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Fundamental Research Corp.

Investment Analysis for Intelligent Investors

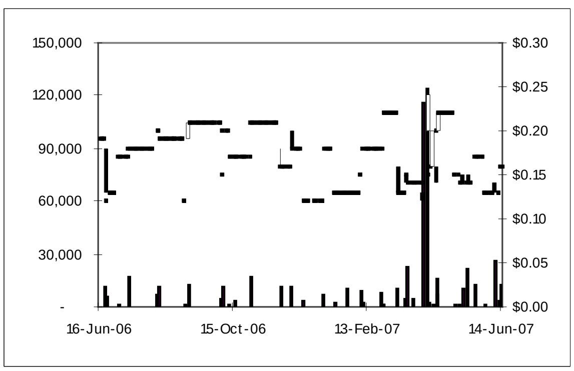
Broadview Press Inc. (TSX-V: BDP) – Strong Q1 Sales Growth

Sector/Industry: Publishing **www.broadviewpress.com**

Market Data (as of June 18, 2007)

Current Price	C$0.16
Fair Value	C$0.23
Rating*	BUY
Risk*	3 (Average)
52 Week Range	C$0.12 -C$0.24
Shares O/S	12,111,107
Market Cap	C$1.88 million
Current Yield	N/A
P/E (forward)	N/A
P/B	1.42
YoY Return	-15.8%
YoY TSX-V	29.3%

*see back of report for rating and risk definitions



Q1 2007 Highlights

- BDP reported very strong gross and net sales growth for the first quarter of 2007. Gross sales increased 27.9% from $674,095 in Q1 2006, to $862,169 in Q1 2007. Net sales (FRC adjusted basis) increased by 54.6% to $516,713.

- Net losses as a percentage of sales declined even though gross margins fell. A large contributor to the smaller net loss was the significant improvement in operating costs relative to sales which fell from 165% in Q1 2006, to 110% in Q1 2007.

- Although Q1, and Q2, are seasonally slow periods for BDP, we believe that strong performance early in the year should continue into the second half of the year.

- We were pleased to see especially strong sales in the U.S. due to the implementation of various initiatives.

Key Financial Data (Fiscal Year-End December 31)

(C$)	2003	2004	2005	2006	2007E	2008E
Total Revenue	3,883,897	3,498,813	3,832,859	4,289,124	4,840,292	5,292,097
EBITDA Margin	11.3%	-3.2%	7.7%	1.74%	4.5%	11.5%
EBIT to Interest	11.12	(2.48)	3.87	0.11	1.81	6.55
Net Margin	5.0%	-4.1%	2.7%	-1.1%	0.9%	5.7%
Net Income	184,839	(137,544)	97,850	(46,555)	42,826	285,851
EPS	0.015	(0.013)	0.009	(0.004)	0.004	0.024
Current Ratio	2.26	2.04	1.96	1.70	1.76	1.79
Debt to Capital	9.7%	29.9%	31.1%	44.5%	33.9%	33.7%
ROE	11.6%	-9.3%	6.1%	-3.0%	2.3%	13.3%
ROIC	21.7%	-7.3%	10.2%	0.3%	5.2%	16.0%

Broadview Press Inc. is an independent publisher focusing mainly on the academic textbook market. The company publishes textbooks primarily on the social sciences and humanities. The company's revenues are derived almost equally from domestic (Canadian) sales and export sales (mainly to the United States).

Solid Early Year Sales Growth

BDP reported solid Q1 2007 sales growth as shown in the table below.

Sales Growth	Q1 2006	Q1 2007	Growth
Gross Sales	674,095	862,169	27.9%
Actual Returns*	(339,815)	(345,456)	1.7%
Net Sales*	334,280	516,713	54.6%

*FRC adjusted

Sales on a gross basis increased by about 28% from $674,095 in Q1 2006, to 862,169 in Q1 2007. On a net basis, our adjusted sales figures indicate even stronger growth of 54.6% from $334,280 in the first quarter of 2006, to $516,713 in Q1 2007.

Although Q1, and Q2, are seasonally slow periods for BDP, with the bulk of revenue and profits generated in Q3 and Q4, we believe that sales growth this early in the year is a very encouraging sign. The primary generator of growth was sales in the U.S. which increased significantly from $280,388 in the first quarter of 2006, to $503,768 in the first quarter of 2007. This represents an increase of almost 80%.

Management has attributed the increase to a number of factors including: better terms for wholesalers, more efficient marketing to academic libraries and online retailers including Amazon.com (NASDAQ: AMZN), and customer growth. Revenue in Q1 2007 from the U.S. is already about 50% of total U.S. revenues for 2006. Although this is very encouraging, it is still early in the year and we will wait to see if the trend continues before revising our sales estimates.

In contrast to the strong sales growth in the U.S., Canadian net sales are down due to sales returns outpacing the growth in gross sales. Again, it is hard to make a reasonable estimate of full year sales based only on Q1 results because of the seasonality of the industry. Therefore, we will wait until at least the second quarter before we make revisions to our model.

Gross Margins Decline Though Expenses Cut Significantly

The company's 49.4% gross margins in Q1 were below our expectations of 55% for the year. This was mainly attributed to the expensing of BABL pre-publication costs.

Margins	Q1 2006	Q1 2007
Gross	54.3%	49.4%
EBITDA	-97.2%	-55.0%
Operating (EBIT)	-100.2%	-57.2%
Pre-tax	-104.4%	-63.3%
Net	-62.7%	-42.4%
Selling & Admin to Sales	165%	110%

Going forward, we expect gross margins to improve as the company is currently revisiting its margins on a book-by-book basis to see what can be done about lower margin books. Also, as development costs for the first printing of BABL have now been expensed, and it is entering reprint, margins should improve.

Other than gross margins, all other margins improved significantly due to the decline in operating costs relative to sales which fell from 165% in Q1 2006, to 110% by Q1 2007.

At this time, we are not making any changes to our margin assumptions.

EPS Estimates

BDP incurred a net loss of $244,010 (eps: -$0.022) in Q1-2007, versus $234,919 (eps: -$0.021) in the comparable period in the previous year. Based on slightly lower interest expense forecasts (explained in the next section), we have revised our eps forecasts upward for FY2007, and FY2008. Our revised net income forecasts for FY2007, and FY2008, are $42,826 (eps: $0.00), and $285,851 (eps: $0.02), respectively. Our previous forecasts were $29,263 (eps: $0.00) in FY2007, and $273,802 (eps: $0.03) in FY2008.

Cash Flows

Although the company reported a higher net loss in Q1-2007, compared to Q1-2006, it generated higher cash flows from operating activities in Q1-2007, as it raised more cash from working capital. Cash from operating activities in Q1-2007 were $360,137, compared to $105,680 in the comparable period in the previous year. The company invested $12,016 in Q1-2007 on fixed assets versus $9,994 in Q1-2006. We have maintained our FY2007 forecast for capital expenditures at $45,000.

Cash and Liquidity Position

The company reduced its bank indebtedness from $674,843 at the end of FY2006, to $359,162 at the end of Q1-2007. As a result, debt to capital has decreased from 44.5% at the end of FY2006, to 41.3% at the end of Q1-2007. The table below shows the company's cash and liquidity position.

	2004	2005	2006	2007E	2008E
Cash	23,162	24,281	2,174	17,700	21,142
Current Ratio	2.04	1.96	1.70	1.76	1.79
Working Capital	1,525,305	1,586,747	1,473,985	1,706,125	1,971,573
Debt to Capital	29.9%	31.1%	44.5%	33.9%	33.7%
Interest Coverage	(2.5)	3.9	0.1	1.8	6.5

Based on our projections, we expect the company to increase its bank indebtedness by $450,000 by the end of FY2007. However, we expect debt to capital to decline to 33.9% by the end of FY2007, due to the recent equity financing mentioned in the next section, and as the company repays the $350,000 credit facility due in November 2007. We have reduced our forecast for interest expenses in FY2007, and FY2008, due to the projected decline in debt levels.

At the end of Q1-2007, the company had cash and working capital of $24,114 and $1.23 million, respectively, compared to $2,174 and $1.47 million at the end of FY2006.

Recent Financing: BDP recently completed a non-brokered private placement of one million common shares at $0.25 per share, and raised $247,200. JoAnn McCaig, an English instructor at the University of Calgary, was the sole participant in the private placement. BDP intends to appoint McCaig to its Board of Directors. BDP's Board of Directors and McCaig have also signed a five-year letter of intent, wherein McCaig will purchase an additional 0.7 million shares (until McCaig's ownership reaches 33% or total investments reach $2 million) of BDP from treasury, every year during 2008-11.

One of the objectives of the private placement is to launch a new literary imprint, wherein BDP plans to publish four new titles every year starting in 2008. Through the new imprint, BDP will publish titles in areas other than its current focus areas (humanities and social sciences). We are pleased to see such an initiative from the company, as it gives BDP an opportunity to diversify its publications.

Valuation

Our revised DCF valuation (shown below) on BDP is $0.21 per share, down from our previous estimate of $0.24 per share. Valuation dropped mainly due to lower free cash flow to equity related to changes in the company's current and expected capital structure.

DCF Analysis	2007	2008	2009	2010	2011	2012	2013	2014	Terminal
Funds From Operations	109,091	352,448	401,067	505,120	528,687	556,526	585,758	616,451	648,679
Investment in Working Capital	1,551	(444,650)	(378,890)	(209,171)	(180,733)	(189,769)	(199,258)	(209,221)	(219,682)
Cash From Operations	110,642	(92,202)	22,177	295,949	347,954	366,757	386,500	407,230	428,997
Capital Expenditures	(45,000)	(45,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Debt Issue	(297,316)	140,644	(7,000)	(267,500)	-	-	-	-	-
Free Cash Flow to Equity	(231,674)	3,442	(14,823)	(1,551)	317,954	336,757	356,500	377,230	398,997
Present Value	(219,402)	2,924	(11,292)	(1,059)	194,817	185,057	175,700	166,742	2,074,861
Total PV	$2,568,348								
Shares O/S	12,111,107								
				Discount Rate		12%			
DCF Value Per Share	$0.21			Terminal Growth Rate		3%			

Our revised comparables valuation (shown below) dropped slightly from $0.38 per share to $0.37 per share. The company continues to be undervalued based on our 2-year eps estimate and industry average price to book (P/B) ratio.

BDP Value at Industry Multiples		
Fair Value at 21.9x 1yr EPS estin	$	0.08
Fair Value at 21.9x 2yr EPS estin	$	0.52
Fair value at 4.0x Book Value	$	0.52
Average	**$**	**0.37**

Rating

Based on our valuation models and review of the latest results, we reiterate our BUY rating (Risk 3: Average) and maintain our fair value estimate of BDP at $0.23 per share. Our fair value estimate reflects an upside potential of 48.4% from current price levels.

Risks

The following risks may cause our estimates to differ from actual results (not exhaustive):

Copyright Violation and Technological Changes — Any high growth in secondary trading of (used) textbooks and photocopying of textbooks may have an adverse effect on future textbook sales growth. This is mitigated by changing textbook editions every few years. Any growth in electronic books and "on-demand" publishing could also result in adverse effects. BDP notes that it is monitoring new developments and feels confident in its ability to compete electronically should the market move in that direction.

Exchange Rates - About half of sales are outside Canada. Therefore, the company is exposed to a rising C$. However, our analysis, and the company's results to date, indicate that BDP is able to still perform well. However, there is no guarantee this will continue. Eventually, bookstores may seek cheaper local alternatives if the dollar remains high too long or continues to increase.

Seasonality and Debt Financing — The company's sales are seasonal and it relies on bank financing to fund working capital at times. In addition, the company will invest a large amount upfront in new titles without knowing what the market demand will be.

Thin Trading — BDP is thinly traded and investors may face liquidity issues when trying to enter and exit positions.

Appendix

Statement of Operations
(All figures in C$)

	2004	2005	2006	2007E	2008E
Revenues (Publications)	3,324,604	3,633,471	4,088,845	4,609,802	5,040,092
COGS	1,534,469	1,579,580	1,917,676	2,074,411	2,016,037
Gross Margin	1,790,135	2,053,891	2,171,169	2,535,391	3,024,055
Other	174,209	199,388	200,279	230,490	252,005
Selling Expenses & Admin	2,368,224	2,228,070	2,548,906	2,858,077	3,024,055
EBITDA	(106,523)	279,687	71,147	207,441	579,611
Amortization	48,817	43,404	61,519	60,549	60,549
EBIT	(155,340)	236,283	9,628	146,892	519,062
Interest	62,628	61,054	85,442	81,007	79,290
FX Loss & Other Loss	7,322	(16,223)	5,422	-	-
EBT	(225,290)	159,006	(70,392)	65,886	439,771
Current	14,254	86,567	(18,805)	23,060	153,920
Deferred	(102,000)	(25,411)	(5,032)	-	-
Total Income Tax	(87,746)	61,156	(23,837)	23,060	153,920
Net Income	(137,544)	97,850	(46,555)	42,826	285,851
EPS	(0.0130)	0.009	(0.004)	0.004	0.024

Balance Sheets
(All figures in C$)

	2004	2005	2006	2007E	2008E
Assets					
Current					
Cash	23,162	24,281	2,174	17,700	21,142
Accounts Receivable	900,739	1,068,168	1,169,798	1,318,841	1,461,627
Inventory	1,953,422	2,084,372	2,345,763	2,535,391	2,893,013
Prepaid Expenses & Tax Recoverable	108,583	59,200	68,341	76,078	83,179
Total Current Assets	2,985,906	3,236,021	3,586,076	3,948,010	4,458,961
Capital Assets	93,339	83,321	88,202	88,202	88,202
Tax Recovery	50,607	76,018	81,050	81,050	81,050
Intangibles		70,617	55,068	39,519	23,970
Total Assets	3,129,852	3,465,977	3,810,396	4,156,781	4,652,183
Liabilities					
Current					
Bank Debt + Current LT Debt	447,516	502,216	1,111,683	893,518	1,076,162
Accounts Payable	1,013,085	1,054,505	1,000,408	1,348,367	1,411,226
Income Taxes Payable	-	92,553	-	-	-
Future Tax Payable/other					
Deferred Government Grant	-				
Total Current Liabilities	1,460,601	1,649,274	2,112,091	2,241,885	2,487,388
Long-Term Debt	185,500	218,548	138,651	59,500	17,500
Deferred Tax					
Total Liabilities	1,646,101	1,867,822	2,250,742	2,301,385	2,504,888
Equity					
Share Capital	783,415	793,965	797,315	1,044,515	1,044,515
Surplus	8,265	14,269	18,973	24,689	30,737
Retained Earnings	692,071	789,921	743,366	786,192	1,072,043
Total Equity	1,483,751	1,598,155	1,559,654	1,855,396	2,147,295
Total Liabilities and Equity	3,129,852	3,465,977	3,810,396	4,156,781	4,652,183

Statement of Cash Flows
(All figures in C$)

	2004	2005	2006	2007E	2008E
Operating					
Net Income	(137,544)	97,850	(46,555)	42,826	285,851
Depreciation	48,817	43,404	61,519	60,549	60,549
Stock Compensation	3,896	6,004	4,704	5,716	6,048
Future Tax	(102,000)	(25,411)	(5,032)	-	-
Loss From Asset Sale & Other	38,786	11,863		-	-
Inventoy Valuation Allowance			217,328		
Funds From Operations	(148,045)	133,710	231,964	109,091	352,448
Working Capital Investment					
Accounts Receivable	33,784	(156,992)	(101,630)	(149,043)	(142,786)
Inventory	(281,025)	(83,979)	(478,719)	(189,628)	(357,622)
Prepaid Expenses&Tax Recoverable	(33,039)	(4,547)	(9,141)	(7,737)	(7,101)
Accounts Payable	152,657	72,817	(54,097)	347,959	62,859
Deferred Government Grant	-			-	-
Tax Payable/Recoverable & Other	(169,414)	115,086	(92,553)	-	-
Cash From Operations	(445,082)	76,095	(504,176)	110,642	(92,202)
Investing					
Fixed Assets (incl acquisitions)	(61,520)	(45,386)	(41,268)	(45,000)	(45,000)
Proceeds From Disposals	-			-	-
Cash Used in Investment	(61,520)	(45,386)	(41,268)	(45,000)	(45,000)
Financing					
Bank Debt	234,581	1,860	561,987	(255,316)	182,644
Term Loan	227,500	(42,000)	(42,000)	(42,000)	(42,000)
Equity	28,033	10,550	3,350	247,200	-
Cash From Financing	490,114	(29,590)	523,337	(50,116)	140,644
Change in Cash	(16,488)	1,119	(22,107)	15,526	3,442
Cash BOP	39,650	23,162	24,281	2,174	17,700
Cash EOP	23,162	24,281	2,174	17,700	21,142

Fundamental Research Corp. Equity Rating Scale:
Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
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2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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