

Grinding Out a Win: The Overnight (7 Year) Success

The Cyence/ Covington Partnership

Peter Hyne – Former CEO, Cyence

Scott Clark – Managing Director, Covington Capital

Agenda

1. Covington Capital Corporation
 - Who We Are / What We Do
2. The Cyence Story
 - Who We Are/ What We Do/ Customers/
Summary Results
3. Basic Tenets Of Grinding It Out
 - Initial Investment – Scarcity of Capital
 - Building the Company
 - o Delegation – Internal & External
 - o Trust
 - o Patience
 - Exiting – Bought versus Sold
4. Doing It Again - PowerBand

1. Covington: Who We Are

- Covington Capital Corporation – founded in 1993;
- Venture Capital/Private Equity Manager;
- Currently manage over \$350 million in assets across 4 LSIF (labour sponsored investment funds) and two institutional funds:
 1. Covington Fund II \$ 85M
 2. Strategic Capital Fund \$ 20M
 3. Covington Venture Fund \$140M
 4. New Generation Biotech \$ 50M
 5. CF Portfolio Inc. (institutional) \$ 40M
 6. Longitude Fund \$ 20M

\$355M
- Phil Reddon, Managing Director – joined Covington in 2002
Bank of Montreal Capital, Business Development Bank
- Scott Clark, Managing Director – joined Covington in 2001
Harrowston, Working Ventures, Business Development Bank

1. Covington: What We Do



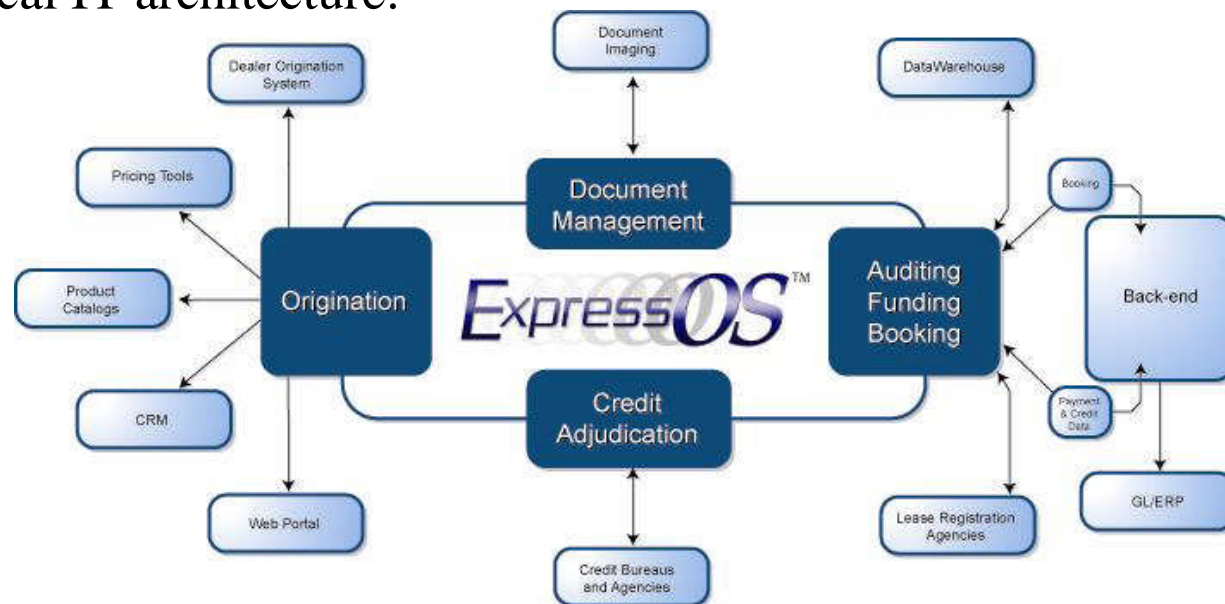
2. Cyence: Who We Are

- Began operations in 2001 but essentially evolved from prior software companies owned by the Principals (Peter Hyne, Greg McIntosh, Hollinsworth Auguste);
- Based in Burlington, Ontario (with own data centre);
- Originally partnered with CIT (for funding) but circumstance allowed for an attractive buyout and switched to Covington (for funding) in late 2001;
- Grew to approximately 75 employees over 7 years;
- Sold Cyence to Davis + Henderson (Filogix) in December 2008 for approximately \$40M.

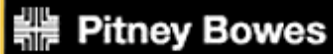
2. Cyence: What We Do

Cyence's flagship software product is ExpressOS™ which has been designed from the ground up to act as the workflow engine for the entire sales origination, credit adjudication, pricing, documentation and auditing/funding stages of the financing life cycle;

The following diagram summarizes ExpressOS' position within a typical IT architecture:



2. Cyence: Customers



Key Equipment
Finance

VOLVO

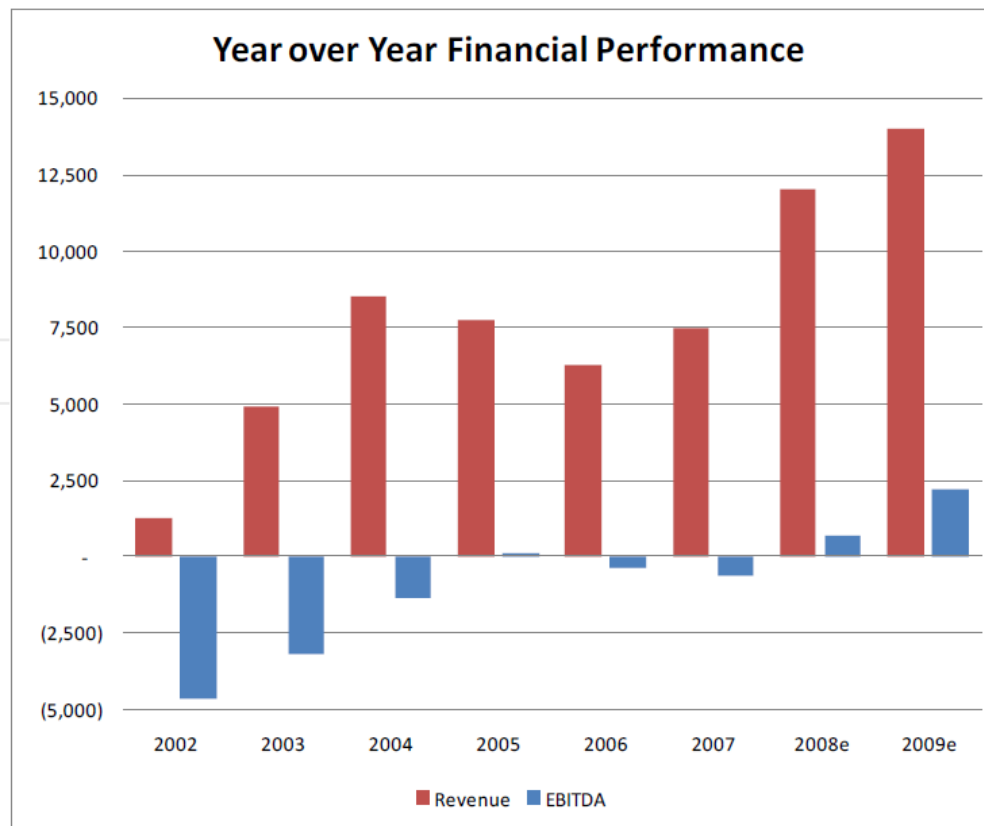
Volvo Commercial Finance

take comfort
union
energy



2. The Cyence Story Summary Results

Annual GAAP Revenue & EBITDA



GAAP Revenue and earnings do not show a clear enough picture of the Company's growth over time.

These metrics do not capture the intrinsic value of each revenue stream.

- Upfront v Recurring Revenue
- Internal v Subcontracted Revenue

3. Basic Tenets of Grinding It Out Initial Investment

- Covington made an initial investment of \$3.5M in December 2001, riding coat tails of CIT retreat;
- Completed at least 5 more rounds in ensuing 7 years to bring total commitment to approximately \$14M;

Observations:

- A scarcity of capital for most of Cyence's existence created focus and resourcefulness;
- Single investor ensures simplicity in decision-making and strategy execution.

3. Basic Tenets of Grinding It Out Delegation

- Internally, CEO delegated to and empowered younger executive team to execute;
- Externally, Cyence leveraged channel partners like Microsoft for credibility and relied, at different periods, heavily on outsourced implementation services;

Observations:

- The management team had depth and was taught to take risks by the CEO;
- Cyence was ahead of its time in leveraging strategic partners (and had to because of limited financial resources).

3. Basic Tenets of Grinding It Out Trust

- After the first round, funding commitments were negotiated on a handshake and documented post-funding;
- Management always provided open communication and consistently placed investor in priority on all decisions;
- Covington never took an operational role.

Observations:

- It seems trite, but the development and maintenance of trust among key stakeholders is fundamental to being able to act quickly and, when necessary, to move outside conventional norms (flexibility).

3. Basic Tenets of Grinding It Out Patience

- Cyence Management consistently traded-off larger, short term wins for longer, recurring revenue (building sustainable value);
- Although roles evolved, the core management team remained unchanged throughout the investment period;
- A handful of attractive acquisition offers along the way were declined so that value could be optimized later.

Observations:

- A lot of patience is required to test markets and evolve product strategies...in many ways this is a luxury achieved by having adequate resources (people and money).

3. Basic Tenets of Grinding It Out Exiting – Bought versus Sold

- There was no mandate to sell Cyence in 2008 but the Company was clearly entering another pronounced growth phase;
- The Davis+Henderson offer developed over a year-long process (no diligence surprises);
- Once a decision was made to engage D+H, we contacted other potential purchasers to maintain a competitive process/ timeline.

Observations:

- Cyence negotiated from strength (unified voice between management and Covington) and had an absolute willingness to walk away from the transaction at any point.

Doing It Again

PowerBand

- PowerBand was spun-out of Cyence in late 2007 as a software portal that connects retail environments with financial institutions for credit application and processing;
- Automobile financing is the first target market;
- Peter Rakoczy (former Director of Cyence) has taken the CEO role while Peter Hyne is an active Chairman and supporter of Business Development;
- Covington has co-invested with Davis + Henderson in the PowerBand opportunity.

Thank You

Questions