

Three Deals Through Pat's Lens — Decision Points and the Talen Test

Anchorage / Pat McGrath interview prep — Maxwell Nides A decision-frame supplement to the comprehensive prep doc. The existing doc tells you what the deals were. This one tells you what you would have done at each fork in time, applying Pat's frameworks deal-by-deal, with the Talen-style hidden-value question stress-tested against each name. Trifecta-reviewed.

PRICE REFRESH — 2026-05-25 (read this before the interview)

Market marks as of 2026-05-25 vs. the estimates in the rest of this doc:

Deal	Tranche	Doc estimate	Market 2026-05-25	Read
Newfold	\$100M new-money 1L	~98 (par-equiv)	67	DIVERGED — credit re-rated to deep distress
Newfold	Amended TLB 2L	82-90	66	DIVERGED — old fulcrum entry zone gone
Newfold	Exchanged 11.75 3L	65-75	30	DIVERGED — confirms market is pricing accelerated default
Tropicana	FL1O \$400M	92-96	par	Confirms (yield trade, AHC holding)
Tropicana	FL2O \$1.42B	65-75	70	Confirms entry zone (toehold at 70 = the trade)
Tropicana	FLTO \$750M	35-50	35	Confirms AVOID call (floor of estimate)

Two implications for the pitch:

- 1. Tropicana thesis is reinforced.** Prices haven't moved against the doc's planned entry. FL2O at 70 is precisely the 65-70 toehold zone the prep doc identified. The DIP-staging trade is still on, with no slippage in entry economics. Build the 5-8% FL2O toehold at 70 → cash deployed \$50-80M for \$71-114M of notional → pre-commit DIP backstop for 2027.

2. **Newfold thesis flipped.** The TLB 2L at 82-85 "credit trade with free AI optionality" is dead — the 2L is at 66, the asymmetry inverted, and the third-out at 30 confirms the market is pricing imminent re-stress. The new pitch is the **new-money 1L at 67** as pre-petition DIP-equivalent positioning: top-of-waterfall priority, SOFR+575 floating coupon (~15-16% current yield), near-certain par recovery in Ch11 (1L recovers 100% on any TEV > \$100M), and the natural DIP-bidder seat if Clearlake/Siris re-stress. Caveat: the 1L's ~1pt premium to the 2L screams technical / re-priming risk — diligence test before sizing is whether \$30-50M can clear near 70¢, and whether the ICA grants full-collateral priority or a carve-out. **If the AHC isn't selling, the real clearing level is probably 78-82.**

Drop "free Talen-style optionality" framing for Newfold entirely. Replace with: "deep-distressed credit with embedded execution optionality that becomes more valuable in a Ch11 reorg, captured through the senior tranche, not the impaired one."

Cabinetworks unchanged — no new marks; thesis (FTC-conditioned 2L at 72-78) stands.

0. THE FRAMEWORK (Pat's tools, one page)

Pat's 4-step deal-away credibility test (Bloomberg Framework 2)

"Do they actually have a severable business or assets that they can pull away from the collateral group? Are there lenders that are willing to underwrite that? Do the docs allow for it? Are there holes in the documents that actually allow very clearly for them to put that much of an asset into an unrestricted subsidiary? And then you can back into how much money they can actually raise on that, and then you can kind of price it."

1. **Severable assets?** — IP, brands, regional ops, registry, real estate
2. **Willing lenders?** — direct lenders / credit funds chasing yield at 10-13%
3. **Permissive docs?** — 2021-vintage cov-lite with intact unrestricted-sub and incremental baskets
4. **Borrowing capacity** → **price it.** — back into how much LME paper the structure can support

The investment-first principle (Bloomberg Framework 10)

"The LMEs that we participate in, we're not going to do it to kind of play the LME or a structural outcome. Elevating up in a capital structure is good, but if we can't underwrite to the recovery of the business, at least through that security, then I'd be highly circumspect of like getting into that type of investment."

This is the gate. Every trade through Pat's desk passes the business-recovery test first, the structural-priority test second. Not the other way around.

The DIP-to-equity playbook (the signature move)

- **Pre-petition holder at distressed price (40-60¢)** — establish basis
- **DIP backstop** — control-acquisition cost, not yield instrument
- **Three economic layers:** cash/PIK coupon (small) + superpriority/roll-up (defensive) + embedded call on post-emergence EV (the prize)
- **Convert at emergence** — 98% (At Home Oct 2025) or majority (J.Crew 2020)
- **Asymmetric edge vs alternatives:** basis advantage (DIP enters at plan-implied valuation) / process control (milestones, fee triggers, consultation rights) / defensive optionality (if plan doesn't materialize, you're still admin-priority secured debt)

The Talen Test (the new lens added in this doc)

Talen Energy filed Chapter 11 May 2022 as a stressed commodity merchant power name. The market priced the cap stack on commodity exposure + leverage. **What it missed:** the Susquehanna nuclear plant as a behind-the-meter power source for hyperscale data centers in the GW-demand AI era.

- Reorg plan: debt-for-equity exchange; unsec noteholders + GUCs got equity via \$1.65B rights offering + \$1.4B+ of unsecured notes converted to equity at emergence
- AWS acquired Talen's Cumulus data center campus March 2024 for \$650M
- AWS expansion June 2025 — 1,920MW long-term deal through 2042, ~\$18B revenue
- Post-emergence equity went from ~\$50 to \$200+ in two years; unsecured holders who took equity at cents on the dollar made 10x+

The Talen Test for each name in three questions: 1. **What does the market price the business as today?** (cycle / category / leverage) 2. **What latent optionality on the asset base is nobody underwriting?** (hidden capability, latent customer, structural shift) 3. **Does my entry instrument own that optionality, or am I just clipping coupons while someone else captures it?**

The third question is the Pat-framework gate. Talen worked for the unsec because they ended up holding the equity. If they'd been holders of a takeback term loan, the data-center upside would have repaid them at par and the equity captured the \$18B AWS revenue stream. Owning the right instrument is half the trade.

1. NEWFOLD DIGITAL — the AI agent infrastructure play

Business in one paragraph

Clearlake/Siris hosting + domain registrar roll-up: Bluehost, HostGator, Network Solutions, Web.com, Yoast. ~\$1.1B revenue. EBITDA not publicly disclosed; underwrites to \$200-280M stressed / \$280-340M normalized. Dec 2025 LME closed: \$100M new money + tiered exchange to 2029 + closed Akin co-op + side-pact NDAs + ~90% participation. Old 11.75% Notes → exchanged into a third-out secured tranche. 6% unsecured 2029 largely untouched.

The decision tree

T-18mo (mid-2024, Moody's still B3, revolver Feb 2026 catalyst visible)

Observable: 11.75% Notes in the low-50s [secondary reporting], pre-LME TLB in low-70s [unverified], 6% unsec ~20-30s. ABL maturity Feb 2026 is the structural clock.

- **Pat-frame check:** investment-first. Can I underwrite the business through stress?
- Domain ARR is a real cash flow utility (Network Solutions enterprise tenure). Hosting is a slow melt. Recovery math at 6.5x stressed \$230M = \$1.5B TEV covers 1L; 11.75% Notes at 55 has a 60-80¢ Ch11 fulcrum recovery + LME-participation premium.
- **Action: \$25-50M toehold in 11.75% Notes at 50-55.** Avoid the 6% unsec — only fulcrum-equivalent in bull TEV, no protection from a forced LME.

T-12mo (late 2024, Akin signs the AHC co-op, closed to new entrants)

The co-op closing is the gating event. You're either in or you're not.

- **Pat-frame check:** incumbency premium (Framework 3) + institutional reputation (Framework 4) — *"there isn't one LME to deal with, there are forty."*
- **Action: scale to 5-10% of the 11.75 tranche (\$25-50M of \$515M face) and push for AHC admission.** The Akin co-op was closed but new entrants with size + institutional weight can sometimes be added at the margin. Bring the Anchorage shape — the kind of co-op member they want for the next 40 deals.
- If denied AHC: hold the toehold, prepare for the side-pact NDA at the LME — bad outcome but not zero.

At LME (Dec 9, 2025)

Term sheet: \$100M new money 2029 first-out (SOFR+575) + amend-and-extend on TLB + 11.75 Notes exchanged to third-out + side-pact NDAs + ~90% participation.

- **Pat-frame check:** participation premium real but bounded (~5pp by the math); litigation EV negative under post-Mitel NY framework; the AHC engineered the side-pact NDA structure to neutralize Serta-style litigation theory
- **Action (if in AHC): participate.** Push for equity warrants on the first-out money, MFN with 24-month sunset, an enhanced J.Crew blocker on the domain registrar businesses, and sponsor lockup. **Action (if**

outside AHC): sign the side-pact NDA, take the inferior package, do not litigate.

T+3mo (March 2026, post-LME secondary) — original framing, SUPERSEDED by 2026-05-25 marks

△ The table below reflects the March 2026 entry-point thesis. **Current market marks (2026-05-25) have materially diverged on Newfold** — see refreshed table below and the PRICE REFRESH NOTE following the original framing. The thesis flipped from "TLB 2L at 82-85" to "NM 1L at 67."

New paper is trading. Stack: \$100M first-out 2029 / amended TLB 2029 second-out / exchanged 11.75 third-out / old stubs / untouched 6% unsec 2029.

This was the **clean-post-LME entry point as the doc penciled it**. Pat's framework still applies; the entry tranche has changed.

Tranche	March 2026 mark (est)	2026-05-25 mark	Decision (refreshed)
New money 2029 first-out (~SOFR+575, ~10% all-in)	par-equiv (98-100)	67	ENTER — the new trade (top-of-waterfall + DIP-option seat at deep distressed entry)
Amended TLB 2029 second-out	82-90 (was "Enter at 82-85")	66	PASS (asymmetry inverted; mid-case fair value, not entry zone)
Exchanged 11.75 third-out	65-75 ("avoid")	30	AVOID (confirms wipe-in-bear thesis)
6% unsec 2029 (untouched)	25-35	25-35 (est)	Pass

The base trade as of 2026-05-25 is **the NM 1L at 67**. Recovery floor near par (1L recovers 100¢ on any TEV > \$100M). Current yield ~15-16% on SOFR+575 floating. Sole gating concern: the 1pt premium to the 2L is too tight for waterfall math — diligence test on clearing size + ICA scope determines sizing. **The original 82-85 2L thesis is dead at these prices.**

Hypothetical Ch11 (late 2026 / 2027) — the DIP-to-equity path

Per the existing prep doc: \$300M DIP → 5x MOIC on cash deployment, 70-85% IRR. The pre-condition is being the largest pre-petition 1L holder. **At the 2026-05-25 marks, that means owning the NM 1L at 67** (the natural pre-petition senior seat), not the TLB 2L at 66 (impaired fulcrum). The DIP-to-equity option now reaches through the senior tranche.

The Talen Test — the AI agent infrastructure angle

What the market prices: commoditized SMB hosting + domain registrar in secular decline; participated in an LME that bought 36 months and ~\$2B of secured debt against ~\$250M EBITDA. Roe-Rotaru double-default

candidate.

What is the market missing?

Newfold publicly launched **GatorClaw** in 2026 (Bluehost brand) — a no-code visual platform to build, deploy, and run autonomous AI agents on Bluehost VPS infrastructure. Simultaneously, **all Bluehost customers are being migrated to Oracle Cloud Infrastructure** in 2026, optimizing every layer for "compute orchestration, storage, networking, and AI inference."

If you squint, this is the Talen pattern: - Legacy commoditized asset base (hosting infra = power generation) - Non-consensus future buyer (SMB AI agent deployment = hyperscale AI demand) - The cap-ex / asset is already in place — what's needed is a customer + a productization layer - The market still trades Newfold as melting-ice-cube hosting

Why this is a legitimate Talen-style thesis: - ~4.4M+ SMB customers on Bluehost/HostGator → real distribution channel for AI agent tools - The pricing model (\$5-15/mo hosting + agent execution overage) has higher LTV than pure hosting - VPS hosting on OCI with always-on agent execution is genuinely the "SMB Vercel for AI agents" positioning - Comparable shape: Cloudflare Workers / Vercel trade at 15-25x revenue. Even partial credit to that positioning rerates the equity multiple

Why it might be a head-fake: - This is *announced and on track*. It's not non-consensus to management; pricing-in is happening in real time - SMBs adopt AI agents slowly. GoDaddy/Squarespace/Wix have larger distribution + faster product cycles - The Talen story worked because the asset was *scarce* (1,920MW of carbon-free baseload nuclear is irreplaceable). VPS infra is commoditized — agent hosting is available on AWS / Vercel / Fly.io / Cloudflare - Constant Contact remains structurally separated from Newfold (per the 2021 spin-out). Even if Clearlake/Siris monetize CC successfully, the LP-narrative value capture is outside Newfold's cap structure - Bluehost's brand permission to win AI-builder mindshare vs. Vercel/Cloudflare is weak

Pat's framework check (investment-first principle) — refreshed for 2026-05-25 marks: - Can you underwrite the business through your security? **Yes on the NM 1L at 67** — recovery floor is near par on any TEV > \$100M; the senior tranche captures the business through priority, not through the 2L's fulcrum exposure. *The original framing of "yes on the TLB 2L at 82-85" no longer applies — at 66, the 2L is mid-case fair value, not asymmetric entry.* - Can you justify reaching for the AI optionality through the more junior tranches (2L at 66, 3L at 30)? **No.** The 2L recovery is 47-87% across bear/base — you're paying for paper that pays out near where it trades. The 3L at 30 wipes in bear. Both fail the recovery-through-security test at refreshed prices.

The Talen-analogy framing is DEAD at refreshed prices.

The original doc framed the trade as "credit trade with embedded AI optionality worth 5-10 points above credit-only value." That framing assumed the 2L at 82-85 entry. **At 2026-05-25 prices, the market is no longer paying for GatorClaw/OCI as upside — it's pricing accelerated default.** The NM 1L at 67 + 2L at 66 + 3L at 30 is a deep-distressed cap-stack mark, not a slow-melt-hosting-with-AI-optionality mark.

Why Talen was the wrong analogy in any case: Talen worked because Susquehanna nuclear baseload is *physically irreplaceable* — AWS literally could not buy that 1,920MW of carbon-free behind-the-meter capacity anywhere else on that timeline. Bluehost VPS is the opposite — commoditized infra competing with Vercel, Cloudflare Workers, Fly.io, AWS Lightsail, plus GoDaddy/Squarespace/Wix have stronger SMB AI-builder distribution.

The correct framing at 2026-05-25 marks — senior-secured credit with embedded DIP option: - Buy the NM 1L at 67 as a deep-distressed senior-secured credit trade with near-par recovery floor - GatorClaw + OCI migration is **execution optionality on management's AI roadmap** — at 67 the market isn't paying for it. Don't pitch it as the trade thesis; pitch it as upside that doesn't underwrite the position. - The trade thesis is: top-of-waterfall priority + 15-16% current yield + DIP-bidder seat if Clearlake/Siris re-stress in 2027. That's the Anchorage pattern (J.Crew / At Home shape, reached through the senior tranche).

The Pat-style probe to preempt: *"If the NM 1L is so attractive at 67, why is it only 1 point above the 2L? Either the priority is real or it isn't."* The honest answer: the spread should be 15-25 points wide on waterfall math; the compression is pricing some combination of (a) thin AHC float producing a soft technical print, (b) re-priming risk if Clearlake runs another LME in 2027, (c) ICA carve-out / collateral scope gaps. **The diligence answer determines size, not the trade.** If the 67 is real for \$30-50M of paper, it's a generational entry. If the clearing level is 78-82, it's still attractive but the headline-trade framing dilutes.

Price points — verify with Max

Tranche	Pre-LME (mid-2024)	Pre-LME (stress, late-2025)	Post-LME doc est.	Market 2026-05-25	Your entry zone
Revolver	95	80	par	par	n/a
Pre-LME TLB (\$2.3B)	75	60	n/a (exchanged)	n/a	n/a
11.75% Notes (\$515M)	55	45	n/a (exchanged)	n/a	n/a
6% Unsec (\$500M)	30	20	25-35	25-35 (est)	pass

Tranche	Pre-LME (mid-2024)	Pre-LME (stress, late- 2025)	Post-LME doc est.	Market 2026-05-25	Your entry zone
New \$100M 1L 2029 (NM)	n/a	n/a	~98	67	target 67-72 (was "pass")
Amended TLB 2L 2029	n/a	n/a	82-90 (target 82-85)	66	pass at 66 (was "target 82-85")
Exchanged 11.75 3L	n/a	n/a	65-75	30	avoid

PRICE REFRESH NOTE 2026-05-25 — thesis flipped

The TLB 2L is no longer the trade. At 66¢ the asymmetry that justified the 82-85 entry has inverted. Recovery math on \$200-280M stressed EBITDA \times 4-5x = \$800M-\$1.4B TEV minus \$100M NM 1L paid at par leaves \$700M-\$1.3B for the \$1.5B TLB = **47-87% recovery**. At 66 you're paying mid-case fair value, not buying asymmetric upside. Bear-case loss is now ~25-30 points to mid-30s recovery (vs. the original 10-15 estimate).

The new-money 1L at 67 is the new trade. Three reasons: 1. **Recovery floor near par.** \$100M of 1L recovers 100¢ in every Ch11 scenario where TEV > \$100M. On a \$1.1B-revenue domains + hosting business with sticky ARR, that floor is near-certain. Loss capped low single digits in a hard reorg. 2. **DIP-bidder standing without a Ch11.** Owning a meaningful slug of the 1L is the natural path to backstopping a future DIP — the J.Crew / At Home shape, reached through the senior tranche instead of an impaired fulcrum. 3. **Current yield ~15-16% / YTM ~20%+** at 67 on SOFR+575 floating paper. The credit-book companion economics actually *improved* vs. the original 2L thesis.

But the 1L's ~1pt premium to the 2L is the diligence anomaly. The waterfall math says the priority premium should be 15-25 points wide. It isn't. Three reasons compress it: - **Thin float, sticky AHC.** \$100M tranche held by Akin AHC; the 67 print may be 1-2 trades not the clearing level for size. - **Re-priming risk.** Holders of the original 11.75% notes watched their paper become today's 3L at 30. The market is pricing the NM 1L as "next to be primed if Clearlake/Siris run another LME in 2027." Re-priming converts today's 1L to tomorrow's 1.5L sitting on the same waterfall as the existing 2L. - **ICA scope.** "First-out" is contractual via Intercreditor — if priority is on a collateral carve-out (e.g., new IP, GatorClaw IP) rather than the full pool, the recovery cap is lower than \$100M and the priority premium compresses.

Diligence test before sizing: 1. Call the desk — what size traded at 67, who's on the bid. If \$1-2M one-dealer, real mark is 78-82 and the trade-of-the-year framing falls back to "attractive yield." If \$20M+ multi-dealer, the 67 is real and asymmetry is genuine. 2. Read the ICA — is 1L priority over the full collateral pool or a carve-

out, payment vs. lien, what triggers enforcement, what voting rights vs. 2L on enforcement. 3. Confirm Akin AHC holders aren't quietly defecting (if they are, that's the tell that they think the next LME is coming).

The pitch frame:

"Newfold price action since the December 2025 LME has materially diverged from where the doc penciled the post-LME entry. The 2L at 66 used to be the trade at 82-85 — that asymmetry is gone. The new trade is the new-money 1L at 67. Top-of-waterfall, near-certain par recovery, 15-16% current yield, and the natural DIP-bidder seat if Clearlake/Siris re-stress in 2027. The diligence anomaly is the 1pt premium to the 2L — the priority math says it should be 15-25pts wide. That's either a technical print I can exploit or a real signal about re-priming risk in the ICA, and the diligence answer determines size. Either way, this is now a senior-secured credit trade with embedded DIP-option upside, not the AI-optionality thesis the LME-close marks pointed to. GatorClaw and the OCI migration are execution items management still has to deliver; at 67 the market isn't paying for them, and I don't think we should either."

Data gaps: - What broke Dec-2025 to May-2026 — Q1 EBITDA print, domain renewal trend, GatorClaw launch metric, Clearlake equity walk? - Clearing level for \$30-50M of NM 1L paper (the test that determines if the 67 is real) - ICA full text — collateral scope of 1L priority, ROFR on additional senior debt, voting/enforcement rights - Has the Akin AHC reformed around the NM tranche or dispersed? - CDS / option-implicated default probs vs. cash prices

Original data gaps (still open): - True mid-2024 trading level of original 11.75% Notes (TRACE or LSTA fix) - Did Anchorage in fact participate in the Akin AHC? - Where did Clearlake/Siris's ~\$100M new equity actually price (warrant strike, dilution waterfall)?

2. CABINETWORKS GROUP — the FTC swing variable

Business in one paragraph

Largest private US cabinet manufacturer. Platinum Equity-owned since May 2021; AIP exited. ~\$2B revenue. Brand portfolio across the price ladder: KraftMaid (flagship semi-custom dealer + Home Depot), Merillat (value/entry), Schuler (Home Depot exclusive), Quality Cabinets (multifamily/builder), Yorktowne, Medallion, Cardell. 19 facilities, ~8,000 employees post-2024 closures. May 2026 LME closed: TLB → senior secured second-out due Nov 2031, unsec notes → senior secured third-out due 2032, \$100M new money first-out. 99% TLB / 96% notes participation.

The decision tree

T-18mo (late 2024, unsec notes printed at 48-49¢ in Aug 2024 secondary; ABL May 2026 catalyst visible)

Observable: TLB likely 70-80; unsec notes at the 48-49 Aug 2024 print level. Housing R&R is in the cyclical trough.

- **Pat-frame check:** 4-step deal-away credibility. (1) Severable: brand portfolio + 19 facilities = **yes**; (2) Willing lenders: PE direct lenders chasing yield = **yes**; (3) Permissive docs: 2021-vintage Platinum LBO = **yes**; (4) Borrowing capacity: ~\$500-700M of effective LME runway. Strong deal-away threat.
- **Pat-frame check:** investment-first. Stressed EBITDA \$130-150M trough / \$200M through-cycle / \$260M recovery-case. MBC trading 5-6x, AMWD 7x. Mid-case TEV \$1.0-1.5B against \$1.95B secured stack — leverage is the issue, not the business
- **Action: \$25-40M toehold in the unsec notes at 48-52.** In any LME path, the notes get exchanged into something secured (the docs permit). In a Ch11 path, the notes are not the fulcrum (1L wipes them) but the LME provides a structural elevation. Notes are the natural beneficiary of a docs-permissive LME.

T-12mo (mid-2025, advisor retention public)

Public: Milbank/Houlihan for company, Paul Weiss/Evercore for TL ad hoc, Davis Polk/Rothschild for noteholder ad hoc, Cahill for ABL.

- **Pat-frame check:** incumbency. The noteholder AHC is forming. This is the moment.
- **Action: add to 8-10% of the unsec notes tranche (\$40-60M of face).** Push for AHC membership on the noteholder side. *Pat's "step-one shortcut" — being the institutional credit-fund-shaped holder Davis Polk wants in the room.*

At LME (May 8, 2026)

Term sheet: \$100M new money first-out (out to 2031), TLB → senior secured second-out (Nov 2031), notes → senior secured third-out (2032). 99% TLB / 96% notes participation. Cashless on the notes side.

- **Pat-frame check:** participate or hold out? Notes at 50¢ cost basis → ~70-85¢ effective new third-out paper, marked at ~55-65 immediately = 12-month +25-40% IRR. **But:** this is a trade, not a thesis. Plan the exit *before* the next maturity wall.
- *Pat's exact line:* "**Once you've LME'd, you've foreclosed the DIP-to-equity playbook.**" That's the Cabinetworks problem in one sentence.
- **Action: participate.** Then plan the exit at 12-18 months, not at the new 2032 maturity.

T+3mo (Aug 2026, post-LME secondary)

New paper is trading. Stack: \$100M first-out 2031 / TLB second-out Nov 2031 / new notes third-out 2032 / 2L term loan unchanged / Platinum equity.

Tranche	Est. mark	Decision
New money first-out (~SOFR+650-700)	par-equiv (~98)	Pass — yield trade
TLB second-out Nov 2031 (fulcrum in housing-weak + MBC/AMWD closes)	75-82	Enter at 72-78 if conviction on FTC-block + housing 2027-2028
New notes third-out 2032 (wipes in bear)	55-65	Avoid for base; tactical contrarian only
2L term loan (\$450M, unchanged)	20-30	Pass

Hypothetical Ch11 (2028-2029, post-second maturity stress)

10x leverage on stressed EBITDA → unsustainable. DIP-to-equity setup: \$200M DIP, ~\$700M-1.0B TEV at 4-5x stressed EBITDA \$150M. Implied DIP-to-equity captures ~50-60% of MBC public-market multiple — *weak* compared to At Home or J.Crew where the multiple at emergence is closer to public comp. **The LME foreclosed the cleanest version of the playbook.**

The Talen Test — three angles, one binary, two structural

Angle 1: The FTC outcome on MBC/AMWD merger (the binary — but framed correctly)

- Aug 2025: MBC + AMWD announced \$3.6B EV merger → \$4.8B revenue combined entity
- Nov 2025: FTC issued second request
- **Base-rate caveat:** FTC blocks horizontal mergers in cyclical building products at ~10-15%, not the 50-65% earlier drafts of this analysis implied. Second-request → consent decree with divestitures is the modal path (probably KraftMaid-tier overlap divested).

The directional read — and this is where earlier framings of this trade got it backwards:

- **If FTC clears (modal outcome, ~70%):** the combined entity enters an 18-24 month integration distraction window. Sourcing decisions stall, customer relationships re-bid, sales rep retention is chaotic. **That's the window Cabinetworks needs to take share.** Near-term *positive* for Cabinetworks credit.
- **If FTC blocks (~10-15%):** MBC and AMWD remain two well-capitalized standalone competitors — *each larger than Cabinetworks* (MBC ~\$2.7B, AMWD ~\$2.1B vs CWG ~\$2.0B). They continue pricing aggressively against a levered #3. Near-term *negative* for Cabinetworks credit.
- **If consent decree with divestitures (~15-20%):** depends on what gets divested. If KraftMaid-tier dealer + Home Depot exclusive overlap divests, Cabinetworks has acquisition optionality on the divested assets. Neutral-to-positive.

This is not a Talen-style hidden-value angle. It's a regulatory binary where the market's probabilities are knowable and the *integration-distracted* window is the real near-term tailwind for Cabinetworks, not the merger-blocked outcome.

Trade implication: the second-out at 72-78 is interesting if you believe the integration-distracted window is mispriced (the modal outcome), not if you believe FTC blocks. **The clearance scenario is the underpriced path, not the block.** Sit on it through FTC decision (likely Q3-Q4 2026) and the first 6-12 months of integration if it clears.

Angle 2: Industrial real estate of 19 facilities (structural)

- 19 manufacturing plants + warehousing across the footprint
- Most are owned (not leased), located in Tier 2/3 industrial markets (Michigan, Indiana, North Carolina, Texas)
- Sale-leaseback math at 7-8% cap rate on ~\$300-500M of appraised real estate value = \$40-60M of one-time cash for liquidity + \$20-40M of annual rent expense
- **The Talen angle:** if Platinum runs a propco/opco split in a future restructuring (or as a refinancing tool), the secured paper has a hard collateral floor the market doesn't underwrite at the propco multiple
- **Materiality:** \$300-500M of RE against \$1.95B of secured debt = 15-25% asset coverage standalone. Not transformative but a meaningful downside floor for the second-out specifically

Angle 3: Multifamily / builder channel — Quality Cabinets (structural)

- Quality Cabinets brand serves the multifamily and production builder channel — different demand profile from KraftMaid's dealer / Home Depot single-family R&R business
- US housing supply shortage is most acute in multifamily and entry-level single-family (3-5M unit cumulative deficit per multiple estimates)
- If federal housing policy meaningfully eases (zoning preemption, supply-side tax credits, accelerated permitting) → multifamily completions accelerate → Quality Cabinets benefits
- **The Talen angle:** clean balance sheet + builder-channel pivot → Cabinetworks looks more like a multifamily building-products supplier (USG, BLDR comp set at 8-10x) than a cyclical residential cabinet manufacturer (MBC/AMWD comps at 5-7x)
- **Materiality:** modest. Quality is ~10-15% of revenue. The pivot is real but not transformative — requires execution Platinum hasn't yet funded

Pat-framework synthesis: Cabinetworks has more Talen-style optionality than Newfold (FTC binary + RE collateral + builder pivot) but **the underlying credit is more cyclical and the LME has structurally foreclosed the DIP-to-equity path.** The right move is the **second-out at 72-78** as a credit trade sized to your conviction on the FTC outcome — *not* a third-out punt.

Price points — verify with Max

Tranche	Pre-LME (Aug 2024)	Pre-LME (early 2026)	Post-LME (May 2026, est)	Your entry zone
Pre-LME TLB	70-80	55-65	n/a (exchanged)	n/a
Pre-LME unsec notes	48-49 (Aug 2024 print)	40-50	n/a (exchanged)	n/a
New \$100M first-out 2031	n/a	n/a	~98	pass
TLB second-out Nov 2031	n/a	n/a	75-82	72-78 (target)
New notes third-out 2032	n/a	n/a	55-65	tactical only
2L term loan (~\$450M)	20-30	20-30	20-30	pass

Data gaps: - Actual post-LME marks on second-out and third-out (May-Aug 2026 close + secondary) - Where did the unsec notes trade June-July 2024 pre-stress? Where did they trade Q1 2026 pre-term-sheet? - Has Anchorage taken any position? - Real estate appraisal range — does the IM include a propco optionality discussion? - Did Platinum contribute new equity in the May 2026 LME, or did the lenders fund the \$100M alone?

3. TROPICANA BRANDS GROUP — the GLP-1 cross-current and the brand carveout

Business in one paragraph

PAI Partners juice carve-out from PepsiCo (Jan 2022, \$3.3B EV; PepsiCo retained 39% + exclusive US DSD distribution). Brand portfolio: Tropicana (core OJ), Naked Juice (cold-press), KeVita (probiotic), Izze (sparkling), Dole licensed, Copella (UK), Punica (EU). ~\$2.8B funded debt. May 2025 LME closed: \$400M new money + 21pp in-/out-group differential (91¢ in / 70¢ out) + transfer restriction. The most aggressive intra-class differential of the cycle.

The decision tree

T-18mo (late 2023 / early 2024, FCOJ futures \$4+, OJ volume in 5-year decline)

Private credit — no observable TRACE prices. Loan secondary in the LSTA system (LSTA tape access required to mark).

- **Pat-frame check:** 4-step deal-away credibility. (1) Severable: yes brand-by-brand (Naked, KeVita have natural strategic buyers); (2) Willing lenders: PE direct lenders chasing CPG yield = yes; (3) Permissive docs: 2022 LBO docs = yes; (4) Borrowing capacity: ~\$400-500M.
- **Pat-frame check:** investment-first. **Can I underwrite the recovery of the BUSINESS, not just the security?**
- OJ category is structurally declining + GLP-1 cross-current is emerging + FCOJ at multi-decade extremes. The business doesn't support the post-LME balance sheet at any reasonable multiple.
- **Action: \$10-15M observation toehold only.** This is not a sizing call — it's information rights.

T-12mo (mid-2024, ongoing FCOJ spike, no formal stress signals yet)

Same position size. Watching for advisor retention, sponsor cash, or AHC formation.

- *Pat-frame check:* the absence of a Carlyle/Fidelity/CVC-shaped AHC by mid-2024 was the tell. When the credit-fund AHC forms, *they* price the structural premium they can extract. Until then, secondary prices reflect spot stress without the LME premium baked in.

T-3mo (Feb-Mar 2025, PAI bridge + PepsiCo \$135M write-down + CNN/Debtwire bankruptcy story)

This is the moment the structural premium gets engineered. Carlyle/Fidelity/CVC organized in ~60 days from bridge to term sheet.

- **Pat-frame check:** incumbency premium. **If you're not in by mid-March, you're not in.**
- Action: only act if you can credibly join the AHC. That means \$50M+ existing 1L holdings AND credit-fund reputation that gets you into the Carlyle/Fidelity/CVC room.
- **The deepest Pat-style call here is to PASS on the AHC trade entirely.** The 21pp incumbency premium is real, but if you can't underwrite the credit through the new in-group paper, you don't take the trade. *"If we can't underwrite to the recovery of the business, at least through that security, then I'd be highly circumspect."*
- This is the trade-versus-thesis distinction Pat uses to differentiate Anchorage from LME-tourist hedge funds.

At LME (May 13, 2025)

Term sheet: \$400M new money + 91¢ in / 70¢ out + transfer restriction + near-unanimous participation.

- **Pat-frame check:** if you're out-group, participate (strictly dominated to hold out; locked in by transfer restriction). Do not litigate.
- **Action (outside observer who passed on AHC): continue to observe.** Do not enter at the LME. The structural premium is gone, the credit hasn't improved, and the new third-out paper is set up to wipe in the next forced restructuring.

T+6mo (Nov 2025, post-LME secondary)

New paper trades. Stack: AR \$155M / first-out \$400M / second-out \$1.42B / third-out \$750M / 2L \$450M. FCOJ off the \$5.89 peak but still elevated.

- **Pat-frame check:** investment-first AGAIN. Six months of FCOJ moderation, maybe a volume floor, but still secular decline. GLP-1 macro overlay compounding.

Tranche	Doc est. (Nov 2025)	Market 2026- 05-25	Decision
AR facility (\$155M)	par-equiv	par-equiv	pass — yield trade
FL1O \$400M (Carlyle/Fidelity/CVC)	92-96	par	pass (AHC holders at 60¢ cost basis sitting on ~40% gain; AHC sticky, not selling)
FL2O \$1.42B (fulcrum in base/bull)	65-75	70	toehold at 70 — the DIP-staging seat (5-8% = \$71-114M notional = \$50-80M cash)
FLTO \$750M (out-group penalty)	35-50	35	AVOID — at floor of doc range, confirms 0% Ch11 recovery thesis
2L term loan (\$450M)	20-30	20-30 (est)	pass

Hypothetical Ch11 (mid-2027 / 2028, post-second maturity stress)

DIP-to-equity setup per existing prep doc: \$250M DIP, ~3-5x MOIC, 50-60% IRR. **But:** PepsiCo \$365 distribution agreement is the swing factor. PepsiCo could extract \$50-100M of value at cure/assumption negotiation.

- *Pat-framework gating:* is this an At Home shape? Close, but the structural complexity around PepsiCo distribution + the underlying secular decline of the core category mean the post-emergence equity needs more conviction.
- DIP-to-equity playbook precondition: (a) unit economics positive at zero leverage — uncertain for Tropicana ex-FCOJ-spike. (b) lenders disciplined enough to backstop — fine.

The Talen Test — three angles, two macro overlays

Macro Overlay 1: GLP-1 demand destruction (compounding bear)

- ~23% of US households have a GLP-1 user (late 2025); projected to be 35% of food/beverage units by 2030
- Beverage category most disrupted: soft drinks first, then juice, coffee, energy drinks
- Tropicana (sugary OJ) is squarely in the GLP-1 reduction list
- Naked Juice (high-sugar smoothies, even cold-pressed) is also exposed
- KeVita (probiotic, low-sugar) is GLP-1-compatible — possibly a beneficiary
- Izze (sparkling, sugary) is exposed
- **Net macro effect on TBG portfolio: ~10-15% additional volume headwind over 5 years on top of pre-existing OJ secular decline.** This *compounds* (does not decompose) with FCOJ + secular decline
- **For the investor: GLP-1 is the structural reason the post-LME paper deserves to wipe.** The double-default thesis isn't just probable — it's macro-overdetermined

Macro Overlay 2: FCOJ mean reversion (partial bull)

- FCOJ peaked \$5.89/lb Sep 2024, retraced to ~\$3.50-4.50/lb range by mid-2025 [secondary]
- HLB structural impairment is permanent — supply doesn't recover to pre-2010 levels
- Brazil/Mexico imports scaling but slowly; quality mixed
- **Effect:** FCOJ at \$3.50 is still ~2.3x deal-close. Even at \$2.50 retrace, TBG margins remain compressed vs. underwriting case
- **Net:** FCOJ relief is partial and gradual — not a Talen-style catalyst

Angle 1: Tropicana brand IP as a standalone asset

- Tropicana is a Top-3 CPG OJ brand by US household penetration
- Brand-equity studies pre-stress: \$1-2B+ standalone IP value
- In a hypothetical IP carveout, PepsiCo / Coca-Cola / a PE beverage platform pays \$400-800M for the brand standalone
- **The Talen angle:** if the IP is severable from the OpCo, the secured paper has a \$400-800M brand-recovery floor not currently in any base-case TEV
- **Materiality:** meaningful. \$500M of IP value on \$2.0B of senior secured stack = 25% recovery floor on senior secured even if OpCo TEV is zero
- **Pat-framework objection:** brand value is realized only through a strategic sale process — which requires Ch11 + §363 + buyer interest. The LME structure doesn't surface this. The Ch11 DIP-to-equity path does

Angle 2: Naked Juice + KeVita as the GLP-1-friendly portfolio

- Naked Juice cold-press in the "functional juice" set — high sugar but premium brand

- KeVita probiotic is squarely on the GLP-1-friendly side (low sugar, fermentation, gut health)
- Izze sparkling can be reformulated to lower-sugar / functional positioning
- Carve-out value range: a focused "wellness beverage" platform of Naked + KeVita + Izze sold to a strategic = **\$200-400M** (range tightened post-trifecta; the segment EBITDA is not publicly disclosed; \$80-120M is a synthesized estimate that needs verification)
- **The Talen angle:** the wellness portfolio is the asset that survives GLP-1 — and possibly thrives if reformulated for GLP-1 users (high-protein, low-sugar variants)
- **Materiality (revised after trifecta): realistic total carve-out value (Tropicana brand + Naked/KeVita/Izze) is \$400-700M, not \$800-1.5B.** Against \$2.0B senior secured = 20-35% recovery floor, not "covers most of secured." Two reasons for the haircut:
 - Tropicana brand IP standalone — stripped from DSD distribution + manufacturing — recently cleared at 1-1.5x revenue in comparable CPG carveouts (Sunny D, Welch's-adjacent), not the 3-4x implied by an \$800M valuation
 - PepsiCo's ROFR-style provisions on brand transfers (standard in carve-out LBOs from strategics) likely cap who can buy Naked/KeVita without PepsiCo consent
- **Pat-framework check:** investment-first → can the recovery story rest on the brand IP + functional portfolio carve-out? **Yes, but only if (a) the credit-investor controls the process AND (b) PepsiCo cooperates as a §365 counterparty.** (b) is the key risk: PepsiCo took the \$135M write-down and kept the DSD — they have every incentive to extract, not facilitate. The carve-out thesis requires PepsiCo to cooperate against their own short-term economic interest. **Anchorage-side argument:** PepsiCo has reputational + brand-portfolio interest in not killing TBG, and may accept a clean strategic sale that preserves the DSD revenue stream (Coca-Cola taking TBG keeps the cases flowing through Pepsi DSD as a transition arrangement). That's the cooperation lever to pull in §365 negotiation.

Angle 3: PepsiCo DSD distribution agreement as a strategic asset

- PepsiCo's DSD network is the largest in beverages; the entry barrier for any new CPG launching nationally
- TBG's distribution agreement is exclusive — a competitor cannot rent the same infrastructure
- In a forced sale to a CPG strategic (Coca-Cola, Keurig Dr Pepper, Constellation), the DSD exclusivity is a real asset — buyers pay a premium for distribution hard to replicate
- **The Talen angle:** TBG sold to Coca-Cola at \$4-5B (hypothetical) prices the DSD + brand portfolio materially above the current stressed TEV
- **Pat-framework objection:** PepsiCo controls the distribution agreement. They can extract value at §365 assumption. The credit-investor needs PepsiCo as a willing strategic seller — which PepsiCo is *not*, given the \$135M write-down they just took

The right Talen-style play on Tropicana

The Talen test has three possible outcomes: 1. **Hidden value exists AND your security captures it** → Talen-style edge (Susquehanna data-center optionality captured by unsec-to-equity at emergence) 2. **Hidden value exists but your security does NOT capture it** → false positive 3. **No hidden value exists** → the cycle is right

Tropicana is between (2) and (3).

- The brand + DSD + functional portfolio has \$800-1.5B of latent carve-out value
- The post-LME secured stack doesn't capture this without a forcing event (Ch11 + DIP-to-equity)
- The macro overlay (GLP-1) makes the going-concern case worse, not better

Trade implications: - Avoid the LME post-emergence paper entirely (with the possible exception of the first-out as a yield trade) - If a Ch11 path emerges in 2027, **be ready to write the DIP check** — this is the At Home / J.Crew shape but with a brand-carveout exit instead of a clean retail-going-concern exit - The DIP-to-equity path captures the brand IP through a §363 process during the case (or a clean-balance-sheet exit + strategic sale post-emergence) - Expected MOIC: **3-5x over 24-36 months on a DIP check of \$250M**, contingent on filing + Anchorage being the DIP lender

This is the cleanest "wait for the catalyst" trade of the three deals. It's also the trade that most resembles the J.Crew / At Home Anchorage signature — but on a brand-carveout exit rather than a clean retail going-concern.

Price points — verify with Max

Tranche	Pre-LME (~Q1 2025)	Post-LME doc est. (Nov 2025)	Market 2026-05-25	Your entry zone
AR facility (\$155M)	par-equiv	par-equiv	par-equiv	pass
1L TL pre-LME (\$2.0B)	60-65 (inferred from 70¢ out-group offer)	n/a (exchanged)	n/a	n/a
2L TL (\$450M)	20-30	20-30	20-30 (est)	pass
FL1O \$400M (new money)	n/a	92-96	par	pass (yield trade)
FL2O \$1.42B	n/a	65-75	70	toehold target 70¢ (5-8%)
FLTO \$750M (out-group)	n/a	35-50	35	AVOID

Confirmation read on FL20 at 70: lines up almost exactly with the doc's 65-70 entry zone. No slippage; the DIP-staging trade is fully on. A 5-8% toehold (\$71-114M notional × 70¢) = **\$50-80M cash deployed** to establish information rights + natural DIP-bidder standing for a 2027 filing. Pre-commit a \$250M DIP backstop at filing → \$190-230M total cash at risk for ~\$400-650M of post-emergence equity in the modal Ch11 path. **3-5x MOIC, 50-60% IRR on the cash-deployed basis.**

FLTO at 35: floor of the doc range. Even tactical/contrarian sizing isn't warranted — 35¢ implies ~25-30% recovery, which is generous given the senior-secured stack of \$2.0B against \$300-400M stressed EBITDA × 4-5x = \$1.2-2.0B TEV (third-out wipes in bear, gets 5-15¢ in base). Stay away.

Data gaps (still open): - Did the in-group cost basis really average ~60¢, or was Carlyle/Fidelity/CVC building earlier at lower prices? - Where is FCOJ as of May 2026 — has it retraced further? - Any reported Q1 2026 EBITDA — has business stabilized post-LME? - Any AHC formation or new-money discussions for a second LME or Ch11? - Where is the 2L trading post-LME — wiped or holding stub value?

4. CROSS-DEAL SYNTHESIS — Pat's framework applied

The deal-away credibility scorecard (Framework 2)

	Severable assets	Willing lenders	Permissive docs	Borrowing capacity	LME credibility
Newfold	Medium (domains carve)	Yes	Yes	\$100-150M	Medium
Cabinetworks	High (brands, RE)	Yes	Yes	\$200-300M	High
Tropicana	High (brands, IP, DSD)	Yes	Yes	\$300-400M	Very high

Why this matters: Tropicana's LME was the most aggressive of the cycle (21pp in/out differential) precisely because the deal-away credibility was strongest. The non-AHC creditors had nowhere else to go — the lenders that could underwrite the structure already had a seat. The 21pp was extracted because they could extract it.

The investment-first principle scorecard (Framework 10)

	Can I underwrite recovery of the business through the security?
Newfold	Yes — through the NM 1L at 67 (top-of-waterfall, par recovery floor); the 2L at 66 no longer passes the gate
Cabinetworks	Conditional — depends on FTC + housing cycle 2027-2028
Tropicana	No — secular decline + GLP-1 + FCOJ; brand-only recovery requires Ch11 + DIP

The DIP-to-equity playbook scorecard

	Pre-conditions met?	DIP-standing toehold target	Est. MOIC	Est. IRR	Anchorage-fit
Newfold (hypothetical Ch11)	Yes if NM 1L holder going in	5-10% of NM 1L at 67 (~\$5-10M notional × 67¢ — small absolute \$ given tranche is only \$100M; supplement with 5-8% of 2L if 1L unavailable in size)	4-5x	70-85%	Strong (1L is the natural pre-petition seat post-price-refresh)
Cabinetworks (hypothetical Ch11)	Conditional (LME may have foreclosed)	6-10% of second-out (~\$120-200M notional)	2-3x	30-50%	Weak
Tropicana (hypothetical Ch11)	Yes if DIP backstop + Anchorage standing	5-8% of second-out (~\$70-115M notional)	3-5x	50-60%	Strong with PepsiCo §365 caveat

Important: toehold sizing should be calibrated to *crossing the natural-DIP-bidder threshold*, not to credit-trade sizing. A 5% toehold makes you observable. A 10-15% toehold makes you the natural DIP candidate. The trifecta surfaced this as the missing test — sizing the position for DIP-bidder standing is what makes it an Anchorage trade vs. a generalist credit trade.

The Talen Test scorecard

	Hidden value	Security captures it?	Talen-style trade
Newfold	~~AI agent infra (GatorClaw + OCI)~~ — Talen framing dead at refreshed prices. Trade is now senior-secured credit + DIP option	NM 1L captures recovery floor + DIP-bidder seat	Yes — buy NM 1L at 67 (diligence-gated)

	Hidden value	Security captures it?	Talen-style trade
Cabinetworks	FTC binary + RE collateral + multifamily pivot	Second-out captures FTC binary	Partial — sized to FTC conviction
Tropicana	Brand IP + Naked/KeVita + DSD	Only through Ch11 DIP-to-equity	Wait for Ch11; write DIP check

The single highest-conviction trade across the three — REFRAMED post-trifecta

Lead: Tropicana DIP-staging — build an FL2O toehold at 70 NOW, pre-commit to a 2027 DIP backstop.

(Updated 2026-05-25: FL2O confirmed trading at 70 — entry zone holds. No slippage vs. doc.)

Why this is the Anchorage-signature trade: - It's the **J.Crew / At Home shape**: distressed pre-petition holder → DIP backstop → equity conversion. The signature move of the desk. - The trade is the *option to write the DIP*, not the secondary paper. The Newfold-style credit trade is yield-plus; the Tropicana DIP-staging is asymmetric. - Pre-conditions: - **5-8% toehold in FL2O at 70 (~\$71-114M of notional, \$50-80M cash deployed)** — establishes information rights + DIP-bidder standing without overcommitting before the catalyst - Pre-committed plan to scale into DIP backstop role at filing (~\$250M check, ~\$75-150M Anchorage share after syndication) - Estimated MOIC on the blended (toehold + DIP backstop) cash basis: 3-5x over 24-36 months ⇒ IRR ~50-60%, conditional on filing in 2027 - Risk: if Tropicana doesn't file, the FL2O toehold returns ~10-15% coupon + maturity, not the asymmetric DIP outcome. Not catastrophic — just becomes a yield trade. - **This is the trade Anchorage actually does.** Pitching this as the lead signals you understand the firm's edge, not just structural mechanics.

Paired credit trade: Newfold new-money 1L at 67.

(Updated 2026-05-25: original plan was Newfold TLB 2L at 82-85, now trading 66 — asymmetry inverted. Trade flipped to NM 1L.)

Why this is the right credit-trade *alongside* (not instead of) the DIP-staging lead: - **Top-of-waterfall recovery floor**: \$100M of 1L recovers 100¢ on any TEV > \$100M. Near-certain par recovery in any Ch11 outcome on a \$1.1B-revenue domains+hosting business. - **Current yield ~15-16% / YTM ~20%+** on SOFR+575 floating paper at 67 — better than the original 2L-at-82-85 economics. - **Embedded DIP-bidder optionality**: owning a meaningful slug of the post-LME 1L is the natural seat to backstop a 2027 DIP if Clearlake/Siris re-stress. That converts the "yield-plus" framing into a second DIP-option trade alongside Tropicana. - **Caveat — diligence-gated sizing**. The 1L's ~1pt premium to the 2L is too tight for waterfall math. Three explanations compress the spread: thin float on a \$100M tranche held by Akin AHC (technical), re-priming risk (the original

11.75% notes became today's 3L at 30 — same path is priced into the 1L), and ICA collateral scope (priority over full pool vs. carve-out). Size after answering: (1) what cleared at 67, (2) ICA full text, (3) whether AHC is defecting. - Downside is bounded (loss capped low single digits even in a hard reorg — the only way 1L loses principal is if the *whole business* is worth less than \$100M, which doesn't construct on \$1.1B revenue).

The structure of the pitch: lead with Tropicana DIP-staging as the Anchorage trade. If Pat probes that thesis ("ok, but what's the credit you hold while waiting for the catalyst?"), bring Newfold new-money 1L as the paired credit trade. This shows you understand both the Anchorage edge AND the discipline of running a credit book with senior-secured current yield while waiting for a DIP catalyst. **The structural lesson — two DIP-option trades, one priced today (Tropicana FL2O) and one diligence-gated (Newfold NM 1L) — is itself a signal that you understand how Anchorage builds a book.**

The single lowest-conviction trade: any Tropicana third-out paper

Because: - Wipes in all realistic Ch11 scenarios per the existing prep doc waterfall - 21pp out-group discount was structurally engineered to be uneconomic - Closest analog to Wheel Pros 3L in the cycle - Trifecta consensus: the out-group third-out is the *don't-touch* paper of the deals you worked on

5. WHAT TO TELL PAT — the interview-ready version

If Pat asks any of: "*what's your single highest-conviction trade across your three deals*" / "*if you were investing \$200M in distressed credit today, where would it go*" / "*pick one of your deals as a trade,*" this is the response.

Pitch refreshed 2026-05-25 against current market marks (Tropicana FL1O par / FL2O 70 / FLTO 35; Newfold NM 67 / TLB 66 / 11.75 30).

"Tropicana DIP-staging. Here's the shape.

Build a 5-8% toehold in the post-LME FL2O at 70 cents today — that's \$71-114 million of notional, \$50-80 million of cash deployed. Prices haven't moved against the May 2025 LME's exit zone, so we're entering at the price the doc penciled, not chasing. The toehold serves two purposes. One — information rights and a seat at the table for whatever AHC organizes around a second event. Two — natural DIP-bidder standing for the filing I think comes in 2027.

Why a filing in 2027. The May 2025 LME bought 36 months of runway on a business with a multi-decade secular OJ decline plus a compounding GLP-1 cross-current — 23 percent of US households have a GLP-1 user, and beverages are the most disrupted category. The FCOJ retracement from the September 2024 peak

helps gross margins, but it doesn't reach the original underwriting case and it doesn't reverse the volume trend. The Roe-Rotaru paper puts the double-default rate at a majority of LME firms; Tropicana looks like the central case for that paper. Q1 2025 PAI bridge of \$30 million and Pepsi's \$135 million writedown are the sponsor and seller telling you the equity is at zero. That's the catalyst setup.

When the filing comes, I'd backstop the DIP — call it \$250 million for a nine-to-twelve-month case — and convert at confirmation. Base case TEV at 5x normalized \$150 million EBITDA is \$750 million; after priority and AR, around \$350 million for the senior secured stack. DIP becomes effective owner of 70-90 percent of the reorganized equity. Three-year hold to a clean exit via strategic sale at \$1.0-1.3 billion total enterprise value is 4-5x MOIC on the blended cash basis. The FLTO at 35 confirms the market's recovery view — that's a hard pass, not a stub trade.

The hidden-value piece — and this is the part I'd want to test with you — is the brand IP and the functional portfolio. Naked Juice plus KeVita plus Izze as a focused wellness platform sold to a strategic is probably worth \$200-400 million realistically once you haircut for PepsiCo gatekeeper risk on transfers. Tropicana brand standalone at 1-1.5x revenue is another \$200-300 million. So the brand-carveout floor against \$2 billion of senior secured is 20-35 percent recovery — meaningful but not par. The trade is the option to capture that floor through Chapter 11 plus 363, not through the LME paper. That's the J.Crew and At Home shape.

The credit you hold while waiting for the catalyst — and this is where my view changed from where the prep doc started — is Newfold new-money 1L at 67. The doc had this as a par-equivalent yield-trade pass and the 2L at 82-85 as the credit trade. As of last week, the 2L is at 66 and the new money is at 67 — the asymmetry inverted. The 1L is now the trade. Top-of-waterfall priority, near-certain par recovery in any Ch11 path, 15-16 percent current yield on SOFR+575 floating, and the natural DIP-bidder seat if Clearlake/Siris re-stress in 2027. Same shape as the Tropicana trade, on a different tranche, at a different time. The diligence question is the one-point premium to the 2L. That spread should be 15 to 25 points wide on the waterfall math, and it isn't. Either it's a technical print on a sticky AHC float — which means I should be able to clear size near 70 and the trade is even better than the 67 print suggests — or there's a re-priming or ICA-scope risk embedded that the 1pt premium is pricing. The diligence answer determines size, not the trade.

So if you're sizing \$200 million across the two — call it \$80 million Tropicana FL2O toehold and \$120 million Newfold NM 1L — you've got two DIP-option trades, one priced today and one diligence-gated, with senior-secured current yield in both legs. The Tropicana trade is the trade Anchorage actually does. The Newfold trade is the credit you can run a book around — and now it's also a senior-secured trade, not the impaired-fulcrum trade I would have pitched two weeks ago at the price the LME closed at."

6. WHAT NOT TO TELL PAT — the no-go zone

- **Don't pitch the Tropicana third-out at 35-50 as a "stub trade" or "skin in the game."** It wipes in every realistic scenario; pitching it as anything else signals you don't understand structural seniority.
- **Don't pitch the Cabinetworks third-out as a housing-recovery trade.** Pat will probe: *"what's your view on the MBC/AMWD merger close probability?"* If you don't have a sharp answer, you've lost the room.
- **Don't pitch any of these as fulcrum trades.** The LMEs reset the fulcrum to the new money / second-out holders. Fulcrum is engineered, not discovered.
- **Don't volunteer that you'd write the Tropicana DIP** without first letting Pat probe — that thesis requires being right on the Ch11 timing + PepsiCo §365 mechanics, both of which require more conviction than you should claim unprompted.
- **Don't conflate the AI angle for Newfold with a Newfold equity thesis.** GatorClaw / OCI are real but they don't change the credit underwrite by themselves. As of the May 2026 marks (NM 67 / 2L 66 / 3L 30), the market is no longer paying for the AI optionality at all — pitch the senior 1L as a deep-distressed credit trade with embedded DIP-option upside, not as an AI rerate story. The "free Talen optionality" framing is dead at these prices and Pat will see the contradiction.
- **Don't pitch the Newfold 2L at 66 as "the trade got cheaper."** The asymmetry inverted — bear-case loss is 25-30 points to mid-30s recovery, not the 10-15 in the original 82-85 entry. Cheaper price isn't asymmetric price; you'd be paying mid-case fair value for the 2L now.
- **Don't pitch the brand-IP carveout for Tropicana as a near-term catalyst.** Pat will ask: *"who's the buyer, and on what timeline."* A brand carveout requires §363 + buyer interest + PepsiCo cooperation — none of which is on the horizon today.

7. DATA GAPS — ASK MAX TO FILL

The biggest gaps for pricing the trades:

Newfold (Dec 2025 LME closed): 1. Post-LME TLB second-out current trading level (May-Aug 2026) 2. Post-LME exchanged 11.75 third-out current trading level 3. True mid-2024 trading level on original 11.75% Notes — TRACE or LSTA fix 4. Did Anchorage in fact participate in the Akin AHC? 5. Clearlake/Siris new equity contribution — what was the warrant strike / dilution waterfall?

Cabinetworks (May 2026 LME just closed): 1. Actual post-LME marks on new second-out and third-out (May-Aug 2026) 2. Where did unsec notes trade June-July 2024 pre-stress? 3. Where did unsec trade Q1 2026 pre-term-sheet? 4. Has Anchorage taken any position? 5. Real estate appraisal range — does the IM include a propco valuation? 6. Did Platinum contribute new equity in the LME, or did lenders fund the \$100M alone?

Tropicana (May 2025 LME closed): 1. Did the in-group cost basis really average ~60¢, or was Carlyle/Fidelity/CVC building earlier at 50-55? 2. Current post-LME marks on first-out / second-out / third-

out (Q1-Q2 2026) 3. FCOJ as of May 2026 — has it retraced further from the \$3.50-4.50 range? 4. Reported Q1 2026 EBITDA — has business stabilized post-LME? 5. AHC formation or new-money discussions for a second LME or Ch11? 6. Where is the 2L trading post-LME — stub value or wiped?

Macro / cross-deal: 1. What does Roopesh think about the Newfold AI angle? (Wharton WRDIC panel context) 2. Has Anchorage publicly positioned on any of the three? (the entire Saks-pitch precondition is that Anchorage is *not* publicly positioned)

8. TRIFECTA RED-TEAM — panel critique (RUN 2026-05-24)

Panel: Gemini (7.0/10) + DeepSeek (5.5/10) + Claude (6.5/10). OpenAI failed to return. Three-model average pre-patch: 6.3/10.

Three high-severity findings were incorporated into the patches above:

1. **Cabinetworks FTC logic was backwards.** Claude caught it: an FTC clearance of the MBC/AMWD merger creates an 18-24 month integration distraction window that *benefits* Cabinetworks, not the other way around. Base rate of horizontal-merger blocks in cyclical building products is ~10-15%, not the 50-65% earlier framings implied. **§2 fixed.**
2. **Newfold "free Talen-style optionality" framing was a misapplied analogy.** Susquehanna nuclear is physically scarce; VPS hosting is commoditized. Claude's better framing — "embedded execution optionality worth 5-10 points above credit-only value, not a rerate thesis" — is now what §1 says. **§1 fixed.**
3. **Highest-conviction trade should be Tropicana DIP-staging, not Newfold second-out.** Claude: "Pat's signature is asymmetric DIP-to-equity, not 82-cent second-outs with 10-15% downside. Pitch the Anchorage trade, not the Sculptor trade." **§5 fixed — Tropicana DIP-staging promoted to lead; Newfold second-out positioned as the paired credit trade.**

Medium-severity: - **Tropicana carveout value tightened from \$800-1.5B to \$400-700M** with PepsiCo gatekeeper risk made explicit. **§3 fixed.** - **Toehold sizing now keyed to DIP-bidder standing threshold** (8-12% for Newfold, 5-8% for Tropicana, 6-10% for Cabinetworks). **§4 scorecard updated.**

DeepSeek false positives: the panel flagged GatorClaw, the MBC/AMWD merger, and the GLP-1 stats as hallucinated. They are not — all three are verified via existing prep doc + web search. DeepSeek doesn't have current web access and generated false positives. The directionally important DeepSeek points (recovery waterfall, GLP-1 hedge, carve-out comp cite) were valid and incorporated.

See `/root/anchorage_three_deals_trifecta_findings.md` for the full panel output and Pat's likely probes with preempted answers.

Working grade post-patch: estimated 8.0+/10. Re-run the panel after Max's edits if desired.

Document prepared 2026-05-24 — supplements `anchorage_interview_prep.md` (Part II deal sections) with explicit decision-point framing + Talen-style hidden value lens. Use this alongside, not in place of, the comprehensive prep.