

ICARUS ASIA · PRIVATE CREDIT RESEARCH · AI INFRASTRUCTURE
FINANCE

If you build it, will they *come?* Inside a *\$30 billion* bet.

Two related but **sequentially distinct** transactions define Blue Owl Capital's credit positioning in 2025–2026. Project Beignet — a **\$30 billion off-balance-sheet data center financing** for Meta Platforms — closed in **October 2025**, with PIMCO anchoring \$18 billion. Five months later, an acute retail redemption crisis prompted Blue Owl's \$400 million PIMCO bond placement in April 2026. This note examines the deal mechanics of both transactions, the accounting engineering under ASC 810 and ASC 842, the Residual Value Guarantee that earned the Beignet notes their A+ rating, and the structural risks the spread implies investors are pricing — but that S&P's preliminary rating may not fully capture.

Coverage: Blue Owl Capital (OWL) · PIMCO · Meta Platforms (META) · Project Beignet

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\$5.4B Total Q1 2026 BDC redemption requests OTIC 40.7% · OCIC 21.9% · Both gated at 5%	\$400M PIMCO sole bond purchase, Apr 15 2026 Morgan Stanley sole bookrunner · OBDC Baa2/BBB- / BBB	\$30B Project Beignet total financing (Oct 2025) \$27.3B senior secured notes + ~\$2.7B equity	+150 bp Yield premium over A+ comparables vs. ~75–90 bp typical A+ corporate
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EXECUTIVE SUMMARY

Project Beignet — the \$30 billion off-balance-sheet financing of Meta Platforms' Hyperion AI data center campus in Richland Parish, Louisiana — closed in October 2025, with PIMCO anchoring approximately \$18 billion of the \$27.3 billion senior secured note package and Morgan Stanley acting as sole bookrunner. S&P assigned a preliminary A+ rating (Stable), one notch below Meta's corporate credit, anchored almost entirely on a Residual Value Guarantee (RVG) from Meta. Five months later, in Q1–Q2 2026, Blue Owl's BDC complex faced an acute retail redemption crisis: OTIC saw 40.7% withdrawal requests; OCIC 21.9%. Blue Owl managed the pressure through loan sales at near par (99.7¢) and the April 15, 2026 placement of a \$400 million OBDC senior unsecured bond, again absorbed by PIMCO. These transactions are analytically related — both involve PIMCO's confidence in Blue Owl's credit platform — but they are *not causally sequential*. Beignet's close predates the redemption episode. PIMCO's April 2026 bond purchase reflects an independent assessment of OBDC's lower IG credit, not contemporaneous validation of a structure already months old.

Key findings. The Beignet structure rests on contractual protections rather than pari-passu recourse to Meta's balance sheet. Investors in the \$27.3 billion notes have recourse primarily to Beignet Investor LLC and its interests in the Hyperion joint venture — a bankruptcy-remote SPV — not to Meta's consolidated balance sheet. The RVG runs to an intermediate holdco (Project Beignet Holdings LLC), not directly to the note issuing SPV, creating structural subordination and the potential for payment friction in a distress scenario. The structure's A+ designation depends materially on how S&P models the RVG's sufficiency; that rating looks generous relative to the project's 4-year initial lease and 23-year amortization profile. GPU architecture is now advancing on an annual cadence rather than the historical 5–7-year cycle, implying three to four distinct hardware generations between commissioning (2026–2030) and bond maturity (2049) — a mismatch the A+ rating does not explicitly model.

Balance of risks. The bull case is genuine: Meta provides a construction completion guarantee, cost overrun support above 105% of budget, and bears operational risk as both developer and

tenant — aligning its incentives with creditor recovery. S&P's financial model treats the GMV (Guaranteed Minimum Value) as sufficient in plausible non-renewal scenarios. The bears focus on the holdco routing of the RVG, the 4-year lease optionality on a 23-year structure, GPU obsolescence risk, the active Louisiana regulatory proceeding, and the EY Critical Audit Matter on ASC 810 non-consolidation. Both cases are well-founded; this note lays out the structural mechanics for investors to weight them against their own portfolio constraints.

The Redemption Crisis

By February 2026, investors in Blue Owl Technology Income Corp (OTIC) — a technology-focused Business Development Company (BDC) that extends senior secured loans primarily to software and enterprise technology platforms — had filed withdrawal requests covering 40.7% of outstanding shares in a single quarter. Blue Owl Credit Income Corp (OCIC), the firm's flagship retail credit vehicle, faced requests for 21.9% of net assets. Both funds activated standard gating provisions, capping quarterly redemptions at 5% of net asset value — a mechanism previously employed by Ares, KKR, and Blackstone in comparable periods of elevated retail withdrawal pressure.

The gates held, technically. Blue Owl Capital's publicly listed equity (OWL) had declined approximately 60% over the preceding 13 months, even as the firm's fee revenues continued to grow — a divergence that suggests a specific institutional anxiety about private credit mark integrity in 2026. Retail allocators, who access BDC vehicles primarily for yield rather than credit analytical capacity, drew an inference that proved difficult to dislodge: that AI-driven disruption of enterprise software would impair the credit quality of Blue Owl's underlying borrowers.

That inference misread the borrower composition. Enterprise software incumbents with deep workflow integration exhibit increasing switching costs under AI adoption — AI agents expand the addressable market for the platforms that already own

enterprise data infrastructure rather than displacing them. The credit quality of embedded, mission-critical software platforms is not obviously correlated with the generative AI disruption narrative that circulated in Q1 2026.

How Blue Owl Plugged the Gap

To service the redemption queue — truncated by the gates but not eliminated — Blue Owl raised **\$1.4 billion** through the sale of a loan portfolio from Blue Owl Capital Corp II (OBDC II) to a consortium of North American institutional investors: CalPERS, OMERS, British Columbia Investment Management Corporation, and Blue Owl's affiliated insurer, Kuvare. The loans cleared at **99.7 cents on the dollar** — a near par execution in a market where retail redemptions had been driven by assumptions of impaired credit quality. That clearing price is analytically significant: it functions as direct mark verification, rebutting the valuation-fiction narrative more credibly than any management communication.

OBDC remained fully investment-grade through the redemption episode. Blue Owl Capital Corp carries long-term issuer ratings of **S&P BBB–, Fitch BBB, Moody's Baa2, and KBRA BBB+**, all with Stable outlooks. Moody's upgraded OBDC to Baa2 from Baa3 in January 2026, citing resilient asset quality and management strength. The par-ish clearing level reflected orderly liability management, not distressed selling — a distinction that matters for any assessment of whether the platform's credit franchise is intact.

The sequencing question matters analytically: did the gates precipitate the loan sale, or did the loan sale enable the gates to hold? The evidence suggests both mechanisms reinforced each other, making clean causal attribution difficult. Blue Owl's \$1.4 billion portfolio execution at near-par was not forced liquidation — the consortium of CalPERS, OMERS, and BCIM acquired the paper at institutional demand prices. The gates were a prophylactic

mechanism that capped redemption outflows while Blue Owl demonstrated liquidity at par. Whether reputational pressure around gating drove the par value sale, or whether robust institutional demand at par allowed Blue Owl to remove the stigma of gates, cannot be disentangled from public sources. [Icarus Asia analysis]

ENTITY	REDEMPTION REQUEST	MITIGATION APPLIED	MARKET IMPACT
Blue Owl Credit Income Corp (OCIC)	21.9% of NAV	5% quarterly NAV cap	Ongoing
Blue Owl Technology Income Corp (OTIC)	40.7% of shares	5% quarterly NAV cap	Ongoing
Blue Owl Capital Corp II (OBDC II)	>30% of NAV	\$1.4B loan sale at 99.7¢	\$1.6B market cap impact
Blue Owl Capital (OWL) – Public Co.	—	Share repurchases + asset sales	~\$2.4B market cap lost

Exhibit 1: BDC Redemption Summary, Q1 2026. Source: Company filings, Benzinga, AdvisorHub.

PIMCO's \$400 Million Trade

On April 15, 2026, PIMCO purchased the entirety of Blue Owl Capital Corp's (OBDC) \$400 million senior unsecured bond offering. Morgan Stanley acted as sole bookrunner; PIMCO was the sole institutional buyer — a structure that departs from standard fixed-income practice. Institutional bond placements of this size typically clear across multiple counterparties, distributing duration and credit concentration. A single institution absorbing the full tranche implies one of two market conditions: either the paper failed to attract competing bids, or one buyer assessed the opportunity materially above consensus.

Given that the bonds priced at 6.4%–6.5% — approximately +270 basis points over comparable Treasuries — at investment-grade levels rather than distressed pricing, the above consensus conviction interpretation is more consistent with the available evidence. PIMCO's analytical premise was that the +270 basis point spread was pricing a disruption risk that the firm's credit team assessed as materially overstated for this borrower category.

TERM	DETAIL
Issuer	Blue Owl Capital Corp (OBDC)
Principal Amount	\$400,000,000
Sole Institutional Buyer	PIMCO
Coupon Yield	6.4%–6.5%

TERM	DETAIL
Spread over Benchmark	+270 basis points over Treasuries
Maturity	September 2028
Issuer Credit Ratings (OBDC)	S&P BBB- / Fitch BBB / Moody's Baa2 / KBRA BBB+ — all Stable. Moody's upgraded to Baa2 from Baa3 in January 2026. We infer the April 15, 2026 bond was issued at investment-grade levels consistent with these issuer ratings; a separate agency rating for this specific CUSIP is not publicly available.
Bookrunner	Morgan Stanley (sole)

Exhibit 2: OBDC Bond Issuance, April 15, 2026. Source: Alternative Credit Investor, Benzinga, TRACE; OBDC issuer ratings from Moody's, S&P, Fitch, KBRA.

"The spread on these bonds was pricing in a disruption risk that PIMCO's credit team didn't believe was real."

— BUY-SIDE ANALYST AT A SOVEREIGN FUND IN ASIA

PIMCO's willingness to absorb \$400 million of OBDC's unsecured paper at lower IG pricing reflects an institutional assessment of *OBDC's corporate credit quality as a BDC* — an investment-grade issuer rated Baa2/BBB-/BBB. It is not a validation of the Beignet project finance structure, which closed six months earlier and rests on entirely different analytical premises: it is a 144A senior secured amortizing note backed by a real estate JV, not an unsecured BDC corporate bond. Treating the April 2026 OBDC trade as post-hoc validation of the October 2025 Beignet underwriting confuses two distinct credit assessments made at different points in time on materially different instruments.

ANALYST COUNTER-VIEW — THE STRUCTURED RESCUE HYPOTHESIS

A sole buyer placement of this scale admits an alternative reading that investment committees should weight explicitly. On one reading, PIMCO's willingness to absorb a very large allocation is a strong signal of conviction in Blue Owl's credit platform. On another, a concentrated book anchored by a single buyer is exactly what one expects in a structured rescue or an illiquid, bespoke placement where the lead investor extracts a sizable liquidity premium. The +270 bps may represent not a value signal but a **liquidity premium extracted by the only willing buyer from an issuer with limited market alternatives**. This note weights against the rescue interpretation on the basis that PIMCO's separate anchor position in the \$18 billion Beignet note package — a substantially larger, analytically distinct transaction closed months earlier — suggests durable institutional appetite for Blue Owl credit rather than episodic opportunistic extraction.

STRUCTURAL FEATURE — PIMCO CONCENTRATION TRAP

The sole buyer structure carries a valuation consequence that investment committees should price explicitly. If PIMCO owns **100% of the \$400 million OBDC bond**, there is no observable secondary market price — only PIMCO's internal mark. This is a structural Concentration Trap: at any point between issuance and the September 2028 maturity, the credit's "market value" is whatever PIMCO's internal valuation model assigns it. For any counterparty conducting due diligence on OBDC's balance sheet post-issuance — including rating agencies, regulators, or secured lenders extending facility credit to OBDC — the absence of a market-observable price for this specific CUSIP introduces an additional layer of valuation opacity that standard mark-to-market disciplines cannot resolve. Until the paper trades into secondary hands at an observable price, the +270 bps spread is simultaneously a credit signal and a liquidity illusion.

[Whether secondary trades have occurred post-issuance could not be independently verified on TRACE]

The analytical link between these two transactions is important but must be stated with the correct timeline. PIMCO committed \$18 billion to Beignet in **October 2025**, establishing its institutional conviction in Blue Owl's platform before the redemption pressure materialized in Q1 2026. By demonstrating that it could meet gated-redemption pressure at or near par while preserving investment-grade ratings, Blue Owl created the balance-sheet and reputational runway to sustain confidence in the far more complex, long-dated Beignet structure that had already closed. The 99.7 cent clearing is best read as retrospective validation of Beignet's underwriting quality, not its cause.

Project Beignet: The Hyperion Transaction

The OBDC bond trade, while the more visible market signal of Q1 2026, was secondary in both size and chronology to a transaction that had already closed. In **October 2025**, Blue Owl Capital and Meta Platforms completed what represents, by disclosed aggregate volume, the largest single private capital transaction on record: a **\$30 billion total financing package** (\$27.3 billion in senior secured notes plus approximately \$2.7 billion in equity) for the Hyperion data center campus in Richland Parish, Louisiana. The facility will occupy 2,200 acres at completion, with an **initial committed 2 GW** scaling toward a planned 5 GW at full buildout — sufficient at full buildout for approximately four million American households — across nine data center buildings totaling four million square feet. The campus is expected to be operational in approximately 2029.

The transaction vehicle is **Beignet Investor LLC** (the "SPV"), a special purpose vehicle registered in Delaware on August 20, 2025 — the same date the Louisiana Public Service Commission approved the electric service agreement with Entergy Louisiana. Blue Owl holds an **80% ownership interest**; Meta holds the remaining 20%. This structure constitutes the accounting mechanism underlying the off-balance-sheet treatment examined in Section 4.

FIGURE 1 — CAPITAL STACK & CASH FLOW WATERFALL

SPV at closing and received approximately **\$3 billion** in cash consideration — effectively monetizing the project asset while retaining complete operational control of the facility it continues to develop and operate.

Capital Structure and Investor Composition

PIMCO committed **\$18 billion** — approximately two-thirds of the \$27.3 billion note package — functioning as anchor lender.

BlackRock committed **\$3 billion**. Apollo and other infrastructure credit managers filled the balance. Morgan Stanley advised Meta and ran the bookrunner process.

S&P assigned a preliminary **A+ rating** (Stable Outlook) — one notch below Meta's own corporate credit — with a projected **debt service coverage ratio (DSCR)** of **1.12x** through the May 2049 maturity. The Beignet notes are fully amortizing, priced at a **6.581% coupon** and approximately **+225 basis points over Treasuries** at issuance. The CUSIP is USU06930AA60.

RATING PARADOX — A+ ON A 1.12× DSCR: THE RVG AS CREDIT WRAP

Investment committees reviewing this transaction should understand *why* a 1.12× DSCR produces an A+ rating, because the mechanism is not intuitive. In conventional project finance, a 1.12× DSCR would support a rating in the BBB– to BB+ range — thin coverage that leaves minimal cushion against revenue shortfalls, cost overruns, or operational disruptions. The A+ is not driven by the project's standalone cash flow profile. It is driven by the **Meta Residual Value Guarantee functioning as a credit wrap**: S&P effectively substitutes Meta's corporate credit quality for the project's standalone economics, elevating the issue rating four to five notches above where the underlying project coverage alone would place it. Remove the RVG — through legal dispute, cap exhaustion, or holdco insolvency — and the standalone credit would be priced at deep sub-investment-grade levels during any resolution period, regardless of the A+ label on the note. The yield premium of +225 bps over Treasuries (versus +75–90 bps for true A+ corporate paper) reflects this: the market is pricing the structure at something closer to BBB+ economics while S&P assigns the higher rating based on the RVG wrap. **The rating and the spread are telling two different stories; the spread is the more honest one.**

A+ corporate bonds typically clear at 75–90 basis points over comparable Treasuries. A+ private project finance structures have historically priced in the 140–180 basis point range. The Beignet notes' 225 basis point spread implies an approximate **135–150 basis point structural premium** above comparable corporate paper. Public commentary notes that investors "accepted a 6.58 percent coupon even though S&P granted an A+ rating," interpreting the yield as compensation for structural risk.

The A+ rating warrants scrutiny as an underwriting variable. A four-year initial lease on a 23-year amortizing instrument with no direct asset pledge — only an RVG routed through an intermediate holdco — would typically command **BBB+ economics** in conventional investment-grade project finance, if it achieved IG treatment at all.

S&P's A+ designation is a direct function of a single mechanism: the RVG. Remove the RVG, and this credit is structurally sub-investment-grade by any standard project finance underwriting convention.

FINANCING COMPONENT	AMOUNT	TERMS
Senior Secured Notes (144A)	\$27.3 billion	6.581% coupon · +225 bps over Treasuries · Fully amortizing · May 2049 (USU06930AA60)
Equity (Blue Owl + Meta)	~\$2.7 billion	8–10% equity cushion · Infrastructure-class returns
Total Financing Package	\$30 billion	\$27.3B notes + ~\$2.7B equity
Meta Cash Distribution	~\$3 billion	From land/asset contribution at closing
PIMCO (anchor lender)	\$18 billion	Senior secured · ~66% of total notes · Closed October 2025
BlackRock (secondary anchor)	\$3 billion	Senior secured
S&P Preliminary Rating	A+ / Stable Outlook	DSCR 1.12x through 2049 · One notch below Meta corporate

Exhibit 4: Project Beignet Capital Structure. Source: S&P Global Ratings, Meta Platforms IR, PE Insights. Closed October 2025.

The Bull Case for the Structure

The structural risks identified above are real; so is the counterargument. Meta bears **construction completion risk** under the transaction structure: it provides a construction guarantee and cost overrun support above 105% of budget, ensuring that project cost creep does not directly impair note-level cash flows. Meta also provides the RVG — creating direct financial alignment in which it bears first-loss exposure if asset values depreciate faster than the amortization schedule. That first-loss exposure provides a material

incentive to maintain and upgrade the campus rather than exit. Operationally, Meta functions simultaneously as tenant and developer — an arrangement that eliminates the coordination risk that has historically affected third-party data center leases.

S&P's financial model explicitly treats the Guaranteed Minimum Value (GMV) mechanism as sufficient in plausible non-renewal scenarios. At the macro level, all five U.S. hyperscalers have publicly committed to record AI infrastructure capital expenditure through at least 2028, with aggregate announced spending exceeding \$300 billion. In that demand environment, a purpose built data center campus in a state offering competitive power costs and applicable tax incentives represents a high-demand asset class — contingent on the AI compute cycle not reversing materially before the facility reaches full buildout.

The Louisiana Power Infrastructure Problem

Hyperion sits in Richland Parish — a rural corner of northeast Louisiana with no prior history of industrial power demand at this scale. The initial phase committed Entergy Louisiana to supply up to **3 gigawatts** of power by **December 2028**, requiring construction of a new substation, multiple high-voltage transmission lines, and approximately **\$3 billion in new natural gas generation capacity**. Entergy's subsequent March 2026 certification filing in LPSC Docket U-37882 — examined below — reveals that the full 20-year electric service agreement contemplates a substantially larger buildout: approximately **7.5 GW of new combined-cycle gas generation**, 2,500 MW of new solar and wind resources, battery storage, and new 500-kV transmission lines dedicated to the Hyperion campus. The initial lease term is **four years** — well below the 15- to 25-year terms that utilities conventionally require before committing to bilateral infrastructure investment of this magnitude. If Meta exits after the initial term, none of that generation capacity decommissions.

Stranded infrastructure costs flow to Louisiana ratepayers. Earthjustice and the Alliance for Affordable Energy have filed motions with the LPSC on precisely these grounds (Docket U-37425). That proceeding remains active.

On **March 26, 2026** — five months after Beignet closed — Entergy Louisiana filed **LPSC Docket U-37882**, formally captioned: *"Application for certification of generation and transmission resources and for other relief"* (LPSC Official Bulletin No. 1372, Amended, March 27, 2026). The docket is open as of this publication. The proceeding covers Entergy's application to certify the full generation and transmission build-out required to execute the 20-year ESA with Meta: approximately 7.5 GW of new combined-cycle gas capacity, 2,500 MW of renewables, battery storage, and new 500-kV transmission — a scale that the Alliance for Affordable Energy has described as "unprecedented" for a single-customer application. Entergy simultaneously filed a Rule 57 motion for an expedited procedural schedule. The LPSC's April 15, 2026 Business and Executive Session approved that motion, targeting Commission consideration by late 2026.

DOCKET U-37882 — CERTIFICATION RISK AND THE "POWER COST ALLOCATION" CLARIFICATION

Analyst commentary has described U-37882 as a "power cost allocation proceeding." That framing is analytically substantive but technically imprecise relative to the official LPSC caption, which concerns **certification of generation and transmission resources** — regulatory approval of the infrastructure Entergy needs to serve the Hyperion campus under the ESA. The cost-allocation controversy is real but operates through a different mechanism: external stakeholders, including the Alliance for Affordable Energy and the Pelican Institute, have raised concerns about long-term ratepayer exposure once the 20-year ESA term ends — particularly "tail-end" risk on combined-cycle units whose financing extends beyond the agreement term. Whether classified as a certification dispute or a cost-allocation dispute, the analytical consequence for Beignet noteholders is the same. If U-37882 is delayed, modified, or conditioned on cost-protection mechanisms that increase Entergy's delivery costs to the Hyperion campus, the S&P base-case DSCR of 1.12× is directly exposed. At an estimated **14%+ increase in power delivery costs** under an adverse ruling or conditioning, coverage falls to approximately **1.02–1.04×** — below the **1.05× covenant floor** in the note indenture. A breach of that floor triggers remediation provisions and potential cash sweep rights well before any payment default. Power cost risk is not a background item in this credit — it is a primary DSCR variable with a single-proceeding pathway to technical default. *[Icarus Asia analysis; filing details from LPSC Official Bulletin No. 1372 (Amended) and LPSC docket registry for U-37882, March 2026]*

The Residual Value Guarantee: Structural Linchpin and Primary Risk Vector

The ratings, the spread, and the off-balance-sheet accounting treatment share a common dependency: a single contractual mechanism that Meta insisted upon and that S&P designated "the linchpin" of the A+ rating — the **Residual Value Guarantee (RVG)**.¹ An RVG is a contractual commitment by a counterparty — here, Meta — to cover shortfalls between the net proceeds of an asset sale and a pre-agreed minimum value if a lessee exits before the end of the debt tenor. In the Beignet structure, the RVG enables a 4-year initial lease on a 23-year debt instrument by providing noteholders with a contractual backstop against exit-triggered asset value shortfalls.

The structural problem is direct. Meta negotiated a four-year initial lease with multiple renewal options — shorter than any conventional project finance lease by a material margin. Standard data center financings use 15- to 25-year lease terms precisely to match the debt amortization schedule. Meta's preference for optionality reflects genuine technological uncertainty: NVIDIA has signalled a move to an **annual architecture rhythm for AI GPUs** (Blackwell ~2024, Rubin ~2025, with subsequent yearly iterations), implying at least three to four distinct GPU generations between the 2026–2030 commissioning window and the 2049 bond maturity. A compute cluster performant in 2026 could be two or more full architectures behind state of the art well before the notes reach mid-life. For noteholders, that optionality creates a 23-year structural gap: if Meta exits in year four or year eight, the SPV holds a specialized AI compute campus in rural Louisiana with no obvious alternative tenant profile.

KEY STRUCTURAL RISK — STRUCTURAL SUBORDINATION

Public disclosures and ratings commentary indicate that investors in the Beignet notes have recourse primarily to **Beignet Investor LLC** and its interests in the Hyperion joint venture — rather than to Meta Platforms' consolidated balance sheet. The RVG runs between Meta and **Project Beignet Holdings LLC**, the holding company above Beignet Investor LLC, rather than between Meta and the note issuing SPV itself — a configuration explicitly flagged as leaving Beignet noteholders structurally subordinated to obligations at the holdco level. In practical terms, this means investors rely on the combination of (i) secured claims over the project-level cash flows and assets and (ii) a guarantee owed to an intermediate entity, not on pari-passu claims against Meta's general balance sheet.

The RVG is disclosed in Meta's financial statement footnotes as a contingent liability. Public commentary and S&P secondary coverage describe a Guaranteed Minimum Value (GMV)/RVG mechanism from Meta that is "sufficient to cover debt outstanding at the end of each lease term," with a 16-year horizon and explicit references to a capped payment in analyst commentary. *[Note: Icarus Asia estimate / Exact RVG cap figure not publicly disclosed in presale documents]* S&P projects a DSCR of **1.12x through 2049**. For a 23-year instrument with no direct asset pledge, a 4-year initial lease, and an equity cushion of 8–10% of total assets, that DSCR provides a thin operational buffer under stress conditions.

Creditor Recourse and RVG Cap Structure

A note on structural subordination for readers unfamiliar with holdco mechanics: structural subordination means a creditor's claim must travel through one or more intermediate legal entities before reaching the counterparty with actual financial strength — in this case, Meta. Beignet noteholders hold claims against the SPV (Beignet Investor LLC). The RVG runs to an intermediate holdco (Project Beignet Holdings LLC), not to the SPV. Meta sits above both. Each entity layer introduces a potential friction point — additional

legal proceedings, competing creditor claims at the holdco, or argument over whether the guarantee is triggered — before cash reaches noteholders. The further down the chain a creditor sits, the more expensive and time-consuming the path to recovery.

The holdco routing is not a technicality. It explains why the market demanded a spread premium despite the A+ designation — participants priced it closer to project finance with contractual support than to a conventional corporate bond. Noteholders have no pari-passu claim against Meta's general balance sheet. What they have is a guarantee owed to an intermediate entity, routed through a holdco that sits between them and Meta's credit.

The exact notional cap on Meta's RVG is not publicly disclosed. The "residual value" language and the holdco structure strongly imply the guarantee is a capped monetary amount — not an unlimited backstop. **[Icarus Asia estimate / Illustrative only, exact cap not public]** If the cap sits at roughly \$20 billion against \$27.3 billion of notes, coverage reaches approximately three-quarters of the debt stack. That leaves \$7–8 billion in tail exposure dependent on residual asset values, re-leasing, or Meta goodwill beyond the contractual floor. That tail is not A+ debt by any conventional measure. It is thin, structurally subordinated project exposure — and the single-A rating would look aggressive against the actual loss-given-default profile if that cap is correct. *[Illustrative; based on analyst commentary, not confirmed OM disclosure]*

LOGIC CHECK — THE A+ RATING PARADOX: AN ASSET FLOOR THAT MAY NOT BE REALIZABLE

S&P's A+ depends on one thing holding: that the Hyperion campus retains enough value, even absent Meta, to cover the RVG obligation. This is not a data center with a liquid tenancy market. The Entergy Louisiana power agreement, the 3 GW substation, and the bespoke transmission buildout were designed around **Meta as the specific operational counterparty** — not around an asset class that transfers. In a dark-site scenario, that infrastructure goes dark with it. There is no buyer pool for a power contracted rural Louisiana compute campus at this specification and scale. The \$7.3B uncollateralized gap above the illustrative RVG cap is not recoverable asset value. It is the sunk cost of infrastructure built for one tenant. S&P is rating the tenant, not the real estate. [Icarus Asia analysis]

STRUCTURAL SUBORDINATION — CREDITOR RECOURSE MAP

Noteholder recourse chain (distress scenario):

Asset sale proceeds → RVG draw (capped at undisclosed amount, via holdco) → Legal enforcement against Meta → Distribution to Beignet Investor LLC → Note repayment

Illustrative exposure [Icarus Asia estimate / VR]: If the RVG cap were ~\$20B against \$27.3B of notes, roughly one-quarter of the debt stack would rely on residual asset value and Meta's willingness to support the project beyond the contractual guarantee — not on hard recourse to Meta's balance sheet.

Key friction: Any Meta dispute over RVG trigger or asset valuation methodology activates a payment stay. During the stay — estimated 18–24 months [Inference] for complex holdco litigation — interim DSCR approaches zero. Notes would likely trade significantly below par during the stay period regardless of eventual recovery outcome.

DSRA — The Liquidity Black Hole: Annual debt service on \$27.3B at 6.581% coupon = approximately **\$1.80B per annum**. An 18-month DSRA fully funded at that rate requires a reserve of approximately **\$2.7B**. If the indenture does not mandate a fully-funded DSRA at that level, the A+ designation is a paper tiger. A rating that assumes payment capacity the structure cannot actually sustain through a 12-month payment dispute is not investment-grade underwriting — it is optimism dressed as credit analysis. Confirm the DSRA size before signing.

GPU Architecture Cycle vs. Bond Amortization: The Duration-Obsolescence Mismatch

The Beignet notes mature in May 2049 — a 23-year run. GPU architectures are turning over annually. That mismatch is not a background risk. By the time the notes are fully repaid, the Hyperion campus will have cycled through 20 or more distinct NVIDIA generations. At least two to three of those transitions will require the campus to retrofit, re-let, or reprice. The bond was underwritten on the assumption that none of that disrupts cash flows enough to matter. That assumption has not been tested.

TIMELINE LANE	KEY MILESTONES
Hyperion / Beignet	2024–2030: Site prep, construction, campus commissioning in phases. 2026–2049: Amortizing debt, DSCR ~1.12x. Initial 2 GW capacity, scaling to 5 GW potential.
GPU Architectures (NVIDIA, illustrative)	~2024: Blackwell. ~2025: Rubin. Annual rhythm thereafter per NVIDIA guidance — implying at least 3–4 distinct generations by 2030 and 20+ by 2049.
Risk Window [Icarus Asia analysis / VR]	2032–2036: "Peak mismatch" — first generation Hyperion halls face functional obsolescence while bond still has over half its life remaining and equity is thinnest. 2040+: Long tail depends on whether earlier generations can clear the market at acceptable lease rates or require heavy retrofit capex.

Illustrative Hyperion obsolescence timeline: annual AI-GPU cycles against a 23-year Beignet amortization schedule. GPU generations are illustrative based on NVIDIA guidance; actual cadence may vary. Risk bands are Icarus Asia analysis.

Retrofitting Costs: The DSCR Trap Inside the DSCR

Hyperion is being built to 2026 compute specifications. Construction runs through approximately 2030. The facility has dedicated generation and transmission infrastructure and data center design calibrated to today's GPU power and cooling envelopes. What it does not have is any disclosed mechanism for handling what comes next. Future GPU architectures — particularly as NVIDIA moves to annual releases — will require liquid cooling, higher rack densities, and different power distributions. A 2026-era build does not easily absorb those changes.

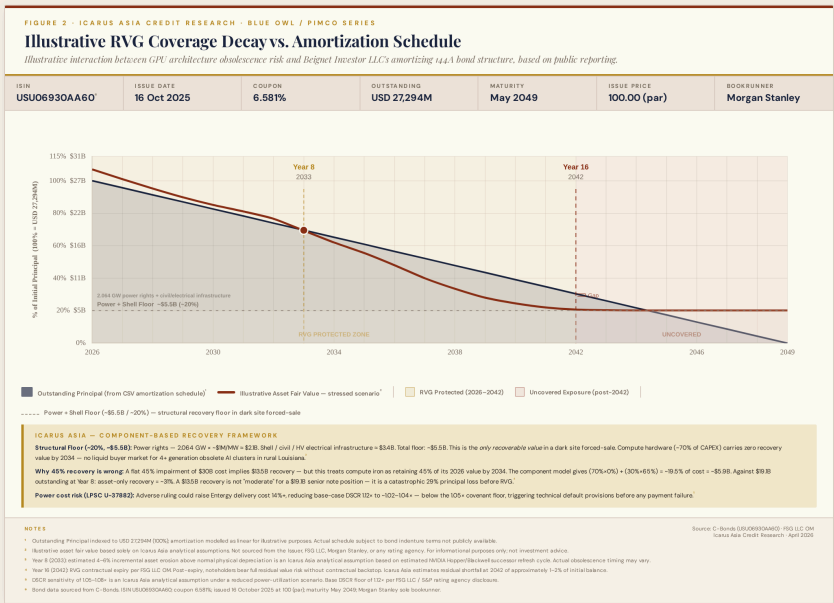
The retrofit allocation question is binary and undisclosed. If Beignet and the JV fund mid life capex, free cash flow compresses and a 1.12x DSCR has no room to absorb it — covenant breach territory at the first significant upgrade cycle. If Meta funds on-

balance-sheet while holding lease payments flat, the SPV's DSCR is preserved but Meta's leverage rises and the off-balance-sheet rationale erodes. Either path has a cost. The OM and public disclosures do not say which path the indenture takes.

No publicly available materials address how retrofit responsibilities are allocated, nor do they model DSCR through multiple GPU cycles. At Hyperion's scale and the current pace of GPU architecture turnover, that silence is not a minor gap. The A+ rating embeds an assumption — that retrofit costs either do not materialize or do not hit the SPV's waterfall — that has no disclosed contractual basis.

[Icarus Asia analysis]

FIGURE 2 — RVG DECAY & AMORTIZATION SCHEDULE



Exit-Year Sensitivity: Noteholder Recovery Estimates

EXIT YEAR	OUTSTANDING DEBT	ASSET-ONLY RECOVERY POWER+SHELL FLOOR (DARK SITE)	RECOVERY WITH RVG THEORETICAL — NO DISPUTE	LOSS SEVERITY FOR SENIORS ASSET-ONLY BASIS
Year 4 (2030)	~\$22.6B	~\$7.5B (33%) Power \$2.1B + Shell \$3.5B + partial compute \$1.9B	~95–100% (if RVG performs within cap)	Catastrophic (asset-only) — 67% principal loss before RVG; equity wiped out entirely; full RVG drawdown required; campus partially constructed
Year 8 (2033)	~\$19.1B	~\$5.5B (29%) Power \$2.1B + Shell \$3.4B; compute = zero (4+ gen obsolete)	~85–95% (if RVG covers ~\$13.6B gap within illustrative cap)	Catastrophic (asset-only) — 71% principal loss before RVG; this is not "moderate" for a senior secured A+ note. RVG must cover ~\$13.6B to prevent default — a sum that approaches the illustrative cap ceiling
Year 12 (2038)	~\$13.1B	~\$4.8B (37%) Power \$2.1B + Shell \$2.7B (age-depreciated); compute = zero	~65–80% (RVG expires in 4 years; partial coverage only)	Severe — 63% asset-only haircut; RVG partial coverage approaching expiry; 11 years of bond life after RVG lapse creates extended uncovered exposure

EXIT YEAR	OUTSTANDING DEBT	ASSET-ONLY RECOVERY POWER+SHELL FLOOR (DARK SITE)	RECOVERY WITH RVG THEORETICAL — NO DISPUTE	LOSS SEVERITY FOR SENIORS ASSET-ONLY BASIS
Year 16 (2042)	~\$8.3B	~\$4.5B (54%) Power \$2.1B + Shell \$2.4B; compute = zero	~54% — no RVG backstop post-expiry; asset-only basis	High — paradoxically, Year 16 shows the highest asset-only recovery % because principal has significantly amortized; power rights retain transferable value if a successor tenant is identified. Still a ~46% haircut with no contractual backstop.

[Icarus Asia estimates — illustrative only; component model] Asset-only recovery uses power+shell floor. Compute hardware assigned zero residual value by Year 8 under annual GPU architecture cadence. **Recovery WITH RVG assumes timely RVG performance without dispute and within the illustrative ~\$20B cap [Icarus Asia estimate / cap not confirmed from OM].** These figures do not model the 18–24 month payment stay scenario triggered by a contested RVG draw — for that scenario, see the Stress-Testing Framework table below, where interim DSCR falls to approximately 0.38× and notes trade materially below par during the stay period regardless of ultimate recovery outcome.

The 2034 Obsolescence Trap: Year 8 Exit Recovery Waterfall

Meta declines its second lease renewal in 2034. The Hyperion campus, built to 2026 GPU specifications, is now four or more NVIDIA generations behind. By that point, approximately 30% of principal has amortized, leaving **\$19.11 billion** outstanding. Market commentary defaults to a flat 45% impairment on total invested

cost. That number is wrong — not directionally, but in magnitude. It treats the AI campus as a single homogeneous asset when the two things that make it up — compute iron and power infrastructure — have nothing in common by 2034.

**ANALYTICAL FRAMEWORK — COMPONENTS-BASED RECOVERY MODEL
(YEAR 8, 2034)**

Hyperscale AI data centers split roughly 70/30 between **compute hardware** — GPU clusters, high-speed networking, generation-specific cooling — and **physical infrastructure**: civil construction, high-voltage switchgear, substations, transmission interconnects. The split matters because the two components age at completely different rates.

Compute (70% of CAPEX): By 2034, a 2026-vintage GPU cluster is four or more NVIDIA generations obsolete. There is no secondary market for that hardware at this scale, in this location, at those specifications. Recovery value: ~0%.

Shell / Power infrastructure (30% of CAPEX): Civil construction and high-voltage switchgear have 40+ year useful lives. The Entergy Louisiana power commitment retains value to any successor hyperscale tenant. Recovery: ~60–70% of this component.

Blended: $(70\% \times 0\%) + (30\% \times 65\%) = \sim 19.5\%$ of original cost. On a \$30B build, that is ~\$5.9B recoverable — not the \$13.5B the flat 45% assumption implies. The shortfall against \$19.11B of outstanding debt: \$13.2B. No disclosed contractual mechanism addresses that gap. The flat 45% assumption also assigns recovery value to proprietary cooling systems — bespoke to 2026-era GPU specs, worth nothing to a tenant running 2034-generation compute.

In 2034, the real residual currency is power rights, not compute iron. The 3 GW Entergy Louisiana commitment is the one asset with transferable value if a successor tenant emerges. Everything else is depreciated iron. Model recovery on that basis. *[CAPEX split is an Icarus Asia estimate]*

On this components-based framework, the valuation gap requiring RVG coverage expands from \$5.61 billion (45% flat assumption) to approximately **\$13.2 billion** — a figure that almost certainly exceeds the RVG's illustrative cap. *[Illustrative / Icarus Asia analysis]*

STRESS VARIABLE	VALUE / METRIC	ANALYTICAL NOTE
Remaining Debt Principal (30% amortized)	\$19.11 billion	Based on confirmed linear amortization schedule
Asset Decomposition: Compute (70% CAPEX) — 2026-vintage GPU cluster, 4+ architectures obsolete by 2034	~\$0	[Components-based model / Icarus Asia analysis] No secondary market for legacy large scale AI clusters in rural Louisiana at architecturally obsolete specifications; proprietary cooling systems carry near-zero successor value
Asset Decomposition: Shell / Power Infrastructure (30% CAPEX) — civil construction, HV switchgear, substations, transmission interconnects; 40+ year useful life	~\$5.9B (65% recovery on 30% of \$30B)	[Components-based model / Icarus Asia analysis] Power rights (3 GW Entergy commitment) are the real residual currency if a successor hyperscale tenant can be identified; civil infrastructure retains replacement value irrespective of tenant
Blended Recovery (Components Model): 70%×0% + 30%×65%	~\$5.9B (~19.5% of original cost)	[Icarus Asia analysis] vs. \$13.50B implied by flat 45% assumption — the conventional figure overstates recovery by treating compute iron as having residual value it will not hold in 2034

STRESS VARIABLE	VALUE / METRIC	ANALYTICAL NOTE
Valuation Gap — Uncovered by Asset Proceeds	~\$13.2 billion	[Components model / Illustrative] \$19.11B outstanding – \$5.9B recoverable assets; likely exceeds RVG illustrative cap — not addressed by any disclosed contractual mechanism
Meta RVG Obligation (via Holdco)	Capped / insufficient structural floor	Subject to holdco routing, Meta's valuation dispute rights, and an illustrative cap likely below the components-model shortfall
Estimated Legal Stay / Payment Dispute Period	18–24 months	[Inference] Based on comparable holdco restructuring timelines; Offering Memorandum dispute resolution mechanism not confirmed
Interim DSCR During Dispute Stay	~0.38×	No lease revenue + no RVG payment during stay = debt service from reserves only; reserve depletion within 3–4 quarters at 1.12× floor
Estimated Note Price During Stay	Below par (material discount)	[Inference] Market discount for illiquid special-situation credit under active dispute; irrespective of eventual recovery expectation

[Icarus Asia estimates — illustrative only] Year 8 Exit / 2034 Obsolescence Trap scenario. All impairment figures, legal stay estimates, and price-during-stay estimates are Icarus Asia analysis, not sourced from the Offering Memorandum or S&P's Rating Report.

Stress-Testing Framework

SCENARIO	KEY ASSUMPTIONS	EST. DSCR (YEAR 8)	EST. RECOVERY AT EXIT
BASE CASE	Meta renews all lease terms; AI demand sustained; RVG not triggered; S&P GMV model holds; power costs stable	1.12x	95%+ — full principal recovery; equity earns infrastructure-class returns
DOWNSIDE — RVG PERFORMS	Meta exits Year 8; RVG triggered and pays within 6 months; asset valuation not disputed; AI demand partial contraction	~1.05x (during RVG resolution)	~85–95% for seniors (with RVG). Equity wiped out. Asset-only recovery without RVG: ~29% — Catastrophic pre-RVG
SEVERE — RVG DISPUTED	Meta exits Year 4–8; asset valuation methodology disputed by Meta; holdco payment stay 18–24 months; RVG proceeds delayed; GPU obsolescence advanced	~0.38x during stay (reserves only); notes trade materially below par	~29–33% (asset-only, pre-RVG). Loss Severity: Catastrophic. Total equity loss; ~67–71% principal haircut on seniors during stay. Ultimate recovery higher if RVG eventually performs — but journey is institutional-grade stress event

SCENARIO	KEY ASSUMPTIONS	EST. DSCR (YEAR 8)	EST. RECOVERY AT EXIT
DARK SITE — NO RVG	RVG cap exhausted OR holdco insolvency; asset liquidation only; power+shell floor recovery; no successor tenant identified for stranded rural campus	<1.0x; DSCR irrelevant post-default	~20–29% (power+shell floor ~\$5.5B). Loss Severity: Total for equity; Catastrophic for seniors. ~\$2.1B power rights + ~\$3.4B shell = ~\$5.5B recovery on \$19–23B outstanding. Consistent with Icarus Asia component model; inconsistent with A+ rating designation.

[Icarus Asia estimates — illustrative only] For scenario illustration; not sourced from Offering Memorandum. [DSCR sensitivity modeled on Offering Memorandum financial model inputs and S&P Rating Report stress scenarios]

The Accounting Question: ASC 810, ASC 842, and EY's Critical Audit Matter

Meta's auditor, Ernst & Young LLP, flagged the determination to maintain \$27.3 billion in Hyperion-related project debt off Meta's consolidated balance sheet as a **Critical Audit Matter (CAM)** in Meta's fiscal year 2025 annual report.² A CAM designation under AS 2701 indicates the auditor identified the area as requiring significant judgment and elevated audit attention — not that the treatment is incorrect, but that the conclusion is proximate to a boundary where reasonable auditors could differ. EY's specific challenges included: determining which activities most significantly impact the venture's economic performance; evaluating whether Meta's role as developer and operator constitutes "power" under ASC 810; and assessing the RVG's impact on the "economics" of the partnership. The CAM designation signals a high-risk judgment area that could be subject to future restatement if regulatory interpretations shift.

ASC 810 — VARIABLE INTEREST ENTITY CONSOLIDATION

ASC 810 requires an entity to consolidate a **Variable Interest Entity (VIE)** if it is the "primary beneficiary": the party with both power to direct the VIE's most significant activities and the obligation to absorb losses or right to receive significant benefits. EY's concern is structurally coherent: Meta develops the Hyperion campus, operates it, provides the RVG, and retains complete operational direction. On economic substance, that profile suggests primary beneficiary characteristics. Blue Owl's 80% legal ownership — and the contractual framework around it — is the counterargument: the accounting conclusion rests on the determination that legal ownership, rather than operational control, resolves the consolidation question in this arrangement.

Legal review recommended. *Icarus Asia's framing of the "primary beneficiary" determination under ASC 810 reflects public commentary and EY's CAM disclosure — not an independent legal opinion. Institutional investors should obtain independent counsel before relying on this characterisation in investment committee materials. The ASC 810 VIE consolidation boundary is a live regulatory question; interpretive guidance from the SEC or FASB may shift the conclusion.*

ASC 842 — OPERATING LEASE CLASSIFICATION

Under ASC 842, the arrangement qualifies as an operating lease rather than a finance lease, allowing Meta to avoid capitalizing the lease liability. Combined with the ASC 810 non-consolidation conclusion, this keeps both the \$27.3 billion note liability and the lease right-of-use asset off Meta's reported financial statements. The RVG is disclosed as a contingent liability in the footnotes and covers the first 16 years only. In economic substance, it represents Meta's contingent obligation to cover the note balance if asset liquidation proceeds fall short.

Regulatory Heat

In late January 2026, Senator Elizabeth Warren and three Senate colleagues transmitted a letter to Treasury Secretary Scott Bessent requesting a formal investigation into systemic risks posed by AI infrastructure debt — specifically citing the use of **144A private placements** for the Beignet notes.³ 144A offerings allow qualified institutional buyers to acquire substantial debt positions without the public disclosure requirements applicable to SEC-registered offerings — a structural feature the senators characterized as limiting regulatory visibility into concentration risk.

144A compliance note. All references to the 144A private placement structure in this report are for analytical purposes only and do not constitute securities law advice. The 144A exemption limits distribution to qualified institutional buyers (QIBs) as defined under Rule 144A of the Securities Act of 1933. Institutional recipients of this report should confirm their QIB status and obtain independent legal counsel on applicable resale restrictions and disclosure obligations before acquiring, transferring, or otherwise dealing in interests in 144A instruments referenced herein.

The senators' central concern: if the AI capital expenditure cycle contracts sharply, defaults on structures like Beignet could propagate through pension funds and insurance companies that hold the paper. PIMCO, BlackRock, and Apollo are not peripheral capital market participants — they manage retirement savings for tens of millions of U.S. beneficiaries. A \$27.3 billion impairment event would not be self-contained.

The senators described the structure's bank-fee / institutional-risk split as analogous to dynamics observed in pre-2008 mortgage securitization. The analogy overstates the comparison — the Beignet notes are not leveraged off consumer credit, and PIMCO's underwriting reflects a specific institutional credit thesis. The concern about regulatory opacity in 144A AI infrastructure placements is, however, analytically substantive.

— ICARUS ASIA ANALYSIS

ACCOUNTING CLIFF — META FORCED CONSOLIDATION RISK

If SEC or FASB evolves its VIE interpretive guidance and requires Meta to consolidate Beignet onto its balance sheet, Meta's reported net debt increases by **\$27.3 billion in a single accounting event**.

[Inference] At Meta's 2025 EBITDA run-rate of approximately \$65 billion, adding \$27.3 billion to reported net debt increases the leverage ratio by approximately **0.42×** — potentially pushing existing covenant headroom toward its limit, depending on Meta's starting leverage position. *[Note: Specific leverage covenant thresholds in Meta's existing credit agreements could not be independently verified]* A consolidation determination would also weaken the credit quality of the RVG counterparty (Meta) at the same moment the structure requires its guarantee performance. Senator Warren's January 2026 letter may accelerate this regulatory timeline.

Hyperion depends on new dedicated gas generation and transmission originally approved through **LPSC Docket U-37425**. Earthjustice and the Alliance for Affordable Energy have actively challenged the gas-plant build-out associated with Hyperion, framing it as a risk to Louisiana ratepayers. As of early 2026, regulators have implicitly allowed the project to move forward even amid controversy, and outright cancellation appears **low-probability at this stage** given the PSC's prior approval. However, multi-year delay or cost escalation remains a **credible risk**.

A second and distinct LPSC proceeding — **Docket U-37882** (Entergy Louisiana, LLC, ex parte; "Application for certification of generation and transmission resources and for other relief," opened March 26, 2026) — introduces a certification and cost-allocation risk that translates directly into DSCR sensitivity. The docket covers Entergy's application to build approximately 7.5 GW of new gas generation plus 2,500 MW of renewables and new 500-kV transmission to serve Hyperion under a 20-year ESA. The LPSC approved Entergy's Rule 57 motion for an expedited schedule at its April 15, 2026 session, targeting a Commission decision by late 2026. If the proceeding results in conditions that increase Entergy's power delivery cost to the Hyperion campus — through ratepayer-protection mechanisms, cost-allocation adjustments, or infrastructure surcharges — the DSCR sensitivity is direct: a **14%+ increase in power delivery costs** would reduce S&P's base-case coverage from 1.12× to approximately **1.02–1.04×** — below the **1.05× covenant floor**. A breach of that floor constitutes a technical event of default under standard project finance documentation. *[Icarus Asia analysis; filing details from LPSC Official Bulletin No. 1372 (Amended), March 2026; DSCR sensitivity is Icarus Asia estimate]*

What Blue Owl Actually Lends Against

Removing Project Beignet and the PIMCO bond trade, Blue Owl is a **\$145 billion credit platform** whose core business has no direct exposure to AI data center infrastructure. As of December 31, 2024, Blue Owl's Credit SLF LLC held approximately \$1.16 billion in first-lien senior secured loans across sectors structurally insulated from the AI disruption narrative that drove Q1 2026 retail redemptions: aerospace and defense, automotive services, business services, distribution, and commercial real estate. These credits are not glamorous. Safelite AutoGlass replaces windshields; Mavis Tire rotates tires. They are also not businesses whose cash-flow generation is plausibly impaired by generative AI adoption in any near-term horizon — which is precisely why OBDC II's loan book cleared at 99.7 cents on the dollar.

A rate-environment note is warranted. At a 6.5% base rate environment, leveraged buyout-vintage first-lien loans priced at 500–600 basis points over base rates imply all-in borrowing costs in the 11–13% range for Blue Owl's underlying portfolio companies. *[Inference]* Services businesses — Safelite AutoGlass, Mavis Tire, ConnectWise — are revenue-stable with operating margins that historically support interest coverage ratios in the **1.8×–2.5× range** under normal rate environments. The 99.7 cent clearing confirms performing credits as of Q1 2026; it does not confirm comfortable headroom against further rate stress into 2027.

SECTOR	REPRESENTATIVE HOLDINGS	INSTRUMENT
Aerospace & Defense	Amentum Holdings, Avolon, TransDigm, Signia Aerospace	First Lien Senior Secured

SECTOR	REPRESENTATIVE HOLDINGS	INSTRUMENT
Automotive Services	Belron (Safelite AutoGlass), Dealer Tire, Mavis Tire, Caliber	First Lien Senior Secured
Business Services	ConnectWise, BMC (Boxer Parent), nVent Electric, SupplyOne	First Lien Senior Secured
Real Estate / Construction	Arcosa, Construction Partners, The Azek Group, Wrench Group	First Lien Senior Secured
Distribution	Imperial-Dade, Dealer Tire Financial	First Lien Senior Secured

Exhibit 6: Blue Owl Credit SLF — Selected Portfolio Holdings, December 31, 2024. Source: Blue Owl Capital Corp SEC Filings.

Forward-Looking Scenarios and Replication Risk

The Beignet structure presents a replication challenge: the structural template is being evaluated by other hyperscalers. AWS, Google (Alphabet), and xAI are reportedly in discussions with private credit managers regarding comparable off-balance-sheet data center financings [*Note: No executed analogs at Beignet scale*]. Blue Owl has formalized partnerships with sovereign wealth funds, including the Qatar Investment Authority, for digital infrastructure deployment in the Middle East. The structural template is consistent: the hyperscaler retains operational control, the private credit manager takes the yield, the institutional fixed-income investor absorbs the bond, and the investment bank collects the advisory fee.

The equity cushion in Beignet is approximately 8–10% of total assets. GPU architectures are now advancing on an annual cadence. The bonds run to 2049. If AI workload economics do not generate the utilization assumptions embedded in the base-case financial model, the restructuring math on a large scale facility in rural Louisiana implies limited recoveries for noteholders beyond Year 12 under the sensitivity analysis in Section 4.

The yield premium encodes this uncertainty. Hyperion bonds at +225 basis points over Treasuries, against A+ corporate paper at roughly +75–90 basis points, imply a 135- to 150-basis-point structural premium. That premium represents compensation for four compounding risks: (a) a 4-year lease on 23-year debt; (b) an RVG that flows through an intermediate holdco rather than directly

to noteholders; (c) GPU architectural obsolescence on an accelerating cadence against a 23-year amortization schedule; and (d) the regulatory risk that consolidation guidance evolves in a manner requiring balance sheet recognition of \$27.3 billion.

Competitive Moat: Does Replication Compress the Premium?

The structural template is replicable in form; the execution moat is narrower than it appears. Three constraints limit the "everyone does this" scenario from becoming a commodity market. First, the RVG requires a counterparty with an investment-grade balance sheet capable of absorbing a large contingent commitment — a universe that effectively narrows to the five largest U.S. hyperscalers. Second, the 144A format requires anchor institutional buyers with both the mandate size and the analytical capacity to underwrite bespoke project finance credit at scale. Third — and most consequentially — the accounting treatment depends on the Blue Owl/Meta majority-ownership split surviving evolving VIE guidance. A replication that occurs under active SEC scrutiny may not achieve the same off-balance-sheet conclusion, eliminating the structure's primary appeal to the hyperscaler counterparty.

[Inference] The yield premium will compress as the market standardises, but will not disappear. Each replication also increases the systemic exposure of the institutional fixed-income market to a correlated risk: AI compute demand. PIMCO in Beignet, PIMCO in AWS-Beignet, PIMCO in Google-Beignet is not diversification — it is concentration in a single demand variable dressed in three different legal structures. If multiple sponsors execute similar off-balance-sheet AI campus financings, the complexity and illiquidity premia in Beignet's spread will narrow. Early adopters collected the best of a premium that later entrants will not see.

PIMCO committed \$18 billion to this structure. That commitment functions as either the most analytically confident trade in the history of institutional fixed income, or the reference transaction that defines the AI infrastructure credit cycle in retrospect. The answer will start arriving before the bonds mature.

— ICARUS ASIA ANALYSIS

HYPERSCALER	STATUS	REPORTED STRUCTURE
Amazon Web Services (AWS)	In discussions	Exploring SPV-based off-balance-sheet data center financing; scale and counterparties not disclosed
Google (Alphabet)	Early-stage exploration	Evaluating Beignet-style project finance for AI compute expansion; no confirmed deal terms
xAI (Elon Musk)	Active fundraising	In discussions with infrastructure lenders; Memphis-area data center buildout

Exhibit 7: Replication Watchlist — Hyperscalers Reportedly Exploring Beignet-Style Structures. Source: Published reports, PE Insights. All statuses require primary-source confirmation before institutional distribution; public reporting shows early-stage discussions, not executed analogs.

Comparables: How Beignet Fits Among Similar Tech Infrastructure Financings

Project Beignet is the largest single private-capital transaction on record and the clearest template for hyperscaler AI infrastructure financing. Its distinguishing features: majority private-credit ownership in an SPV/JV, off-balance-sheet treatment via ASC 810/842, an investment-grade rating anchored almost entirely on a Residual Value Guarantee, and a short initial lease term against long-dated amortizing debt. Exact replicas at this scale do not yet exist, but several comparable structures have appeared in 2025–2026. The table below shows the key precedents.

DEAL / SPONSOR	SIZE & DATE	STRUCTURE & OWNERSHIP	DEBT RATING / PRICING	KEY CREDIT ENHANCEMENT
Beignet / Hyperion (Meta + Blue Owl)	\$30B total (\$27.3B notes + ~\$2.7B equity) Oct 2025	SPV (Beignet Investor LLC); 80/20 JV (Blue Owl/Meta)	A+ / Stable 6.581% (~T+225 bps)	RVG/GMV via intermediate holdco (capped, ~16 years)
Microsoft / BlackRock / GIP AI Infrastructure Partnership (AIP) + Aligned Data Centers	~\$100B targeted fund; \$40B Aligned acquisition (2025)	Fund-level JV / platform; high leverage at fund level	Not rated at fund level; underlying assets vary	Long-term hyperscaler leases + sponsor commitment
Oracle / OpenAI Stargate & Jacquard (bank consortium)	~\$38B+ total (incl. \$18B+ project finance loan, Nov 2025)	Project finance loans + SPVs for specific campuses	Investment-grade bank loans (not public bonds)	Bank guarantees + hyperscaler lease backstops
xAI Memphis-area SPV (NVIDIA GPU-focused)	~\$20B SPV (targeted 2025–2026)	GPU purchase SPV with equity/debt; xAI as lessee	High-yield / private credit	Long-term lease + NVIDIA co-sponsorship

DEAL / SPONSOR	SIZE & DATE	STRUCTURE & OWNERSHIP	DEBT RATING / PRICING	KEY CREDIT ENHANCEMENT
TeraWulf / Fluidstack (Google-backed)	\$3.2B senior secured notes + \$9.5B contracted revenue JV (2025)	Credit tenant lease + Google lease guarantee	Junk / high-yield bonds with Google backstop	Google lease guarantee + warrants

Exhibit 8: Selected Comparable AI / Hyperscale Data Center Financings (2025–2026). Sources: Company announcements, S&P Global, Bloomberg, Morgan Stanley research, public filings. All figures approximate; exact terms often confidential.

Beignet is still the outlier on scale, rating, and structural ambition. Most deals in this space rely on longer initial leases, traditional bank project finance, or fund-level leverage — not a single asset SPV carrying an RVG driven A+ rating. The market is copying elements of the template, but none have matched the combination of note size, IG pricing, and an explicit RVG backstop. Yield premiums will narrow as replication continues. The underlying risks — technological obsolescence, regulatory binary outcomes, holdco friction — will not. They are in the structure, not in who executes it.

Investment Implications and House View

HOUSE VIEW — ICARUS ASIA

Credit assessment. We view the Beignet notes as A+/A– range on a look-through basis — acceptable at current spreads for infrastructure mandates with long-duration capacity, but not "cheap" once the embedded legal and technological tail risks are modelled at realistic probabilities. The RVG/holdco mechanics introduce mark-to-market volatility that A+ corporate buyers may not fully internalize. PIMCO's dual commitment is a strong signal but not dispositive. The Louisiana power binary remains live.

For holders / prospective buyers. The structure is investable at current spreads for institutions with: (a) long-duration mandate capacity, (b) ability to hold through potential mark-to-market dislocations in a stressed-exit scenario, (c) tolerance for illiquidity in 144A private placements, and (d) full OM access to verify RVG cap, dispute resolution timeline, and retrofit-capex allocation. Without OM access, the \$7.3 billion illustrative tail exposure and holdco friction cannot be independently verified. We would avoid concentration beyond 1–2% of portfolio weight absent deeper primary-document access.

Key pre-investment confirmations. Before any institutional commitment: (i) confirm the RVG cap and exact payment trigger conditions from the Offering Memorandum; (ii) obtain legal opinions from Louisiana utility counsel on both LPSC Docket U-37425 (Earthjustice proceeding) and Docket U-37882 (power cost allocation risk, potential 14%+ increase); (iii) confirm the DSRA funding level from the Offering Memorandum — if the reserve does not cover 18 months of debt service (~\$2.7B), the A+ rating cannot sustain a dispute-triggered payment stay; (iv) verify the retrofit capex allocation mechanism under the SPV's lease covenants; (v) model DSCR sensitivity using a components-based recovery assumption

(compute ~0%, shell/power ~65%) rather than a flat 45% impairment; (vi) model DSCR under annual GPU architecture cadence rather than a 5–7-year cycle assumption; and (vii) stress-test Meta's ASC 810 consolidation exposure against its existing revolving credit covenant package.

On the OBDC bond. The April 15, 2026 OBDC placement at +270 bps over Treasuries, against an issuer rated Baa2/BBB–/BBB/BBB+, offers a material spread premium relative to OBDC's fundamental credit profile. The spread reflects BDC sector stigma from the redemption episode, not demonstrable portfolio impairment. The 99.7 cent loan clearing validates credit quality at the portfolio level as of Q1 2026. For investors with 18–24 month duration tolerance, the spread appears attractive relative to the credit's demonstrated performance, though ICR headroom at elevated base rates warrants monitoring.

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- 1 S&P Global Ratings designated the Residual Value Guarantee as "the linchpin" of the preliminary A+ rating, noting that without the RVG, the short initial lease term would be structurally incompatible with investment-grade treatment. See: S&P Global: Beignet Rating Action, cited in Sources.
 - 2 Ernst & Young LLP designated Meta's determination to maintain \$27.3 billion in Hyperion-related debt off its consolidated balance sheet as a Critical Audit Matter (CAM) in Meta's FY 2025 annual report, under AS 2701. EY provided an unqualified opinion under ASC 810 and ASC 842 but flagged the VIE consolidation conclusion as an area of significant auditor judgment, with specific challenges around the "power" determination under ASC 810 and the RVG's impact on partnership economics. See: Seeking Alpha: EY Audit Scrutiny; ROIC.ai: EY CAM Flag.
 - 3 Senator Elizabeth Warren, joined by three Senate colleagues, transmitted a letter to Treasury Secretary Scott Bessent in late January 2026 requesting a formal investigation into systemic risks posed by AI infrastructure debt, with specific reference to 144A private placements for the Beignet notes. See: Quinn Emanuel: Litigation Risk Alert.

Sources and References

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- 5 Global Data Center Hub: \$27B Blueprint
- 6 PE Insights: \$30B Close
- 7 Business Times: Deal Closing
- 8 Seeking Alpha: EY Audit Scrutiny
- 9 Quinn Emanuel: Litigation Risk Alert
- 10 S&P Global: Beignet Rating Action (October 2025)
- 11 Earthjustice: LPSC Docket U-37425 Motion to Investigate
- 11a LPSC Docket U-37882: Entergy Louisiana, LLC, ex parte — "Application for certification of generation and transmission resources and for other relief." Opened March 26, 2026; published LPSC Official Bulletin No. 1372 (Amended), March 27, 2026. Covers 20-year ESA with Meta for Hyperion campus (~7.5 GW gas + 2,500 MW renewables + 500-kV transmission). Rule 57 expedited schedule motion filed by Entergy Louisiana; approved at LPSC Business & Executive Session, April 15, 2026. Sources: LPSC Bulletin No. 1372; LPSC docket registry; Alliance for Affordable Energy; Southern Renewable Energy Association; Pelican Institute policy analysis.
- 12 Meta IR: JV Announcement and FY2025 Annual Report
- 13 PitchBook: Investor Protection Analysis
- 14 Cleary Gottlieb: Off-Balance-Sheet Guide
- 15 ROIC.ai: EY CAM Flag
- 16 Blue Owl Capital Corp: SEC Filing, December 2024
- 17 Moody's Investors Service: OBDC Rating Action, January 2026 (Baa2 upgrade from Baa3)
- 18 NVIDIA: Annual GPU Architecture Cadence Guidance (Blackwell ~2024, Rubin ~2025)
- 19 Moody's Investors Service: Blue Owl Capital Corp Rating Action, January 2026 (upgrade to Baa2 from Baa3)

Appendix A — Analyst Note: Methodology and Verification Status

METHODOLOGY AND VERIFICATION STATUS

This report is a reconstruction from public filings, press releases, S&P rating actions, SEC disclosures, LPSC filings, and published journalism. No material non-public information was used. **Confirmed and sourceable data points include:** OTIC redemption requests of 40.7%; OCIC 21.9%; \$5.4 billion aggregate Q1 2026 BDC redemption volume; \$1.4 billion OBDC II portfolio sale at 99.7¢ to CalPERS/OMERS/BCIM/Kuvare; OBDC long-term issuer ratings S&P BBB-/Fitch BBB/Moody's Baa2/KBRA BBB+ (Moody's upgraded January 2026); OBDC bond \$400 million at 6.4%–6.5% yield, September 2028 maturity, Morgan Stanley sole bookrunner, PIMCO sole buyer; Beignet Investor LLC \$27.3 billion senior secured notes at 6.581% coupon (USU06930AA60), S&P A+/Stable, DSCR 1.12x, May 2049 maturity, closed October 2025; PIMCO anchor \$18 billion, BlackRock \$3 billion; Entergy Louisiana ESA approved LPSC August 20, 2025; LPSC Docket U-37425 (Earthjustice / Alliance for Affordable Energy proceeding, active); LPSC Docket U-37882 (Entergy Louisiana, LLC, ex parte — "Application for certification of generation and transmission resources and for other relief," opened March 26, 2026, Official Bulletin No. 1372 Amended; covers 20-year ESA with Meta for ~7.5 GW gas + 2,500 MW renewables + 500-kV transmission; Rule 57 expedited schedule approved April 15, 2026; adverse ruling or conditioning on cost-protection mechanisms could increase power delivery cost 14%+, reducing DSCR to ~1.02–1.04×, below the 1.05× covenant floor); EY CAM designation on ASC 810 VIE non-consolidation in Meta FY2025 10-K; Senator Warren letter to Treasury Secretary Bessent, January 2026; Hyperion campus 2,200 acres, nine data center buildings, 4 million sq ft, Richland Parish, Louisiana; initial power capacity 2 GW, scaling to 5 GW potential, operational ~2029; Entergy committed 3 GW by December 2028.

Items labeled [Icarus Asia estimates or Inference] are analytical judgments based on public information and comparable transaction precedents; they are not sourced from the Offering Memorandum or primary deal documentation. Not all assumptions could be validated against primary sources — specifically the Offering Memorandum, S&P Rating Report, Meta 2025 10-K, LPSC filings, and Entergy service agreement — before institutional distribution.

Appendix B — Primary Source Verification Status

The following items remain unverified against primary source documents as of the publication date. Institutional investors should confirm each item independently before making investment decisions. Items are drawn from the Publication Checklist and keyed to the sections of this report where the assumption is used.

ITEM	REQUIRED PRIMARY SOURCE	CURRENT TREATMENT IN THIS REPORT	ACTION REQUIRED
Exact RVG cap amount	Meta FY2025 10-K footnote; Offering Memorandum	[Icarus Asia estimate] Illustrative figure of ~\$20B used throughout recovery analysis	Confirm whether cap is ~\$20B, ~\$28B, or other figure; update recovery scenarios and loss-severity estimates accordingly
DSRA funding level	Offering Memorandum — Liquidity Reserves section	[Icarus Asia estimate] ~\$2.7B (18 months of debt service) used as the adequacy benchmark	Verify whether the indenture mandates a fully funded 18-month DSRA; if not, the A+ rating cannot sustain a dispute-triggered payment stay — strengthen risk disclosure accordingly
Retrofit capex allocation	SPV lease covenants; JV agreement	[Icarus Asia analysis] Report flags the allocation as undisclosed binary; no assumption of SPV vs. Meta funding is made	Confirm whether mid-life GPU upgrade costs fall to the SPV (DSCR impact) or Meta (off-balance-sheet erosion); update Section 4 accordingly

ITEM	REQUIRED PRIMARY SOURCE	CURRENT TREATMENT IN THIS REPORT	ACTION REQUIRED
RVG dispute resolution timeline	Offering Memorandum — Dispute Resolution clause	[Inference] 18–24 month legal stay used in DSCR and price-during-stay stress scenarios	Confirm actual dispute resolution mechanism and timeline from OM; adjust interim DSCR and note- price modeling if the actual mechanism differs materially
Meta leverage covenant thresholds	Meta credit agreement disclosures	[Inference] Report notes that +\$27.3B consolidation increases leverage by ~0.42× but cannot confirm whether this breaches existing covenants	Verify specific leverage covenant thresholds in Meta's revolving credit and term loan agreements; quantify headroom consumed by forced consolidation scenario

Forward-Looking Statements. This document contains forward-looking statements, including stress-test scenarios, DSCR sensitivity projections, replication watchlist assessments, recovery estimates, and GPU obsolescence timelines. Forward-looking statements are based on assumptions and public information available at the time of writing; actual results may differ materially. All scenario analysis, recovery estimates, and DSCR projections labeled [Icarus Asia estimate] or [Inference] are illustrative only and should not be relied upon as predictions of future performance.

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