



September 15<sup>th</sup>, 2016

September is a time for new beginnings. The end of summer is marked by a hint of cool in the night air and the kids heading back to school. At the Hammill house, the sudden and seemingly premature end to the Blue Jays season coincides with the start of another year of Buffalo Bills football. Now one week into football season and the focus may be shifting to hockey.

Here at Broadview, we also hope the turn from summer to fall will finally awaken our slumbering portfolio. A rather mundane summer has left us hoping that the changing of the seasons will breathe some life into our holdings. August saw the Dark Horse close down fractionally.

One change we have noticed this month is that markets now appear capable of actually trading down. In just the past week we have seen the TSX Composite Index suffer its two worst trading sessions in more than seven months, with both those days registering larger percentage losses than the morning after the Brexit vote. While we're not convinced this is a sign of what's to come for the rest of the year, we're at least reminded that it is a possibility and that a defensive posture remains prudent.

#### **Maxim Power, the Buffalo Bills and the end of a drought**

We made a brief reference to the Buffalo Bills at the start of this letter. As many of you know (and a few of you relish in reminding Anthony) the sad sack Bills are mired in the longest playoff drought in major professional sports. It has been 16 years since the team has even appeared in a playoff game, nonetheless won an actual post-season contest. It has been a period that has tried the already tested patience of the team's supporters – a group that previously suffered through four straight Super Bowl losses and before that, decades of mostly irrelevance.

Shareholders of Maxim Power Corp can likely relate to that sort of suffering. The share price of Maxim currently resides approximately where it did some 16 years ago. That is some 64 quarters of *blech*, an apt description of what watching Bills football has been like during that same period. Thankfully we have not been invested in Maxim for as long as Bills fans have suffered through their playoff drought...it has only felt like it.

Maxim, as we have discussed in past letters, has been a failure as a public company. It was created as a grab bag of assets with the hopes that public market investors would take a shining to it and attribute the company a high multiple. With this high multiple, the company would be able to raise new, low-cost capital which it could use to accretively buy or develop additional power generation projects. Unfortunately, this never really came to fruition for Maxim. The company was unable to successfully capture the fancy of the investment community and, as such, has spent much of its existence being overlooked and ignored.

We got involved in the stock in 2012. Our belief at that time was that the company had given up on its aspirations for growth and was looking to sell off its portfolio of power generation assets to the highest bidders. That belief was borne out in early 2013 when the company announced it had hired bankers to

sell both its U.S. and French operations. This was followed up with the announcement that it had found a buyer for the U.S assets, known as MUSA or Maxim USA. That deal was for US\$112 million. Our engagement with Maxim appeared to be one that would be relatively swift and extremely financially rewarding.

Unfortunately, that deal was scuttled in December of 2013 given an inquiry by the Federal Energy Regulatory Commission ("FERC"). Between December 2013 and this past Tuesday investors have been waiting for something...anything in terms of progress from Maxim.

Just two days ago we finally saw some signs of life from what has been one of our longest-standing holdings. Maxim's stock was halted<sup>1</sup> on the pending news that the company was divesting its French assets, Comax France S.A.S., for EUR47 million. This deal is only about three years later that we thought it would happen but, hey, at least they finally consummated a deal.

This transaction goes some way toward simplifying the company's geographically disparate asset base. While the reaction was muted once trading in the stock was re-opened, we believe this represents material positive news. The sale of the smallest of Maxim's three areas of business is proof that under the newly appointed CEO, Bruce Chernoff, Maxim is determined to realize the difference between the sum of its parts and its absurdly low trading value. Chernoff is a major shareholder of Maxim (and has been since before J.P. Losman was named the Bills starting quarterback<sup>2</sup>) and has no incentive to do anything but realize the highest value for the assets. We view him much more as an executor than as a typical CEO of a going concern company.

A resolution to the FERC inquiry should be forthcoming which would allow for the U.S. assets to be put back on the block. In fact, MUSA is likely already being shopped allowing for a quick close upon a settlement or dismissal of the FERC case. There is no indication of impairment of the business while multiples paid for such properties have only expanded since the aborted sale was announced. If nothing else, the currency impact from a declining loonie would be significant to Maxim shareholders even if the sale price today were the same agreed to back in 2013.

Sadly for Bills fans, the start of this season has provided no tangible signs that this year will end any differently than the previous 16. Thankfully for Maxim's long-suffering shareholders, the outlook appears a bit rosier. With the sale of Comax, hopefully followed by other major announcements, we have received an indication that at least one of these two painful droughts may finally be coming to an end.

Until next month,

Anthony Hammill

Lee Matheson

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<sup>1</sup> Trading in stocks is halted when material news is released during the trading day. Once the information has been given sufficient time to disperse, trading in the stock is re-opened. Trading can also be halted due to unusual or unexplained price/volume moves.

<sup>2</sup> JP Losman was named the starter at the beginning of the 2005 season. He was one of the most garbage-y of the garbage barge of quarterbacks the Bills have fielded since Jim Kelly retirement following the 1996 season.

Series	July 31, 2016	August 31, 2016	Monthly Return	YTD Return	Annualized Return Since Inception (April 3, 2009)
<b>Master – Class A</b>	\$246.58	\$245.82	-0.31%	2.19%	12.9%
<b>Series 5 - June 2015 – Class A</b>	\$246.42	\$245.66	-0.31%	2.23%	
<b>Series 1 - Feb 2016 – Class A</b>	\$244.00	\$243.25	-0.31%	5.70%	
<b>Series 2 – Mar 2016 – Class A</b>	\$244.24	\$243.48	-0.31%	5.09%	
<b>Series 3 – Apr 2016 – Class A</b>	\$246.32	\$245.57	-0.31%	1.80%	
<b>Series 4 – May 2016 – Class A</b>	\$246.58	\$245.82	-0.31%	1.05%	
<b>Series 5 – June 2016 – Class A</b>	\$246.39	\$245.64	-0.31%	1.20%	
<b>Series 6 – July 2016 – Class A</b>	\$246.60	\$245.66	-0.38%	0.18%	
<b>Series 7 – Aug 2016 – Class A</b>	\$246.58	\$245.42	-0.47%	-0.47%	

*\*From inception return used for series launched during the year*

*All numbers reported after fees and expenses. See subscription confirmations for your Series.*

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## **About Broadview Capital Management Inc. and the Broadview Dark Horse LP:**

Broadview is the manager of the Broadview Dark Horse LP (“The Dark Horse”), a fundamental-based long/short investment partnership. Broadview utilizes its relatively small size, contrarian nature and willingness to perform extensive due diligence to deliver strong risk-adjusted returns for its investors. The managers concentrate on going where others can’t or won’t to find investment opportunities.

The firm is run with the philosophy that it will manage “as much money as it deserves to manage” and that a dedication to working hard for existing clients is the best way to grow the business in a sustainable fashion. It is not Broadview’s intention to take on additional investment mandates for the foreseeable future beyond the Dark Horse LP. Broadview was founded in October of 2008 and the Dark Horse was launched in April of 2009.

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