - *If capacity < need: deal-away requires lender consent, which gives incumbents leverage.*

The verdict: if 0-1 tests favor borrower, incumbents have full leverage. If 2-3, negotiated outcome. If all 4, incumbents must compete on price.

6.8 Post-LME Credit Pricing & Secondary Market Dynamics

9fin's "Post-LME Credits Put to the Test" (Aug 2025) shows that **30 companies' senior credit facilities from recent LMEs are trading at steep discounts** — meaning the market has priced in re-LME or Ch11 risk despite the elevated cap-structure position.

The investor angle: - "LME 22s" (companies that will need another LME within 2 years) trade at 60-80 cents - "Bridge LMEs" (genuine fixes) trade tighter, 90-95 cents - The bet: buy the discounted post-LME paper if you believe in operational fix; sell if you don't

Trade construction: - Pair: long discount-priced post-LME 1L vs. short equity / equity-like exit paper at the same name - Catalyst: next 4-6 quarters of operating data - Hold: 12-18 months

This is a Pat-style trade because it doesn't require new restructuring action — it's a fundamental-value + cap-arb call on whether the prior LME was a bridge or a bandage.

6.9 The Hertz / Solvent-Debtor Exception Edge Case

Hertz (D. Del. 2021) is the rare Ch11 where existing equity recovered >\$1B. Most distressed PMs hate the case because it broke the "equity goes to zero" rule, but understand the mechanics:

Why it happened: - Filed May 2020 (COVID destroyed travel revenue) - Used-car prices spiked 2020-2021 (chip shortage + demand recovery) - Fleet value ballooned; company became solvent - Multiple bidder groups (Knighthead/Certares vs. Centerbridge/Warburg) bid up exit equity - Existing shareholders rode the wave

The Ultra Petroleum / solvent-debtor exception (5th Cir 2022): - General rule: make-whole = unmatured interest → disallowed - Exception: if debtor is solvent at confirmation, creditors entitled to full contractual recovery including make-whole + post-pet

interest at contract rate - Texas bankruptcy court (Oct 2020) on Ultra: yes, make-whole + post-pet interest owed (solvent debtor) - 5th Cir 2022: affirmed solvent-debtor exception (nuanced make-whole analysis)

Why Pat might invoke this: - Tests your knowledge of edge cases - Frames Anchorage's pricing of make-whole risk in any name with strong asset coverage - The hedge: when a creditor underwrites at a deep discount, the upside if the debtor turns solvent is asymmetric — make-whole + contract-rate interest can boost recovery from 60 to 90+

6.10 Texas Two-Step Status (Post-Purdue)

Mechanics: Texas divisive merger creates "good co" + "bad co"; bad co files Ch11 to resolve tort liabilities; channeling injunction shields the good co.

Current status (May 2026): - Bestwall (Georgia-Pacific): 4th Cir (June 2023) upheld preliminary injunction; SCOTUS declined cert (Oct 2023); still pending in WDNC - **LTL Management (J&J):** Third Circuit dismissed twice (2023, 2024) for lack of "financial distress" — J&J too healthy; Houston Judge Lopez (March 2025) rejected third attempt; April 2025 denied revival. **J&J now facing direct tort litigation.** - **Post-Purdue:** SCOTUS's June 2024 ruling on non-consensual third-party releases directly undermines the Texas two-step's channeling-injunction rationale. If non-debtor releases require consent, "shield the parent" is much harder.

Why Pat cares: Anchorage avoids mass-tort plays; not their lane. But Pat will probe to see if you understand WHY they don't — because the channeling injunction path is now legally constrained, distinguishes the Texas two-step from "real" distressed credit.

6.11 The Wachtell "Liability Management Year in Review" Themes (Jan 2026)

Wachtell's annual LME review (PDF: wlrk.com/FirmMemos/WLRK/WLRK.29921.26.pdf) is the densest single legal document on the 2025 LME landscape. **Read it before the interview.** Key themes:

1. **Tiered cooperation agreements** — steerco gets enhanced economics; broader co-op gets base; emerging market practice
2. **The "carve-out premium" structure** — formalizes the steerco-vs-rank-and-file differential
3. **Serta fallout** — post-Serta, "open market purchase" language largely abandoned; new direct-exchange structures
4. **Predictions for 2026** — more "deal away" activity as co-op agreements make sponsor-side LMEs harder
5. **Authors:** Feltman, Kleinhaus, Benn, Arfa, Cassel, Marshak, Rowe — credentialed names to recognize

This is the document Pat will assume you've read.

6.12 The Howard Marks Macro Anchor (Sea Change → Cockroaches → Private Credit)

Three connected memos to internalize:

Sea Change (Dec 2022): End of the 40-year rate-suppression cycle. Credit's "moment to shine" returns. Skill-based investing matters again after a decade of beta. THE foundational memo for the current credit regime.

Cockroaches in the Coal Mine (Nov 2025): First Brands (auto parts) + Tricolor (subprime auto lending) bankruptcies caught credit investors by surprise. LME-layered cap structures obscured deterioration. Marks's warning: credit "carelessness" is

building.

What's Going on in Private Credit? (April 2026): Marks's direct take on private credit's growth from \$30B (2021) → \$644B (2026) North American direct lending. Some managers "accepted too much money and invested it too fast, applying standards that were too low." Setting up the distressed opportunity Anchorage is positioned for.

Why this matters for the interview: Pat will assume you have the Marks macro framing internalized. It's the implicit thesis behind ACO IX's \$1.5B raise — private credit standards loose now means distressed opportunity later. If you can connect any deal-specific answer to the Marks macro frame, you sound like a PM, not a banker.

PART VII — PRIMER READING LIST WITH SOURCING

Action-oriented. URLs verified May 23, 2026. Items marked ★ are the highest-value.

§A — IF YOU ONLY HAVE 5 HOURS (the irreducible minimum)

#	Read/Listen	Time	URL
1 ★	Pat McGrath, Bloomberg FICC Focus, March 5, 2025 podcast (1h48m)	1.8 hr	https://www.bloomberg.com/professional/insights/markets/anchorage-mcgrath-breaks-down-lmes-state-of-distressed-debt/
2 ★	Howard Marks, "Sea Change" (Dec 2022)	0.5 hr	https://www.oaktreecapital.com/docs/default-source/memos/sea-change.pdf
3 ★	Howard Marks, "What's Going on in Private Credit?" (April 2026)	0.5 hr	https://www.oaktreecapital.com/insights/memo/whats-going-on-in-private-credit
4 ★	Wachtell "Liability Management Year in Review: For Better or Worse" (Jan 2026)	1.0 hr	https://www.wlrk.com/FirmMemos/WLRK/WLRK.29921.26.pdf
5 ★	Pari Passu — "From Shield to Sword: How Co-ops Became the Weapon They Were Designed to Prevent" (Feb 2026)	0.5 hr	https://restructuringnewsletter.com/p/from-shield-to-sword-how-cooperation-agreements-became-the-weapon-they-were-designed-to-prevent
6 ★	Octus "Five Lessons From the Altice France Saga" (Oct 2025)	0.3 hr	https://octus.com/resources/articles/five-lessons-from-the-altice-france-saga-to-navigate-europes-liability-management-landscape/
7 ★	9fin LME Crash Course (5 modules, free registration)	1.5 hr	https://www.9fin.com/insights/lme-crash-course
8	WRDIC 2025 panel recap (Pari Passu)	0.2 hr	https://restructuringnewsletter.com/p/2025-wharton-distressed-investing-and-restructuring-conference-recap
9	Marks "Cockroaches in the Coal Mine" (Nov 2025)	0.5 hr	https://www.oaktreecapital.com/insights/memo/cockroaches-in-the-coal-mine

#	Read/Listen	Time	URL
10	Michael Gatto on Wall Street Skinny — "Distressed Debt 101" YouTube (45 min)	0.75 hr	https://www.youtube.com/watch?v=5FmEg7yBT7M

Total: ~7.5 hr of the highest-signal material. Cut to 5 if you watch Gatto at 1.5x and skim Wachtell.

§B — PARI PASSU NEWSLETTER (restructuringnewsletter.com)

The single most PM-facing source on the modern internet. Free archive is rich. Written by a former RX banker now at a hedge fund. Substack: <https://paripassu.substack.com> · X: [@PariPassu_Rx](https://twitter.com/PariPassu_Rx).

Free articles worth reading (top 12): | Title | URL | |---|---| | Double-Dip Explained Simple |

<https://restructuringnewsletter.com/p/pp-double-dip-explained-simple> | | Cooperation Agreements: Overview & Effectiveness |
<https://restructuringnewsletter.com/p/pp-cooperation-agreements-overview> | | Serta Is Back, Baby |
<https://restructuringnewsletter.com/p/serta-is-back-baby> | | Better Health: LM's Post-Serta Prototype |
<https://restructuringnewsletter.com/p/better-health-liability-management-s-post-serta-prototype> | | A Sharp Turn: Oregon Tool's Post-Serta LME | <https://restructuringnewsletter.com/p/a-sharp-turn-oregon-tool-s-post-serta-lme> | | From Shield to Sword (Co-ops weaponized) | <https://restructuringnewsletter.com/p/from-shield-to-sword-how-cooperation-agreements-became-the-weapon-they-were-designed-to-prevent> | | Zips Car Wash: A Quick Private Credit Ch11 | <https://restructuringnewsletter.com/p/ppp-zips-car-wash-a-quick-private-credit-chapter-11> | | Disqualified Lender List Primer + Clearlake's Blacklist |
<https://restructuringnewsletter.com/p/disqualified-lender-list-primer-and-clearlake-s-blacklist> | | 2025 Wharton Conference Recap (Pat's panel) | <https://restructuringnewsletter.com/p/2025-wharton-distressed-investing-and-restructuring-conference-recap> | | 2025 Year-End Letter #3 | <https://restructuringnewsletter.com/p/2025-pari-passu-year-end-letter-3> | | Intrum: Transatlantic Turnaround |
<https://restructuringnewsletter.com/p/intrum-a-transatlantic-turnaround> | | BurgerFi Restructuring |
<https://restructuringnewsletter.com/p/burgerfi-restructuring-from-better-burgers-to-bankruptcy> |

Premium-only (\$399/yr; consider if budget allows): - Quest Software \$3.6bn LME (May+Aug 2025) — Clearlake - Saks Global Restructuring saga (2025 → Jan 2026 Ch11) - AMC Entertainment four-chapter analysis - MRP Solutions "LME 3.0" - CLO evolution + role in restructuring

§C — 9FIN — Free LME Crash Course + Default Notice + LME Trends

The single best free educational resource on LME mechanics. Free registration unlocks the full Crash Course (5 modules).

Title	URL
★ LME Crash Course (5 modules)	https://www.9fin.com/insights/lme-crash-course
Q1 2026 LME Update — 11 LMEs Cross Finish Line	https://www.9fin.com/insights/q1-2026-lme-update
US LM Year in Review 2025 — Tiered Co-ops Peak	https://www.9fin.com/insights/us-liability-management-year-in-review-2025
Post-LME Credits Put to the Test	https://9fin.com/insights/post-lme-credits-put-to-test

Title	URL
Post-LME Credits Only 'Safe' Secondary Targets	https://9fin.com/insights/lme-trends-credits-secondary-targets
LM2.0 Tests Limit of Inclusive Deals	https://9fin.com/insights/lme-trends-lm2.0-inclusive-deals
Why Wait? Era of Pre-Emptive LMEs	https://www.9fin.com/insights/default-notice-pre-emptive-lmes
AMC's LME Scorecard	https://9fin.com/insights/amc-lme-scorecard
Free Fallin': Ch11 Trends That Defined 2025	https://www.9fin.com/insights/free-fallin-chapter-11-trends-2025
Ardagh Packages Europe's Second Co-Op	https://9fin.com/insights/winding-up-ardagh-europe-coop
European RX & LME Law Firm League Tables 2025	https://9fin.com/insights/european-restructuring-lme-law-firm-league-tables-2025

§D — OCTUS (Free Resources Page)

The institutional standard. Free articles are denser than Pari Passu but more pro-creditor flavored.

Title	URL
★ Five Lessons From the Altice France Saga (Oct 2025)	https://octus.com/resources/articles/five-lessons-from-the-altice-france-saga-to-navigate-europes-liability-management-landscape/
2026 Distressed Outlook	https://octus.com/resources/articles/2026-distressed-outlook/
Year in LMEs 2025 — Fewer Transactions, Busier Lawyers (Mar 2026)	https://octus.com/resources/articles/the-year-in-lmes/
Year in LMEs 2024 — Uptiers Down, Drop-Downs Up	https://octus.com/resources/articles/the-year-in-lmes-uptiers-down-drop-downs-up-and-dec-31-serta-decision-throws-a-monkey-wrench/
Saying No: The Power and Peril of the LME Holdout (Oct 2025)	https://octus.com/resources/articles/saying-no-the-power-and-peril-of-the-lme-holdout/
LME Jargon Buster: LM Blockers Explained (Aug 2025)	https://octus.com/resources/articles/lme-jargon-buster-liability-management-blockers-in-us-credit-agreements-explained/
Evolution of the LME: Where Are We Going? (Dec 2025)	https://octus.com/resources/articles/the-evolution-of-the-lme-how-did-we-get-here-and-where-are-we-going/
Private Credit LME Arms Race (Apr 2026)	https://octus.com/resources/articles/private-credit-lme-arms-race-has-shifted-from-financial-engineering-to-documentation-engineering-jayme-goldstein/
What Are LMEs? (Blog primer)	https://octus.com/resources/blog/what-are-lmes/
Ensis Partners on Middle-Market Restructuring	https://octus.com/resources/articles/ensis-partners-bets-on-middle-market-restructuring-as-private-credit-cycle-turns/

§E — PETITION (petition11.com)

Snarky, irreverent, anonymous; the cultural pulse of the RX bar. Free Wednesdays; \$499/yr full.

Title	URL
Bankruptcy & Restructuring Pros Weigh In (2025) Pt I	https://www.petition11.com/p/bankruptcy-pros-weigh-in-part-i-2025
QVC Group Ch11 — Happy Dancin' (Apr 2026)	https://www.petition11.com/p/happy-dancin
Cumulus Media Ch 22 (Mar 2026)	https://www.petition11.com/p/cumulus-media-chapter-22-bankruptcy-filing
Chapter 11 Bankruptcies Are Up (Apr 2026)	https://www.petition11.com/p/chapter-11-bankruptcies-are-up
Mitel Ch11 (Mar 2025)	https://www.petition11.com/p/mitel-bankruptcy
Are We Being Melodramatic? (Dec 2025)	https://www.petition11.com/p/are-we-being-melodramatic

§F — LAW-FIRM RESTRUCTURING ALERTS (free email subscriptions — set up today)

Subscribe to ALL of these via the firms' "subscribe to alerts" links. Set a Gmail filter to one folder.

- **Wachtell Lipton** — wlrk.com (especially the annual "Liability Management Year in Review" + "Distressed Investing Guide")
- **Davis Polk** — davispolk.com (you worked here — you should already have access)
- **Kirkland & Ellis** — kirkland.com (debtor-side perspective on LMEs)
- **Latham & Watkins** — lw.com
- **Milbank** — milbank.com (creditor-side; Altice opco)
- **Paul Hastings** — paulhastings.com
- **Gibson Dunn** — gibsondunn.com (Anchorage's Altice secured-creditor counsel)
- **Skadden** — skadden.com
- **Jones Day** — jonesday.com (bimonthly "Business Restructuring Review" — most prolific)
- **Cleary Gottlieb** — clearygottlieb.com ("Global Restructuring Insights" + UK Part 26A)
- **Akin Gump** — akingump.com (top creditor-side; "Post-LME Protections in 2025" PDF)
- **Ropes & Gray** — ropesgray.com (★ "Distressed Debt Legal Insights" — most consistently investor-relevant)
- **Proskauer** — proskauer.com (quarterly Private Credit Default Index — currently 2.73% Q1 2026)

Specific must-reads: - Wachtell "Liability Management Year in Review: For Better or Worse" (Jan 2026) — <https://www.wlrk.com/FirmMemos/WLRK/WLRK.29921.26.pdf> - Wachtell "Distressed Investing" Guide (2023) — <https://www.wlrk.com/webdocs/wlrknew/ClientMemos/WLRK/WLRK.28343.23.pdf> - Akin Gump "Special Situations: Addressing Post-LME Protections in 2025" — <https://www.akingump.com/a/web/pFxbhp5wEuMgjACqBiGUGy/special-situations-addressing-post-lme-protections-in-2025-akin-v5.pdf> - Ropes & Gray "2025 Takeaways and 2026 Outlook" — <https://www.ropesgray.com/en/insights/alerts/2026/02/distressed-debt-legal-insights-2025-takeaways-and-2026-outlook> - Cleary "Defense Against the Dark Arts" LME Primer (free PDF; search "cleary defense against the dark arts liability management")

§G — FUND WRITINGS (free, current)

Howard Marks memos — read these specifically: - ★ Sea Change (Dec 2022) — <https://www.oaktreecapital.com/docs/default-source/memos/sea-change.pdf> - ★ What's Going on in Private Credit? (April 2026) — <https://www.oaktreecapital.com/insights/memo/whats-going-on-in-private-credit> - ★ Cockroaches in the Coal Mine (Nov 2025) — <https://www.oaktreecapital.com/insights/memo/cockroaches-in-the-coal-mine> - Further Thoughts on Sea Change — <https://www.oaktreecapital.com/insights/memo/further-thoughts-on-sea-change> - The Calculus of Value (July 2024) - 2024 in Review (Feb 2025) — <https://www.oaktreecapital.com/docs/default-source/memos/2024-in-review.pdf> - Dispersion (Feb 2026) - Complete memos archive — <https://www.oaktreecapital.com/docs/default-source/memos/the-complete-collection.pdf>

Oaktree market commentary: - ★ State of the Credit Markets 2024 — <https://www.oaktreecapital.com/docs/default-source/default-document-library/state-of-the-credit-markets.pdf> (key context document) - Global Opportunity Knocks: Evolution of Distressed Investing — <https://www.oaktreecapital.com/insights/insight-commentary/market-commentary/global-opportunity-knocks-the-evolution-of-distressed-investing>

Apollo / Torsten Slok Daily Spark: - Subscribe: <https://www.apollo.com/wealth/the-daily-spark> (free email) - Insights hub: <https://www.apollo.com/insights-news>

Verdad Capital Weekly Research: - Free subscribe: <https://verdadcap.com/weekly-research> - ★ "Crisis Investing" eBook (PDF) — <https://static1.squarespace.com/static/5db0a1cf5426707c71b54450/t/5e57b290304a016161c46d62/1582805651161/Crisis+Investing+-+Verdad+Advisers+Ebook.pdf> - Crisis Investing Part III: What Works by Asset Class — <https://verdadcap.com/archive/crisis-investing-part-iii-what-works-by-asset-class>

§H — BOOKS (canon — read in this order)

Order	Book	Why	Free access
1	Stephen Moyer — Distressed Debt Analysis: Strategies for Speculative Investors (2004)	The bible. Ch. 9 "Profiting from Financial Distress — Investor's Perspective" is the load-bearing chapter.	Summary PDF: bookey.app/book/distressed-debt-analysis · Practitioner summary: prasadcapital.com/2016/01/01/book-summary-distressed-debt-analysis/
2	Michael Gatto — The Credit Investor's Handbook (Wiley 2024)	New practitioner standard. Silver Point pedigree. You own it. Re-read Ch. 16 (fulcrum drill) + Ch. 18 (LMEs) + Ch. 19 (8 strategies).	You bought it 5/22. Companion: Wall Street Skinny YouTube interview (45 min) https://www.youtube.com/watch?v=5FmEg7yBT7M
3	Marty Whitman & Fernando Diz — Distress Investing: Principles and Technique (Wiley 2009)	"Safe and cheap as a control system." Full text on Internet Archive: https://archive.org/details/distressinvestin00whit · Cundill Deep Value Substack summary: https://cundilldeepvalue.substack.com/p/fragments-fund-manager-series-marty	

Order	Book	Why	Free access
4	Howard Marks — The Most Important Thing (Illuminated edition, 2011)	Risk = permanent loss of capital. Second-level thinking. Cycle awareness.	Re-read Ch. 3, 5, 19. Amazon ~\$25.
5	Sujeet Indap & Max Frumes — The Caesars Palace Coup (2021)	The single best deep-narrative on a modern distressed brawl. Apollo / TPG / Elliott / Silver Point / Oaktree / Appaloosa intercreditor warfare.	Amazon ~\$28. Capital Allocators EP.209 covers it: https://www.capitalallocators.com/podcast/inside-the-sausage-factory-of-the-caesars-restructuring/
6	Edward Altman & Edith Hotchkiss — Corporate Financial Distress, Restructuring, and Bankruptcy (4th ed., 2019)	Recovery rate framework, Z-score, base rates.	Annual Reviews academic survey (free) https://www.annualreviews.org/doi/10.1146/annurev-financial-110118-123019
7	Seth Klarman — Margin of Safety (1991)	Ch. 9 (thrifts) + Ch. 12 (catalysts) are the distressed-adjacent chapters.	Free PDF via csinvesting.org community

§I — PODCASTS (queue at 1.5x)

Show	Episode	URL	Why
★ Bloomberg FICC Focus	Anchorage's McGrath Breaks Down LMEs (Mar 5, 2025)	https://www.bloomberg.com/news/audio/2025-03-05/anchorage-s-mcgrath-breaks-down-lmes-state-of-distressed	YOUR DIRECT PREP. 1h48m
Bloomberg FICC Focus	State of Distressed Debt: 2026 Outlook — STG, First Brands (Jan 2026)	bloomberg.com	Current cycle
Bloomberg FICC Focus	Houlihan Lokey's Tuck Hardie (Nov 2025)	bloomberg.com	Workout landscape
Capital Allocators (Ted Seides)	EP.468 Building Centerbridge Across the Capital Structure (Jeff Aronson)	https://www.capitalallocators.com/podcast/building-centerbridge-across-the-capital-structure/	Career arc parallel to Pat's; ★ for trajectory pitch

Show	Episode	URL	Why
Capital Allocators	EP.209 Inside the Sausage Factory of the Caesars Restructuring (Frumes + Indap)	https://www.capitalallocators.com/podcast/inside-the-sausage-factory-of-the-caesars-restructuring/	The cast of every distressed fund
Capital Allocators	King Street (Brian Higgins)	https://www.capitalallocators.com/podcast/king-street/	Distressed PM voice
Capital Allocators	Private Credit Concerns (Kieran Goodwin ex-King Street)	https://www.capitalallocators.com/podcast/private-credit-concerns/	Pairs with Marks April 2026 memo
Cloud 9fin	★ Jane's LME Addiction (Jane Komsky + Max Frumes) — monthly	https://podcasts.apple.com/us/podcast/cloud-9fin/id1580559274	Practitioner-grade LME developments
Cloud 9fin	LME Doomscrolling with Laurie	same feed	Long-run LME outcomes
Cloud 9fin	Distressed Diaries — Fly on the Wall: Altice France	9fin podcast feed	Full Altice case study
Wall Street Skinny	★ Distressed Debt 101 with Michael Gatto YouTube	https://www.youtube.com/watch?v=5FmEg7yBT7M	Author of new bible explains framework
Invest Like the Best	Marc Lasry — Making Bucks in Credit and Sports (Apr 2024)	colossus.com	Avenue Capital founder; distressed evolution
Odd Lots	Black Hole of Private Credit (Jared Ellias + Elisabeth de Fontenay) (Aug 2024)	https://www.bloomberg.com/news/audio/2024-08-30/odd-lots-inside-the-black-hole-of-private-credit-podcast	Private credit opacity
LFI Levered Lines	The LME Era: Scale, Co-ops & Lender-On-Lender Risk (Jim Schaeffer, Aegon)	https://lfileveredlines.podbean.com/	LME mechanics in current cycle
ValueWalk ValueTalks	Adam Cohen (Caspian) — Current State of Credit Investing	https://play.fountain.fm/episode/TiXokEVuWjd7Uv6GtWJK	25-yr distressed PM voice

§J — ACADEMIC / DEFAULT STUDIES (free PDFs)

Resource	URL
★ Altman annual "Defaults and Returns" PDF	Returns.pdf">https://pages.stern.nyu.edu/~ealtman/Defaults_and>Returns.pdf
Altman 2024 MDPI paper (free academic article)	https://www.mdpi.com/1911-8074/17/8/339
Altman "Unlocking the Credit Cycle" (June 2025)	https://www.dt.mef.gov.it/export/sites/sitodt/modules/documenti_en/news/news/UnlockingTheCrediCycle_BeyondtheZScore-Altman-June-19-2025.pdf
★ Roe & Rotaru (Yale L.J. May 2026 forthcoming) — coercive LMEs paper	https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6103369
Roe & Simkovic — Bankruptcies speed up (U Chi L Rev 2025)	https://lawreview.uchicago.edu/sites/default/files/2025-01/04_RoeSimkovic_ESS_Final_0.pdf
Buccola & Nini — Loan Market Response (dropdowns/uptiers)	https://www.law.nyu.edu/sites/default/files/loan%20market%20response%2022%20june%202022.pdf
Hotchkiss "Changing Face of Ch 11"	https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4259188
Hotchkiss Congressional Testimony 2025	https://www.congress.gov/119/meeting/house/118492/witnesses/HHRG-119-JU05-Wstate-HotchkissE-20250715.pdf
★ S&P 2024 Default Study (free PDF via Maalot)	https://maalot.co.il/Publications/FTS20250331162126.pdf
Moody's 2024 Default Study (Scribd)	https://www.scribd.com/document/893599996/Moody-Annual-Default-Study-2024-2
Fitch DDE vs. Bankruptcy (ABI)	https://dev.abi.org/node/1000306
Ankura "LMEs: Bandage or Bridge?" (Jan/Feb 2026)	https://ankura.com/insights/liability-management-exercises-bandage-or-bridge-to-recovery

Resource	URL
Serta/Mitel HBLR Paper (Vol 15(3) Nov 2025)	https://journals.law.harvard.edu/hblr/wp-content/uploads/sites/87/2025/11/06_HLB_15_3_Brown769-786-1.pdf
Harvard Bankruptcy Roundtable (all open)	https://bankruptcyroundtable.law.harvard.edu/blog/
Columbia Blue Sky Blog (bankruptcy category)	https://clsbluesky.law.columbia.edu/category/bankruptcy-and-restructuring/

§K — DISTRESSED-DEBT BLOG ARCHIVE (Hunter Willis)

The OG distressed-debt blog. Buyside PM voice, 2009-2019 archive — only free archive in this register.

- Home / archive index: <http://www.distressed-debt-investing.com/>
- ★ Distressed Debt Investing Primer (2010): <http://www.distressed-debt-investing.com/2010/09/distressed-debt-investing-primer.html>
- Distressed Debt Reading List: <https://www.distressed-debt-investing.com/2009/06/distressed-debt-reading-list.html>
- Monthly archives 2011-2014 have the most case-study content

Why this is uniquely valuable: Written in the authentic PM voice — "here's how I think about whether to buy this paper" — which is the register Anchorage will want to hear in the interview.

§L — RESTRUCTURINGINTERVIEWS.COM (interview-specific prep)

- Home: <https://restructuringinterviews.com/>
- ★ Distressed Debt Interview Questions & Format: <https://restructuringinterviews.com/blogs/restructuring/distressed-debt-interview-questions>
- Top 15 RX Questions: <https://restructuringinterviews.com/pages/top-15-restructuring-interview-questions>

§M — WALL STREET PREP FREE PRIMERS

Primer	URL
Distressed Debt Primer	https://www.wallstreetprep.com/knowledge/distressed-debt/
Fulcrum Security Primer	https://www.wallstreetprep.com/knowledge/fulcrum-security-primer-restructuring-and-distressed-debt-investing/
Distressed Buyout Primer	https://www.wallstreetprep.com/knowledge/distressed-buyouts-primer-private-equity-strategies/

Primer	URL
Free 11-Part Restructuring Course	https://www.wallstreetprep.com/knowledge/quick-lesson-demystifying-financial-restructuring/
Restructuring Interview Technical Guide	https://www.wallstreetprep.com/knowledge/restructuring-interview-guide-technical-questions/

§N — WHARTON WRDIC + INDUSTRY CONFERENCE MATERIALS

- WRDIC 2025 speakers/sessions: <https://2025.wrdic.org/speakers-sessions/panel-lmes/>
- WRDIC 2025 McGrath bio: <https://2025.wrdic.org/speakers-sessions/panel-lmes/patrick-mcgrath/>
- WRDIC 2025 Shah bio: <https://2025.wrdic.org/speakers-sessions/panel-lmes/roopesh-shah/>
- WRDIC 2026 Pari Passu recap: <https://restructuringnewsletter.com/p/the-2026-wharton-restructuring-and-distressed-investing-conference>

APPENDIX A — IF PAT NAME-DROPS A DEAL, HERE'S YOUR ONE-LINER

Deal	One-liner
J.Crew 2020	Anchorage's flagship DIP-to-equity; first major "trapdoor" precedent (2016 IP transfer to UnSub)
Altice France 2025	€8.6B debt eliminated, 45% equity to creditors, Pat on steerco; IFR EMEA Restructuring of the Year
At Home Group 2025	Filed June 2025, emerged Oct 2025; Anchorage in lender group; 96% RSA; DIP-to-98%-equity
Serta Simmons	5th Cir Dec 31 2024 killed "open market purchase" uptier; equitable mootness rejected
Mitel	NY 1st Dept Dec 31 2024 upheld cashless uptier under "purchase by way of assignment"; contract-language driven
Lumen 2024	\$15B single-step LME, 94-99% participation; "the poster child of what you would want any LME to look like"; IFR Americas RX of the Year
Wesco / Incora	District court reversed bankruptcy court Dec 2025; "falling dominoes" framework rejected; LME transactions upheld
PetSmart/Chewy	2018-19 drop-down precedent; "PetSmart maneuver" = equity transfer + phantom guarantee release
Travelport	COVID-era drop-down; sponsors (Elliott+Siris) provided \$570M new money; Kirkland resigned from company side
Envision	Multi-step LME (Apr 2020 → Apr 2022 → Jul 2022) ending in May 2023 Ch11; KKR equity wiped
Hertz	Rare equity-recovery case (>\$1B to existing equity) post chip-shortage fleet revaluation

Deal	One-liner
Ultra Petroleum	Make-whole disallowed except via solvent-debtor exception (5th Cir 2022)
Purdue	SCOTUS June 2024 killed non-consensual third-party releases; mass-tort Ch11 + Texas two-step disrupted
Cabinetworks	May 2026; cleanest post-Serta "extend-and-exchange"; new senior secured 1L 1st-out; KPS-owned
Newfold Digital	Oct-Dec 2025; tiered exchange + Clearlake/Siris equity contribution; 90% lender participation
Tropicana 2025	Q1 2025; \$400M new cash; non-pro-rata; juice-maker not Vegas casino
Saks Global	LIVE — filed Ch11 Jan 13, 2026; \$1.75B DIP; failed Aug 2025 LME; expected emergence mid-2026
Bestwall (Georgia-Pacific)	Texas two-step asbestos; 4th Cir upheld injunction; SCOTUS declined cert
LTL Mgmt (J&J)	Texas two-step talc; dismissed three times (2023, 2024, March 2025); J&J now in direct tort

APPENDIX B — THE 24-HOUR PRE-INTERVIEW CHECKLIST

T-24 hours: - [] Re-read Part I §1.2-1.6 (Pat's verbatim positions, iron triangle, deal-away test, language shift) - [] Re-read Part II §2.3 (Anchorage DIP-to-equity playbook) - [] Re-read Appendix A (deal one-liners) - [] Memorize V.A base-rate stats (10 numbers) - [] Listen to Bloomberg FICC Focus McGrath episode at 1.5x (~1h12m)

T-2 hours: - [] Skim Octus 2026 Distressed Outlook - [] Skim Wachtell LM Year in Review headlines - [] Review Saks Global one-liner (you might be asked about this as live name) - [] Run the fulcrum drill once mentally (\$300M / \$400M / \$675M TEV on \$50/\$100/\$200/\$400 cap stack)

In the room: - Investor voice, not lawyer voice (Part I §1.6) - Anchor on iron triangle when LMEs come up - Anchor on deal-away credibility test when negotiation comes up - Pattern-recognize: J.Crew 2020 → At Home 2025 → Saks Global 2026 is the same Anchorage playbook - "1+1+1>3" is Pat's framing — use it when discussing why Anchorage > single-strategy distressed - If you don't know a term: *"I'd want to underwrite that more carefully — my instinct on first principles would be..."* and reason from frameworks here

Document compiled by Maxwell Nides + research team, May 23, 2026. Source files:

`/root/tmp/research_pat_anchorage.md` , `/root/tmp/research_academic.md` , `/root/tmp/research_canon.md` ,
`/root/tmp/research_newsletters.md` , `/root/tmp/research_lawfirms_funds.md` . Trifecta concept-gap analysis:
`/root/anchorage_technical_doc_TRIFECTA_PLAN.md` .