BROADVIEW
Capital Management Inc.

April 13th, 2017

March was another solid month for the Dark Horse. Unlike February, there were no homeruns just a couple of well-struck singles. **PAR Technology Corp (PAR:NYSE)** reported a very positive quarter in the middle of the month which allowed the stock to continue its recent run higher. The company may finally, *finally,* be getting recognized for what it is – a global leader in restaurant and hospitality technology. Trading volume has improved of late indicating newfound interest from institutional buyers. We continue to urge the company to reward these new shareholders by splitting off its non-core government service business and are hopeful such a move could be forthcoming this year.

We also received some very positive news from **WesternOne Inc. (WEQ:TSX)**[1]. On March 6th the company announced that it had sold its Britco rental and U.S. manufacturing businesses for $45 million. This news was followed up last week with the announcement that WesternOne had sold the remaining Britco piece, the Canadian manufacturing assets.

These combined transactions leave the company with a vastly improved balance sheet and a significantly simplified corporate structure. What was once a holding company of two very disparate companies is now simply one standalone operating business. That business, WIS or WesternOne Infrastructure Services, is a much less cyclical one than the now-divested Britco operations. Of the two parts of WEQ, WIS was always the one asset we had more affinity for given its relatively predictable revenue and cash flow characteristics.

While the stock initially took off after the March release, it has subsequently lost much of that momentum. This is somewhat confounding to us given what we view as materially positive and incremental news. Perhaps the lack of market follow-though is simply due to there not being much of an audience for what is a small and relatively illiquid security. Regardless, investors can rest assured that we – your fellow shareholders and Board representatives – will continue to work towards addressing the substantial gap between where the stock is trading and the true underlying value of the remaining business.

A Battle of the Value Traps: TML vs. TGO

You receive this letter on the eve of the Toronto Maple Leafs first playoff game in four years. While four years may seem like a long time in between playoff games, the delay hardly registers with a fan base so steeped in sucking. Before the last appearance, in which the team miraculously squandered a 4-1 third period game seven lead, there was an even longer eight year absence from the post-season. These relative long weekend hiatuses pale in comparison to the nearly fifty years it has been since the Leafs actually won the Stanley Cup. Only supporters of the Washington Generals or North Korean opposition parties have had a tougher go than Leafs Nation over the past half-century.

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[1] Not technically "news" to us as we were clearly aware of the Board's efforts to sell Britco with Lee being a member of the Board. As a reminder, we are both shareholders and holders of the publicly-traded convertible debentures.

On second thought, there may be one group that can at least partially empathize with such suffering. That miserable cohort is one that we sadly find ourselves a part of – Shareholders in Terago, or S.H.I.T. as the acronym goes. **Terago (TGO:TSX)** has been the trappiest valuetrap that ever trapped. The stock has done nothing other than go down for the better part of the past five years. Each new "low" looking like a floor, only to be replaced by a new and even lower low. We have, to some degree or another, been a holder for most of this slow trudge toward oblivion. Our thesis, which has long since moved from being just early to being wrong, was that the value of the company's customer base and recurring service revenue would be reflected in a bid by a strategic buyer. That thesis, suffice to say, has not yet happened. The company is now on its third CEO during this prolonged period of *blechh*. The stock is down nearly 60% over the past five years. As an investment, it has been absolutely true to its acronym.

So clearly being associated with either the Toronto Maple Leafs or shares in Terago, or God forbid both, has been a brutally painful experience…

Until now…

Maybe…

Let's start with the Leafs as we can be as glowingly optimistic as we want with no real downside[2]. The old guard in management, content to muddle along in the warm embrace of mediocre hockey and ever-escalating ticket prices, was finally shown the door. This brought about a calculated and intentional descent to the basement of the standings. The upshot of all the losing was that the associated high draft picks stocked the team with an unprecedented level of elite, young talent, at least by Leafs standards. Led by first overall pick and White Stripes doppelganger Auston Matthews, the team has a core group of rookies that set a record for most records set by rookies. More importantly, it looks like the success of this season is just the tip of the iceberg. The abundant talent already on display will only mature into even greater talent and will eventually be supplemented by veteran stars drawn by the prospect of playing alongside the young guns – not to mention the team's substantial cap room.

Even if they get swept in the first round by the perennial regular season juggernauts/post-season flameouts that are the Washington Capitals, there is still so much to be excited about for the future of this club. The best a pessimist could possibly come up with is, "how are they going to be able to afford all of these future all-stars once they start making real money"? Even these gloomy pessimists would have a hard timing arguing that this isn't the best spot the organization has been in since the Stanley Cup drought began.

Trying to be optimistic about Terago is a bit more difficult and, if misplaced, could lead to further losses. That being said, there are a couple of very positive potential catalysts at Terago that could herald a merciful end to shareholders' suffering. The first catalyst is simply the passage of time. Most of the important constituents of the company (institutional shareholders, the Board, management) are *about done with this thing* and have only a limited amount of time and energy left to commit before something more drastic has to happen.

In the timeless words of Danny Glover's character in Lethal Weapon – everyone's getting "*too old for this S.H.I.T*". The clock is clearly ticking for the new CEO[3] to show some tangible improvement in operations and demonstrate the cross-selling ability between the legacy access business and the cloud services acquisitions before the company is put up for sale. In our opinion, it is only a question of when,

[2] Except it may annoy Senators or Habs fans, so clearly no downside.

[3] Our initial evaluation of the new CEO and his ability to prove out the business is positive, especially relative to the last guy who held his position. We were more than happy to see his predecessor "re-accommodated" from his seat at the head of the company.

not if, Tera*go* will become Tera*went.* Ideally it will be done on the backs of a couple quarters of strong operating momentum, however, even a "we give up" fire sale should result in proceeds well in advance of the current $4 per share price tag. We would estimate that a 6.0 EV/EBITDA multiple could be garnered in a downside scenario which would yield a stock price of $6.00, some 50% higher than its current trading range.

The second interesting catalyst came with this week's announcement that **Straight Path Communications (STRP:NASD)** is being acquired by **AT&T (T:NYSE)** for $1.25 billion. Straight Path, surprisingly not some bizarre summer camp associated with Mike Pence, is a company that owns a large portfolio of spectrum. Spectrum, in its various forms, is essentially licensed capacity for communicating over radio waves. It is a finite commodity and one that, at least according to users of spectrum such as AT&T, can have a huge value ascribed to it.

You know who else has lots of spectrum? You guessed it, our friends at Terago are brimming with it. The company's fixed wireless spectrum, heretofore limited to that specific use, could be repurposed for more advanced wireless services, specifically 5G. TD Securities pointed to the potential corollary between Straight Path's massive takeout and the latent value of Terago's spectrum portfolio. While we don't typically make a habit of referencing sell-side target prices, TD's estimate of a $10 per share takeout value (backed up by the value given to the spectrum assets) is not entirely out of line with what we would model for an upside scenario. While a takeout based on the spectrum is not likely imminent, the Straight Path announcement at least serves to draw attention to what could be for Terago's long-suffering shareholders.

With that said, we are now getting a little close to puck drop for Anthony's liking so time to wrap things up. This playoff series is only the beginning, as there is no limit as to what delights the coming years may bring. With Terago, our expectations are much more muted. From the stock's current lowly vantage point, however, it will require very little good news to bring about meaningful returns. We're imagining the capital markets equivalent of stealing just one game in a series against a heavily favoured opponent. Perhaps as you're reading this, the Leafs are already well on their way to achieving this very thing.

Happy Easter, Happy Passover and Go Leafs Go,

Anthony Hammill　　　　　　　　　　　　　　　　　　　　Lee Matheson

Series	February 28, 2017	March 31, 2017	Monthly Return	YTD Return	Annualized Return Since Inception (April 3, 2009)
Master – Class A	$242.92	$244.52	0.66%	3.94%	11.8%
Series 5 - June 2015 – Class A	$242.66	$244.26	0.66%	3.94%	
Series 1 - Feb 2016 – Class A	$241.74	$243.10	0.56%	3.33%	
Series 2 – Mar 2016 – Class A	$241.97	$243.34	0.56%	3.43%	
Series 3 – Apr 2016 – Class A	$242.92	$244.52	0.66%	3.94%	
Series 4 – May 2016 – Class A	$242.82	$244.42	0.66%	3.94%	
Series 5 – June 2016 – Class A	$242.92	$244.52	0.66%	3.94%	
Series 6 – July 2016 – Class A	$242.62	$244.22	0.66%	3.94%	
Series 7 – Aug 2016 – Class A	$242.38	$243.97	0.66%	3.94%	
Series 8 – Nov 2016 – Class A	$242.48	$244.08	0.66%	3.94%	
Series 9 – Dec 2016 – Class A	$242.62	$243.99	0.57%	3.72%	
Series 10 – Feb 2017 – Class A	$242.62	$241.92	0.56%	4.32%	

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

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

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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