



April 7, 2017

Maglan Capital increased in value by 7.82% (net of all fees) during the month of March.

For 2017, Maglan Capital has decreased 0.17% (net).

In March, US markets experienced a pullback due to some political concerns (healthcare, alleged Presidential administration scandals) and concern that markets had run too-far too-fast since the Presidential election. The market strung together its longest losing streak since 2011.

In contrast, our portfolio gained significantly during March, with a rebound in the price of shares of FairPoint Communications and sizable gains in Globalstar.

FairPoint Communications (FRP) and Consolidated Communications (CNSL)

In February, the entire telecom sector was weighed down, with FairPoint's larger peers, Frontier (FTR) and Windstream (WIN), getting crushed as a result of weak revenue, difficulty integrating recent acquisitions, heavy leverage and high dividend payout ratios. Those stocks were down 40% and 33% in the last 2 months, respectively.

In March, FairPoint and Consolidated Communications regained some lost ground, however, we have yet retraced the full pullback (the fund's March gains were greater until the last few days of the month, when FairPoint forfeited some gains).

Substantively, in March, FairPoint shareholders voted in favor of the merger with Consolidated Communications. The merger is expected to close mid-year. The transaction will create the strongest wireline telecom operator. Consolidated is an experienced buyer and integrator of assets; they complete acquisitions not quickly and rashly, but methodically and successfully. First off, we expect that merger synergies will come in well ahead of Consolidated's stated goals (\$100mm vs. \$55mm), particularly coming from headcount reduction, which Consolidated cannot discuss publicly out of concern for putting itself at-risk. Further, there is firm potential for incremental revenue generation by extending

FairPoint's small-and-medium business penetration and increasing marketing spend on consumer product offerings. Also, Consolidated will be able to offer existing FairPoint customers more products and services and reduce customer turnover/churn. As a result of the integration, FairPoint's EBITDA and cash-flow will grow and will lend to Consolidated's already solid operation. Moreover, unlike FairPoint, Consolidated is a regular dividend payor, and unlike other industry members, Consolidated's stock dividend will be the best protected in the industry.

We recently met with Consolidated's management and we hold them in very high regard. They have been on an investor roadshow immediately since the merger was approved.

We are very excited for the upcoming quarters and results.

Globalstar (GSAT)

During March, Globalstar's shares gained substantially (+17%). From observing trading activity, we confidently think that a sizable seller was cleaned-out at \$1.40-1.45. In addition, the short-interest has dropped from ~97mm shares to ~87mm shares.

More substantively and importantly, investors are getting warm to the idea that Globalstar's international licenses may be more valuable than the US, due to the lack of power restrictions on the license internationally.

More broadly, during March, Charlie Ergen, the Chairman and CEO of Dish Network, commented that licensed spectrum has become much more valuable over the last 6 months because of the expectation that the current Presidential administration will roll back net neutrality. Moreover, FCC-approved LTE-U will enable licensed users to use their spectrum more efficiently. Obviously, as CEO of one of the largest holders of spectrum rights, Ergen's arguments are self-serving, however, Ergen's statements are logical and substantiated. We expect that once the industry discussion limitations imposed by the recent FCC auction are lifted (at the end of April), corporate transactional activity should quickly fire-up. So much so, that some advisors have already started to speculate about likely acquirors, targets and combinations, with one going as far as to suggest a combination of T-Mobile, Sprint, Ligado/LightSquared, Dish **and** Globalstar. More practically, in recent weeks there have been continued industry cries about spectrum shortage and the need for additional spectrum. Finally, Verizon has publicly emphasized its focus on small-cell deployment, which is the perfect use of Globalstar's spectrum.

With regard to Globalstar-specific next steps, we expect an amendment of the company's debt, a modest equity raise, more international license filings and approvals, and the monetization of Globalstar's spectrum.

Our medium target price on the Globalstar's stock continues to be \$8/share at the low-end.

Maglan Capital is an event-driven investment fund with a concentrated portfolio of investments across the capital structure of small- and mid-cap companies with core focus on financial distress, restructuring and operational turnaround.

We appreciate your support and confidence in our team.

Best regards,

Steven Azarbad, *Chief Investment Officer* and David D. Tawil, *President*