
From: Paul Barrett [REDACTED]
Sent: Thursday, November 1, 2018 4:56 PM
To: J
Cc: Richard Kahn
Subject: RE: LSC Bonds

Purchased Jan 2017 @ 105.25. Yield at the time was 7.60%.

- * Bonds were trading at \$97 before this announcement. They have spent the last year in a \$97-\$104 range. Sold off \$4 in October.
- * At \$97 that was a 9.52% YTW
- * At \$107 it is now a 6.69% YTW
- * B rated issuer
- * Being acquired by Quad Graphics. Another B rated issuer whose 2022 bonds are yielding 6.66% YTW
- * If we sell at \$107 we make \$46K from price appreciation for a total return of \$463K or 9% annualized.
- * Deal expected to close in the summer of 2019.

Option 1: Do nothing. It is callable in a year at 106.56. So little price upside from here. Risk of the deal not closing and we trade back down to <100.

Option 2: Sell at 107. Roll proceeds into Consolidated Communications bonds.

Consolidated Communications 6.5% 2022

- * \$ 93.00
- * YTW 8.64%; 3.3yr duration.
- * Broadband provider in the Northeast/Midwest. Stable business.
- * 4.3x levered; \$530MM of EBITDA in 2018.
- * Only 40MM of term loans maturing before 2022. Bigger term loan maturing behind us in 2023.
- * JPM idea.

Paul

Paul Barrett

Alpha Group Capital LLC

[REDACTED]

From: J <jeevacation@gmail.com>
Sent: Thursday, November 01, 2018 7:13 AM
To: Paul Barrett <
Cc: Richard Kahn
Subject: Re: LSC Bonds

again,. i need better info, . . what was yield to maturity on purchase.. when do they pay? what bonds would you buy instead. , ? and its yield . . not enough to say we buy another.

On Wed, Oct 31, 2018 at 12:16 PM Paul Barrett <
wrote:

Hi Jeffrey

We own \$2.65MM of the LSC Communications 8.75% 2023 bonds. We paid \$105.25 back in Jan 2017.

- * Bonds trading up 10 points this morning on a takeover. Currently at 107.00.
- * I think we sell. If the deal does not close we are back down at 97-98. If it closes there is probably 2-3 points of additional upside.
- * We can take the proceeds and find a similar bond that does not have the binary risk to it.

Paul

Paul Barrett

Alpha Group Capital LLC

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please note

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