

EVENT: DAVIS & HENDERSON INCOME FUND  
CONFERENCE CALL  
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OPERATOR: Good day, ladies and gentleman, and thank you for standing by. Welcome to the Davis + Henderson Income Fund conference call regarding the acquisition of Cyence International. I would like to remind everyone that this conference call is being recorded today, December 11<sup>th</sup>, 2008, at 4:00 p.m. Eastern Time.

And I will now turn the call over to Catherine Martin, Chief Financial Officer of Davis + Henderson. Please go ahead, Ms. Martin.

CATHERINE MARTIN (Chief Financial Officer, Davis + Henderson Income Fund): Thank you. Good day, everyone, and thank you for attending. Your main hosts today are Bob Cronin, Chief Executive Officer of Davis + Henderson, and Gerrard Schmid, who leads our Filogix segment.

Before turning the call over to Bob, I'd like to advise you that the statements to follow include forward-looking information within the meaning of applicable securities laws. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Business or developments in Davis + Henderson's industry, to differ materially from the

anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Information about the factors that could cause actual results to differ materially from anticipated results or performance, can be found in the Fund's Annual Information Form, available on SEDAR, in the press release announcing the results of the third quarter of 2008 ended September 30<sup>th</sup> and in the press release announcing the acquisition of Cyence International.

Now, over to Bob.

ROBERT CRONIN (Chief Executive Officer, Davis + Henderson Income Fund). Thanks, Cathy, and good afternoon, everyone. We're very pleased to announce today that we've entered into an agreement to acquire Cyence International Inc., a leading provider of software and solutions for credit lifecycle management. This is a relatively small but strategic acquisition for our Filogix segment. To get started, I'm going to briefly describe Cyence, the rationale for the purchase of the business and the general financial terms of the transaction. Gerrard will then more fully describe Cyence, its market and its services.

Simply put, Cyence delivers highly configurable software that allows clients to manage loans throughout their lifecycle, from origination to decisioning, managing compliance to providing servicing activities. Cyence delivers a complete range of technology solutions focused on consumer and commercial lending and leasing. This acquisition is strongly

aligned with our strategic vision of expanding the products we offer to the financial services industry.

With our acquisition of Filogix in 2006, we expanded into providing origination and underwriting services to the Canadian mortgage market.

With the acquisition of Cyence we are:

- (1) further expanding our product reach with an increased product focus on small business and commercial lending, as well as personal lending;
- (2) we are expanding our offerings further into the lending lifecycle, beyond origination and underwriting; and
- (3) we are expanding our geographical reach into the US and Australia, areas of increasing interest for our overall business.

Additionally, as you know, we have been on a journey of increasing the proportion of our business that comes from areas beyond our programs to the chequing account. Through a combination of organic initiatives and acquisitions, we look to broaden and diversify our revenue and cash flow base. The acquisition of Cyence, with its opportunities for growth, is aligned with this objective.

Lastly, and importantly, our existing customers are increasingly seeking integrated solutions for their lending businesses. By combining our product capabilities from Filogix with those of Cyence, we strengthen

our competitive position in existing markets. For all these reasons we believe this is a solid acquisition highly aligned to our strategies and objectives.

Before I pass things over to Gerrard; a couple of comments on the financial elements of the transaction. We expect the purchase price to be approximately \$38 million, plus or minus working capital adjustments. This will be paid in cash on closing, which is expected to take place before the end of December. We will fund the acquisition by drawing up to \$30 million on our existing credit facility and using cash on hand for the balance.

Upon the completion of the transaction, we will have outstanding debt of around \$150 million. As a reminder, we currently have a \$170 million credit facility. As such, we remain conservatively financed relative to the cash flows which we generate within the Business.

For 2009, we expect this acquisition to be modestly accretive to our cash flows. Because of its current size, this transaction will not have a significant impact on consolidated revenues or other operating results in the immediate future. We are very excited about this acquisition and believe the combination of our collective capabilities will allow us to accelerate the growth of the Cyence business.

Now I'd like to turn the call over to Gerrard for more insight into Cyence. Gerrard?

GERRARD SCHMID (President and Chief Executive Officer, Filogix Limited): Thank you, Bob, and good day, everyone. I was first introduced to Cyence about six months ago, and I'm delighted that they have agreed to join us as we build on our technology platforms for the lending services area.

Cyence is a company with an innovative, knowledgeable workforce that is dedicated to the financial services industry through a customer-focused product development strategy. Accordingly, Cyence has a culture that is very similar to ours, which is highly important.

Let me begin with a few facts and figures on this growing business. It was founded 12 years ago in Canada and today employs 120 talented people. It has clients in Canada, the US and Australia. Clients include super-regional US banks, large and mid-size Canadian financial institutions and several equipment financing divisions of companies that include a global computer equipment provider, a global rail car manufacturer and automotive manufacturers.

Cyence generates revenue from the licensing of its flagship software platform called ExpressOS and from professional and managed services. Similar to the Filogix business model, Cyence hosts client solutions through an Application Service Provider (ASP) model, and bills for these services through a combination of hosting, transactional and licensing fee arrangements.

ExpressOS is a sophisticated suite of lending and leasing front office solutions that automate origination, decisioning and lending operation processes. As such, it controls diverse parts of a credit management operation and is found in consumer, commercial and industrial finance applications.

ExpressOS provides a variety of useful features. With respect to origination, the platform controls multiple channels of information entry, including dealer origination, pricing tools, product catalogues, customer relationship management tools and web portals. In this way it supports direct and indirect originations and transactions for virtually every size and complexity.

As an example, the ExpressOS platform can routinely originate a \$1 billion lending transaction as easily as it can a credit card application.

In the area of credit adjudication, ExpressOS includes multiple credit workflows. Using the credit underwriting module, for example, customers can make instant automated credit decisions, usually on more than two thirds of their customer base. Credit scorecards can be electronically matched against customer, transaction and credit bureau information.

ExpressOS also provides a central collaborative tool for creating documents and transforming them into contractual agreements. It allows anyone who is integral to the business transaction, from sales professionals to legal advisors, to prepare complex documents in the

fraction of the time it once took. It also assists with a full range of post-credit decision-making activities, including contract auditing. It can dynamically interface with lease registration agencies for public filings, as well as with data warehouses for report generation. And it interacts with general ledger systems, providing a streamlined process for billings and collections.

With respect to managed services, Cyence offers server hosting, application monitoring and various forms of technical support. Professional services include consulting to drive business process improvement, software configuration and implementation services and training.

By adding Cyence, we have made our total package for the lending services marketplace that much more extensive and versatile. By reaching beyond the mortgage and real estate markets into new areas of credit process management, we can help our customers create and manage financial transactions in real time with dramatically improved control, efficiency and cost effectiveness. This will help increase their profitability and lower their risk.

We've also added an international platform for our business that will help us establish new relationships for our Filogix offerings. As an example, Cyence has strong relationships with several US banks. In two of them, the company's systems are deployed across five distinct lines of

business. As our existing customers increasingly seek US opportunities, we look forward to building off Cyence's capabilities.

Over the short term, we see opportunities for growth in two areas. Firstly, as lenders tighten their lending criteria, the Cyence platform is well positioned to deliver enhanced compliance solutions. Secondly, with credit markets being tighter, we also believe there is an opportunity to better serve the specialized lending needs of a wide range of industrials from PC manufacturers to heavy machinery leasing.

Because of the natural fit between our lending services technologies, Cyence will be managed as part of our Filogix segment and we will lever the knowledge and contacts of each to benefit the other.

We believe the key take-aways of this transaction are as follows:

- Firstly, this transaction is firstly strategically aligned;
- Secondly, good for our customers and our competitive positioning; and
- Thirdly, it provides increased opportunity for us to grow.

That concludes our prepared remarks. Now Bob, Cathy and I will be pleased to answer your questions. Operator, can you please open the line to questions?

OPERATOR: Thank you. We will now take questions from the telephone lines. If you have a question, please press the star, followed by the one on your touchtone phone. If you are using a speaker phone,

please lift the handset before pressing any keys. If you would like to decline from the polling process, please press the star, followed by the two. Thank you for your patience.

Your first question comes from Geoff Kwan of RBC Capital Markets. Please go ahead.

GEOFF KWAN: Hi. Bob, you were talking about the revenues of the business. I kind of missed the comment, but is there a number, ballpark, that you might be able to provide us in terms of whether or not last quarter annualized or last 12 months may be appropriate?

ROBERT CRONIN: Yes, Geoff, we decided actually that we wouldn't explicitly put out the revenue and EBITDA numbers of the business for both competitive reasons, I guess, and in the context of materiality. But having said that, let me help you a little bit with a back of the envelope calculation. We made the statement that we believe that the contribution is going to be modestly accretive in 2009. You know how much we're going to pay for the business and a good sense as to what our cost of capital is associated with the debt in front of our business, so from that you should be able to figure out the contribution.

And what I would say is that the margins that we earn inside this business are lower than the margins that we earn inside of our Filogix business right now, due to a couple of reasons. One is the difference in the business model and also just because of the scale and the size of the

company at this point in time. So I think with those parameters, Geoff, maybe we'll leave it to you and to others to do the estimates on the revenue.

GEOFF KWAN: Okay. And from a tax implication standpoint, obviously it's a small acquisition, but let's say there is some growth outside of Canada, at least for 2011, that may result in some small amount of taxes being incurred, is that fair?

ROBERT CRONIN: Depending on where the growth occurs inside the business, Geoff, that's correct, that we could be exposed to some US income tax, but I would say, even if we are, that it would be a small amount.

GEOFF KWAN: Okay. And on the cost structure, would it be similar to Filogix, where a large part could probably be considered as being fixed cost?

ROBERT CRONIN: Yes, that's correct, largely, like our Filogix business, the cost is really the employee group inside the business. And that employee group is engaged in doing everything from continuing to build and enhance the product to providing customization and professional services to customers. That comprises the largest part of our business. That tends to be fairly fixed. It can surge up and down a little bit, depending on some of the professional services engagements that we have, similar to our Filogix business.

GEOFF KWAN: And the last question was, can you talk about the revenues, how those get generated, whether or not on an implementation if there's an ongoing fee structure with the clients that the Company has?

ROBERT CRONIN: Sure. First of all, with respect to the technology component itself, we actually operate with a couple of different models inside of Cyence. In some instances, we will have licensing fees associated with the technology. In some instances, we will be paid on a per transaction basis and that may be on the kind of value of the transaction or it could just be a flat fee per transaction, okay? So it varies a little bit between those two, and then we also, as you mentioned, provide support services to customers in connection with implementation, customization and other general support services. Those typically are charged on a per diem basis.

GEOFF KWAN: Okay, great. Thank you.

OPERATOR: Your next question comes from Stephen Wayne of Pitney Bowes. Please go ahead.

STEPHEN WAYNE: Thank you. Just out of curiosity, is the acquisition structured as a purchase of the stock of Cyence or is it some sort of asset purchase? As you may know, we are a customer of Cyence, and we want to make sure that all of our contracts will continue without any sort of change in the status.

ROBERT CRONIN: Sure, okay. So, first of all, as a customer, welcome, and we're delighted that you're interested in this and I believe this is a very positive development for Cyence and their customers so I'm glad that you have expressed interest and want to participate. The simple answer to your question is we acquired the shares of Cyence, so absolutely we will pick up all of the assets of the business, including our relationship with you on a going forward basis.

STEPHEN WAYNE: Thank you.

ROBERT CRONIN: Thank you.

OPERATOR: Your next question comes from Nav Malik of Scotia Capital. Please go ahead.

NAV MALIK: Great, thanks. Yes, I was wondering if you could just maybe talk about what the growth drivers are here for the business, maybe just sort of organically, first of all, and then maybe through tapping additional customers, that sort of thing?

ROBERT CRONIN: Sure. You've actually described it well that with the existing customers, our strategy is to expand our service offering throughout the different lending segments of their business and that had been a historical strategy, and we'll continue with that strategy. I think, additionally, in terms of one of the drivers for the growth of the business, the implementation of the technology provides good economics for our clients in that we've got workflow inside of our technology that has a very

strong business case associated with it in terms of improving our clients' internal effectiveness, both on a cost side and a compliance side.

So I think that, Nav, that's going to be a driver and a big part of our selling proposition to our customers, which we believe is important in this environment.

NAV MALIK: Okay. So you're talking about customers that you've got existing now, within the Filogix network?

ROBERT CRONIN: Well, certainly, as Gerrard commented in his prepared remarks, we do look to bring the Cyence technology together with our Filogix capability to our existing Canadian customers that we have inside of Filogix. But we've also introduced into our business a whole new set of customers that we're very anxious to do business with. So I think that we'll be focused on both.

NAV MALIK: Okay. Okay, and then just sort of along the same line, is there a – I know you mentioned some groups of customers that you have – is there any risk or have you been losing any customers right now, just given the difficult credit markets and has there been any impact on some of your customers from that point of view?

ROBERT CRONIN: The answer is, no, we have not lost customers. The Company has a very, very good track record of retaining existing customer relationships, so we actually feel very comfortable about the base of business that exists inside of Cyence today.

NAV MALIK: Okay. And I know you didn't provide the revenue and EBITDA, but in terms of... maybe I don't know if a growth rate... that historical growth rate is appropriate. Can you give us some ballpark figures around that or...?

ROBERT CRONIN: Yes, well we certainly look to be growing on a prospective basis in the double digits going forward here.

NAV MALIK: Okay.

ROBERT CRONIN: The historical growth rate numbers aren't particularly helpful because you can have a large percentage growth rate and a small number, can't you? And so... but we believe that... those are our expectations anyway, in that range.

NAV MALIK: Okay. And then just lastly maybe you could talk about, what was the motivation from the seller's perspective?

ROBERT CRONIN: Well I think that the seller was interested in taking the business to the next level, that the company has been around for 12 years, as you heard Gerrard say. The company has built a good reputation in their industry. To go to the next level, I think that the company needs a partner inside the business that brings something to the table, and I think that Davis + Henderson and Filogix bring something to the table here. I think that we bring everything from our long-term relationships that we have in the financial services industry to the strength of our balance sheet and our business model overall.

And I think that we bring a lot of knowledge of the lending market, and particularly in Canada, to bear. For Cyence as a business, that there's a lot that can be contributed here to help that business continue to grow and to evolve. So I think that certainly is a part of the motivation.

NAV MALIK: Yes, okay, great. Thanks very much.

OPERATOR: Your next question comes from Paul Holden of CIBC World Markets. Please go ahead.

PAUL HOLDEN: Hi, good afternoon. The first question would be related to existing management at Cyence. Is there a management contract to keep them around for at least a couple of years?

GERRARD SCHMID: Hi, Paul. It's Gerrard answering this question. I'm happy to report that the management team will remain intact and will continue to run Cyence on our behalf, and we do have relationships and employment agreements in place with each of them.

PAUL HOLDEN: Okay. Can you provide any details regarding the length of the employment agreement? Or are they free to leave at any time they want?

BOB CRONIN: Well, as you know, in a free society people can always do what they want. So what I would say to you, Paul, is that we've obviously worked with the senior management team on this transaction for a while – as you know, these things always take a while to occur. I believe there's a great deal of excitement on behalf of the members of the senior

management team about the combining of the Filogix and the Cyence business. So if you ask me about people's motivation and excitement, I think it's very, very strong and that's the most important thing, isn't it?

PAUL HOLDEN: Okay. So you've given us some flavour for expected growth going forward, which is helpful. Can you maybe do the same in terms of existing market share, sort of in the main verticals there?

ROBERT CRONIN: That's extremely hard for us to do. It's hard to exactly define and quantify the markets across segments. Maybe, Gerrard, do you want to add anything to that?

GERRARD SCHMID: Thanks Bob. I think what I'd say, is that this is a fragmented market without a dominant player in it. That being said, within the equipment finance vertical, we would be considered one of the top three in North America. And on top of that, our value proposition, especially in these challenging times, is to offer a highly configurable platform that delivers significant cost efficiencies to lenders and, hence, we believe it's an attractive option for banks out there.

PAUL HOLDEN: Okay. Would you be able to tell us who the other top competitors are then in North America?

GERRARD SCHMID: Sure. There are a couple of players out there. There's an organization called Capital Stream that was recently acquired by a company called HCL Technologies Limited (India); another organization called Third Pillar; and a third one called IDS, International

Decision Systems Inc. And those would just be some of the bigger players but, in and of themselves, they're all of moderate size.

PAUL HOLDEN: Okay, that's helpful. And I guess the final sort of question/comment I have is, it's a tough economy, a lot of people are focusing on companies' balance sheets. One way maybe to view this transaction is you're levering up here for a company that's not going to contribute a lot to the bottom line. I understand it's for the long-term strategic implications of the transaction. Maybe that says something about your confidence in your existing business and the transaction as well so any comments on that front would be helpful.

ROBERT CRONIN: Well, Paul, certainly, as you know, we do have confidence in our existing business, for sure. Secondly, just with respect to the notion of levering up, I'll just remind you and others that we're pretty conservatively financed, so relative to the amount of cash flow that we have, our debt position is fairly modest. So we had confidence to apply our credit facilities to finance this transaction, and we're obviously comfortable with that.

PAUL HOLDEN: Okay, that's great. That's all I had.

ROBERT CRONIN: Good, Paul.

OPERATOR: Your next question comes from Sophia Taylor of TD Newcrest. Please go ahead.

SOPHIA TAYLOR: Good afternoon. My question just has to do with the client base. Sorry if I missed it, but are you able to possibly give the percentages in terms of the different industries that your client base spans across? So financial institutions, versus, say, other areas?

ROBERT CRONIN: Gerrard, do you want to describe, the approximate revenue breakdown across segments?

GERRARD SCHMID: Absolutely. As I said in my opening remarks, the customer base is broad. It spans across the financial institutions and the equipment finance arms of manufacturers. What I broadly observe is that probably in the neighbourhood of 70 to 75 percent of the revenues would come from financial institutions and the balance from equipment finance organizations.

SOPHIA TAYLOR: Very helpful, thank you. And then just continuing on that sort of line of thinking, in terms of the growth going forward, would it then be safe to assume, from a Davis + Henderson point of view, does most of the growth going forward then come from cross-selling opportunities versus I guess growth in new areas or new clients?

ROBERT CRONIN: I think that the answer is, it's going to be both, and certainly it's our expectation of ourselves that we will be able to bring some of the Cyence technology into our existing customer base. But the larger piece, Sophia, I would say is growing with some additional customers.

SOPHIA TAYLOR: Okay, great. That's it for me. Thank you.

ROBERT CRONIN: Okay, thanks.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the star, followed by the one. As a reminder, if you are using a speaker phone, please lift the handset before pressing the keys.

At this time I'm showing no questions registered. I'd like to turn the meeting back over to you, Mr. Cronin.

ROBERT CRONIN: So thank you, everyone, for participating. You know, we're very pleased with today's announcement, and we look forward to closing the transaction in December and continuing to build the capabilities of our business through 2009 and beyond. So have a great day, everyone. Bye-bye.

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