

COMMITTED TO

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# Adding value

**THE DATA GROUP INCOME FUND**  
QUARTER ONE – ENDED MARCH 31, 2007

# Q1

COMMITTED TO

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# Our values

The DATA Group of Companies has evolved a deeply rooted, widely recognized way of doing business. Our success owes much to a set of corporate values, which have helped to define our culture.

**WE ARE** committed to customer service and quality.

**WE DO** what we say we will do.

**WE CONDUCT** our business ethically and legally.

**WE ARE** a people-oriented company committed to safety and the environment.

**WE WILL** develop, adapt, and use technology for our customers' benefit.

**WE STRIVE** for market leadership and take pride in our products and services.

**WE ENCOURAGE** decision-making and initiative at all levels of our Company.

## LETTER TO UNITHOLDERS

I am pleased to provide our Unitholders with our 2007 First Quarter report on the results of our operations and related distributions.

Revenue for the quarter ended March 31, 2007 was \$104.0 million, an increase of 85.2% compared to the same period in 2006. Net Income for the first quarter was \$3.8 million or \$0.16 per basic unit. Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) in the quarter was \$10.0 million or 9.6% of revenue compared to \$6.9 million or 12.2% of revenue in the same period of 2006. The decrease in Adjusted EBITDA margins (from 12.2% to 9.6%) was as expected. This is due to the fact that historical margins in Relizon were less than those in DATA. In addition, in the quarter we expensed \$1.1 million in integration costs for the closure of DATA facilities.

During the quarter, we continued to take steps to achieve our objective of realizing \$7.0 million per annum in pre-tax operating synergies and costs savings as a result of the Relizon Canada Inc. acquisition on August 31, 2006. On March 1, 2007, we announced a restructuring plan resulting in the closure of four plants, the elimination of 121 jobs and the transfer of 99 jobs to other facilities. This restructuring initiative combined with other initiatives we have completed to reduce management, sales and administration expenses, are expected to result in achievement of those synergies and cost savings.

The DATA Group's objective continues to be to provide Unitholders with steady, dependable and growing distributions. In our first quarter of 2007, the Fund had total cash available for distribution of \$7.4 million or \$0.314 per unit. Our distribution to Unitholders was \$6.8 million or \$0.290 per unit for a payout ratio of 92.4%. The first quarter includes \$1.1 million in integration costs for the closure of DATA facilities. Adjusting for the integration costs would increase cash available for distribution in excess of actual distributions to \$1.6 million and reduce the payout ratio to 80.8%.

In closing, we want to thank our Unitholders for their continuing faith in us. We are most thankful for the ongoing support of our customers and the pride and dedication of our employees.

May 2007

The DATA Group Income Fund



David M. Odell

President and Chief Executive Officer

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2007 should be read in conjunction with the MD&A of The DATA Group Income Fund (the "Fund") for the year ended December 31, 2006 and the unaudited interim financial statements of the Fund for the three months ended March 31, 2007. These documents are available on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). External economic and industry factors remain substantially unchanged from those described in the Fund's 2006 annual MD&A, unless otherwise stated.

The Fund owns directly and indirectly all of the outstanding partnership units of The Data Group Limited Partnership (the "Data Group") and all the outstanding shares of the Data Group's general partner, Data Business Forms Limited ("DBFL").

The Data Group is a leading provider of total document management solutions, including printed products, and operates as three divisions. DATA East and West (which provided approximately 83% of total revenue in 2006) sells a broad range of printed products and document management services directly to end users. Sundog (which provided approximately 9% of total revenue in 2006) is a commercial printer specializing in the production of high-quality annual reports, marketing materials and event tickets. Multiple Pakfold (which provided approximately 8% of total revenue in 2006) sells forms and labels to independent brokers and resellers.

All financial information in this MD&A is presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"), unless specified otherwise.

The date of this MD&A is May 9, 2007. Additional information relating to the Fund, including the Fund's most recently filed Annual Information Form and Management Proxy Circular, is available on SEDAR.

## FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of the Fund, DBFL and/or its successor, the Data Group, or industry results to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this MD&A, the words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect the Fund's current views regarding future events and operating performance, are based on information currently available to the Fund, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance or achievements of the Fund and the Data Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. The principal assumptions that the Fund made in the preparation of these forward-looking statements include the ability of management to achieve approximately \$7.0 million per annum in pre-tax operating and other synergies

and cost savings, and other benefits expected to be realized, and the timing and net present value thereof, based on the achievement of operational efficiencies from restructuring, integration and other initiatives relating to the combination of the respective businesses previously carried on by DBFL and Relizon Canada Inc. ("Relizon Canada"); the accuracy of estimated synergies in respect of expected cash flows, cost savings and profitability from the combination of the DBFL and Relizon Canada businesses; the risk that the DBFL and Relizon Canada businesses will not be integrated successfully; the risk that any savings, growth prospects or other synergies from the combination of those businesses will not be fully realized or will take longer to realize than expected; competition from competitors supplying similar products and services; the Data Group's ability to grow its sales or even maintain historical levels of its sales of printed business documents; increases in the costs of paper and other raw materials used by the Data Group; the Data Group's ability to maintain relationships with its customers; and the implementation of proposed changes to the income tax treatment of certain income trusts, such as the Fund, which will, if implemented in their current form, subject the Fund to tax commencing in 2011 and the effect of those proposed changes on the trading price of the Fund's units. Additional factors are discussed under the heading "Risks and Uncertainties" in this MD&A and in the Fund's other publicly available disclosure documents, as filed by the Fund on SEDAR ([www.sedar.com](http://www.sedar.com)). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, the Fund does not intend, and does not assume any obligation, to update these forward-looking statements.

## NON-GAAP MEASURES

This MD&A includes certain non-GAAP measures as supplementary information. When used in this MD&A, "EBITDA" means earnings before interest, taxes, depreciation and amortization, and "Adjusted EBITDA" means EBITDA adjusted for non-cash inventory fair value allocation charges. Management believes that, in addition to net income, EBITDA is a useful supplemental measure in evaluating the performance of the Data Group and/or the Fund, as it provides investors with an indication of cash available for distribution (or distributable cash) prior to debt service, capital expenditures and income taxes. Cash available for distribution (or distributable cash) means Adjusted EBITDA increased by, or reduced for, partnership conversion costs, gain (loss) on sale of fixed assets, cash interest expense, maintenance capital expenditures, pension contributions in excess of expense and cash income taxes. Specifically, management views cash available for distribution as an operating performance measure, as it is a measure generally used by Canadian income funds as an indicator of financial performance. EBITDA, Adjusted EBITDA and cash available for distribution are not earnings measures recognized by GAAP and do not have any standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and cash available for distribution are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of the Data Group's or the Fund's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. For a reconciliation of cash provided by (used in) operating activities to Adjusted EBITDA to cash available for distribution, see Table 3 below.

## RECENT DEVELOPMENTS

### RELIZON CANADA ACQUISITION

On August 31, 2006, the Fund acquired from The Relizon Company (the "Relizon Canada Acquisition") all of the shares of Relizon Canada for a purchase price (the "Purchase Price") of \$141.0 million, subject to a working capital adjustment. The Purchase Price consisted of a cash payment of \$112.0 million and 2,964,326 trust units of the Fund. The Purchase Price was adjusted down by \$1.0 million based on the closing calculation of the working capital of Relizon Canada. Immediately following the Relizon Canada Acquisition, Relizon Canada and Data Business Forms Limited (a predecessor to the Data Group) were amalgamated and continued as "Data Business Forms Limited" prior to the reorganization of the Fund on September 30, 2006. See – "Reorganization" below.

At the time of the Relizon Canada Acquisition, Relizon Canada was a provider of document outsourcing solutions in Canada, helping organizations improve the efficiency and effectiveness of their printed and electronic communications, both internally with employees, and externally with customers, vendors and prospects. At the time of the Relizon Canada Acquisition, Relizon Canada had approximately 1,000 employees and operated five manufacturing facilities, four business service centres, one warehouse and distribution centre and 27 sales offices across Canada.

The Relizon Canada Acquisition was consistent with the Fund's acquisition strategy to identify consolidation opportunities within its existing core business segments and acquire strong companies with complementary strengths and significant opportunities to achieve meaningful synergies. Corporate synergies are expected to consist primarily of cost savings relating to reduction of overhead and support services. This strategy is intended to assist the Fund in achieving its objective of generating stable and growing cash available for distribution. Paralleling the success of DBFL, the Relizon Canada business had also maintained long-term relationships with the majority of its largest customers for more than 10 years. Management believes that this evidences the commitment of both businesses to meeting and exceeding the expectations of clients and demonstrates the alignment between each business' fundamental approach to its markets, operating styles and values. At the time of the Relizon Canada Acquisition, both the Relizon Canada business and the DBFL business operated primarily within the same market segments. However, each business enjoyed both regional strengths and specialty product capabilities which complement the other and can be better leveraged as a combined business. In addition, further diversification of products and customer base is expected to mitigate the risk associated with a shift in demand from any one customer or industry, or with potential market shifts in demand for any one product or service. Management believes that the Relizon Canada Acquisition creates significant opportunities to achieve meaningful cost synergies and has identified the potential to realize annual pre-tax operating and corporate synergies of approximately \$7 million. These savings are expected to be fully realized by approximately the third quarter of 2008. Operating synergies are expected to consist primarily of cost savings related to cost improvements from more efficient operations as a result of facilities integration and improved asset utilization, streamlined procurement practices and economies of scale; reduced maintenance capital expenditure requirements; and reduced sales and marketing expenses. On March 1, 2007, the Fund announced a restructuring plan in connection with the integration of the DBFL and Relizon Canada businesses, which includes a reduction in the acquired business' and Data Group's workforces, the relocation of certain employees

to other Data Group facilities and the closure of four plants. See “Outlook”. As at March 31, 2007, management had accrued \$10.4 million of restructuring costs, less payments made to that date, estimated to be incurred in restructuring Relizon’s business. However, the amount of these restructuring costs is subject to modification as management completes a detailed assessment of the assets acquired and liabilities assumed pursuant to the Relizon Canada Acquisition and changes may be made as more information becomes available.

The cash portion of the Purchase Price was funded with a combination of funds raised pursuant to a public offering of securities of the Fund, additional borrowings under the Company’s credit facilities, and cash on hand. In connection with the Relizon Canada Acquisition, the Fund issued to the public (the “Offering”) 5,650,000 subscription receipts at a price of \$9.50 per subscription receipt (the “Subscription Receipts”), each representing the right to receive one unit of the Fund (a “Unit”) for no additional consideration upon completion of the Relizon Canada Acquisition, for gross proceeds of approximately \$53.7 million, and \$35.0 million aggregate principal amount of 6.75% extendible convertible unsecured subordinated debentures (the “Convertible Debentures”). Following the closing of the Relizon Canada Acquisition, the Fund issued 5,650,000 Units upon the exchange of the Subscription Receipts. The net proceeds of the Offering were approximately \$84.6 million and were used to fund \$82 million of the cash portion of the Purchase Price. The remainder of the cash portion of the Purchase Price was funded through existing cash balances and committed credit facilities provided by two Canadian chartered banks. For a description of the Convertible Debentures, please refer to the Fund’s 2006 annual MD&A and the Fund’s short form prospectus dated August 24, 2006 each of which is available on SEDAR.

## **REORGANIZATION**

On September 30, 2006, the Fund reorganized its structure to carry on in a limited partnership (being the Data Group) the business previously carried on by DBFL (including the Relizon Canada business) (the “Reorganization”). In connection with the Reorganization, DBFL became the General Partner of the Data Partnership. The purpose of the Reorganization was to establish a “flow-through” organizational structure which will enable the Fund to maximize cash available for distribution and provide a more flexible legal and operating structure, including future expansion opportunities. The Reorganization was effected by way of a plan of arrangement following receipt by the Fund of an advance income tax ruling from the Canada Revenue Agency, approval by the Fund’s Unitholders and applicable court and regulatory approvals. The Reorganization did not result in a change to the number, type or ownership of the outstanding units of the Fund and had no impact on the daily operations of the Fund. As part of the Reorganization, certain consequential amendments were made to the Fund’s Declaration of Trust. A detailed description of the Reorganization is contained in the Fund’s management information circular dated August 28, 2006, which is available on SEDAR.

## GENERAL INFORMATION AND RESULTS OF OPERATIONS

**Table 1** The following table sets out selected historical financial information for the periods noted.

The period from January 1, 2007 to March 31, 2007 includes results of operations of the Relizon Canada business.

### Consolidated Financial Information

For the periods ended March 31, 2007 and 2006

(in thousands of dollars, unaudited)

	Jan. 1 to Mar. 31, 2007	Jan. 1 to Mar. 31, 2006
	\$	\$
Revenues	103,996	56,164
Cost of revenues	76,395	39,582
Gross profit	27,601	16,582
Selling, general and administrative expenses	18,782	10,492
Integration costs	1,056	-
Amortization	2,411	1,652
Income before interest and income taxes	5,352	4,438
Interest expense on long-term debt	1,542	543
Income before income taxes	3,810	3,895
Recovery of future income taxes	-	(108)
Net income for the period	3,810	4,003

**Table 2** The following table sets out selected historical financial information by business segment for the periods noted.

The period from January 1, 2007 to March 31, 2007 includes results of operations of the Relizon Canada business.

### Consolidated Financial Information

For the periods from January 1 to March 31, 2007 and 2006 (in thousands of dollars, except percentage amounts, unaudited)	Jan. 1 to Mar. 31, 2007 \$	Jan. 1 to Mar. 31 2006 \$
<b>Revenues</b>		
DATA East and West	93,236	43,655
Sundog	6,911	7,460
Multiple Pakfold	5,342	6,202
Intersegment	(1,493)	(1,153)
	103,996	56,164
<b>Gross Profit</b>		
DATA East and West	24,265	12,737
Sundog	2,470	2,709
Multiple Pakfold	866	1,136
	27,601	16,582
<b>Gross Profit, as a percentage of revenue</b>		
DATA East and West	26.0%	29.2%
Sundog	35.7%	36.3%
Multiple Pakfold	16.2%	18.3%
	26.5%	29.5%
<b>Selling, general and administrative expenses</b>		
As a percentage of revenue	18.1%	18.7%
Adjusted EBITDA	9,972	6,863
Adjusted EBITDA margin, as a percentage of revenue	9.6%	12.2%
Net income	3,810	4,003

## RESULTS OF OPERATIONS

### THE DATA GROUP INCOME FUND

#### OVERVIEW

On August 31, 2006, the Fund completed the Relizon Canada Acquisition. At the time of the Relizon Canada Acquisition, both Relizon Canada and DBFL operated primarily within the same market segments. Since the date of the Relizon Canada Acquisition, the Data Group has been engaged in the integration of the former Relizon Canada and DBFL businesses, with a view to achieving operating and corporate synergies through the combination of those businesses. On March 1, 2007, the Fund announced a restructuring plan designed to realize on those synergies. See "Outlook". The following discussion and analysis includes the results of operations of the former Relizon Canada business for the quarter ended March 31, 2007. Those operations now form part of the Data Group's DATA East and West division and represent the principal reason for changes in the Fund's results of operations for the quarter ended March 31, 2007 compared to the quarter ended March 31, 2006.

#### REVENUES

For the quarter ended March 31, 2007, the Fund recorded revenues of \$104.0 million, an increase of 85.2% or \$47.8 million compared with the same period in 2006. The revenue increase, before intersegment revenues, was substantially the result of a \$49.6 million increase in the DATA East and West segment resulting from the acquisition of Relizon Canada. The increase in DATA East and West was offset by declines of \$0.5 million and \$0.9 million in the Sundog and Multiple Pakfold segments, respectively. A more detailed discussion of the results of operations of each of the Fund's reporting segments is set out below.

#### COST OF REVENUES AND GROSS PROFIT

For the quarter ended March 31, 2007, cost of revenues increased to \$76.4 million from \$39.6 million for the same period in 2006. The increase was a result of a \$38.1 million increase in the DATA East and West segment resulting substantially from the acquisition of Relizon Canada. This resulted in a gross profit in the first quarter of 2007 of \$27.6 million, which represented an increase of \$11.0 million or 66.4% from \$16.6 million in the first quarter of 2006. The increase in gross profit was attributable to a \$11.5 million increase in the DATA East and West segment resulting substantially from the acquisition of Relizon Canada. As a percentage of revenue the gross profit decreased to 26.5% from 29.5% in the same period in 2006 due to lower margins in the Relizon Canada business.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND INTEGRATION COSTS

Selling, general and administrative ("SG&A") expenses, including administrative expenses of the Fund, for the quarter ended March 31, 2007, were \$18.8 million as compared to \$10.5 million in the same period of 2006. Excluding the expenses incurred by the operations of the Relizon Canada business, SG&A expenses were consistent with the comparative period. The Data Group also incurred \$1.1 million of costs related to the integration of the DBFL and Relizon Canada businesses, which primarily consisted of severance expenses.

#### ADJUSTED EBITDA

For the quarter ended March 31, 2007, Adjusted EBITDA was \$10.0 million, or 9.6% of revenue. Adjusted EBITDA for the three months ended March 31, 2007 increased \$3.1 million or 45.6% from the same period in the

prior year and the Adjusted EBITDA margin for the quarter, as a percentage of revenue, decreased from 12.2% of revenue in 2006 to 9.6% of revenue in 2007. The decrease as a percentage of revenue was substantially attributable to the costs incurred in the integration of the DBFL and Relizon Canada businesses. The Adjusted EBITDA margin would have been 10.6% without these integration costs, and the remainder of the decline was attributable to reduced margins in the DATA East and West segment and the gross margin reductions in the Sundog and Multiple Pakfold segments as discussed below.

### **INTEREST EXPENSE**

Net interest expense on long-term debt relating to the Data Group's credit facilities and the Fund's \$35.0 million aggregate principal amount of outstanding convertible debentures (the "Convertible Debentures") was \$1.5 million for the quarter ended March 31, 2007 compared to \$0.5 million for the same period in 2006. Net interest expense increased due to the additional interest expense on the \$30.0 million drawn under the Data Group's credit facilities and the issuance of the Convertible Debentures, in each case to fund the Relizon Canada Acquisition.

Interest income of \$0.1 million was earned during the quarter ended March 31, 2007, consistent with the prior year. This interest income was substantially related to the cash and cash equivalents held by the Data Group.

### **INCOME TAXES**

The Fund reported pre-tax income of \$3.8 million and no tax expense for the quarter ended March 31, 2007. Other than the recognition of certain tax attributes that remain in DBFL, and subject to proposed changes to the Income Tax Act (Canada) discussed below under "Outlook", the Data Group and the Fund are no longer expected to pay income taxes as a result of the Fund's reorganization in 2006 and, accordingly, do not recognize future income tax assets and liabilities on temporary differences or recognize unused tax losses or credits relating to the Data Group. On March 27, 2007, legislation was tabled in Parliament that will change the tax regime applicable to publicly traded Canadian resident trusts (a "SIFT"), including the Fund. A SIFT paying a distribution from the SIFT's "non-portfolio earnings" will not be entitled to deduct the distribution and, generally, will be subject to tax on the "non-portfolio earnings" at a rate similar to the combined federal and provincial corporate rates. If the tabled legislation is implemented in its current form, the Fund would expect to pay taxes commencing in 2011 and will have to recognize future income tax assets and liabilities on temporary differences to the extent they will reverse in 2011 and subsequent years. See "Outlook".

### **NET INCOME**

Net income for the quarter ended March 31, 2007 was \$3.8 million compared to net income of \$4.0 million for the quarter ended March 31, 2006. The decrease in comparable profitability was due to the factors discussed above.

### **DATA EAST AND WEST**

This segment includes the operations of the Relizon Canada business for the quarter ended March 31, 2007. In the current quarter, revenue at the Data Group's DATA East and West segment increased \$49.6 million or 113.6% to \$93.2 million from \$43.7 million for the same period in the prior year.

The increase in revenue in the quarter was due to a number of factors. The principal factor for the increase was the acquisition of Relizon Canada in August 2006. The other factors which affected revenue for the first quarter

of 2007 were increased sales of variable imaging and lottery slips and laser cut sheets, offset by declines in direct mail and traditional business forms.

Gross profit in the quarter ended March 31, 2007 increased \$11.5 million to \$24.3 million from \$12.7 million in the same period of 2006. The gross profit as a percentage of revenue declined to 26.0% from 29.2% for the same period in 2006. The decline in gross profit percentage was due to lower margins in the Relizon Canada business.

As part of the Fund's restructuring plan announced on March 1, 2007, the Fund will close three of its plants located in Hemmingford, Quebec; Orangeville, Ontario; and Medicine Hat, Alberta. These plant closures are designed to reduce excess production capacity within the DATA East and West division following the combination of the former Relizon Canada and DBFL businesses. See "Outlook".

### **SUNDOG**

Revenues at the Data Group's Sundog division declined \$0.5 million from \$7.5 million in the first quarter of 2006 to \$6.9 million in 2007. The decrease in revenue was due to a general softness for commercial printing in the Alberta market in the first quarter of 2007 and decreases in the quantities of some annual reports.

For the quarter ended March 31, 2007, gross profit decreased 8.8% to \$2.5 million from \$2.7 million in 2006. Gross profit as a percentage of revenue decreased to 35.7% from 36.3% in the comparable period of 2006. The decline in gross profit was due to the reasons outlined above with respect to the decrease in revenue, which resulted in lower press utilization.

### **MULTIPLE PAKFOLD**

Revenue at the Data Group's Multiple Pakfold division decreased \$0.9 million to \$5.3 million in the first quarter of 2007 from \$6.2 million in the same period of 2006.

The decrease in revenue in the quarter was due to disruption in operations at the Data Group's Dorval facility as a result of the announcement on March 1, 2007 of the closure of the facility. In addition, the segment continues to experience sales declines in traditional business forms.

For the quarter ended March 31, 2007, gross profit decreased by \$0.2 million to \$0.9 million from the same period in 2006. The gross profit margin was 16.2% compared to 18.3% for the same period in 2006. The decline was due to the reasons stated above.

### **CASH AVAILABLE FOR DISTRIBUTION**

For the quarter ended March 31, 2007, the Fund generated \$7.4 million or \$0.314 per unit of cash available for distribution compared to \$5.8 million or \$0.388 per unit for the same period in the prior year. Cash available for distribution was calculated by deducting the cash interest of \$1.5 million and maintenance capital expenditures of \$1.1 million from Adjusted EBITDA of \$10.0 million. If integration costs of \$1.1 million were excluded from Adjusted EBITDA, cash available for distribution would have been \$8.4 million or \$0.359 per unit. See Table 3 below for a breakdown of these figures for the periods from January 1, 2007 to March 31, 2007 and January 1, 2006 to March 31, 2006, respectively.

For the quarter ended March 31, 2007, the Fund declared distributions of \$6.8 million or \$0.290 per unit. The calculation of cash available for distribution exceeded actual distributions by \$0.6 million or \$0.024 per unit for the quarter ended March 31, 2007 versus \$1.5 million or \$0.098 per unit for the period from January 1, 2006 to March 31, 2006. If integration costs of \$1.1 million were excluded from Adjusted EBITDA, cash available for distribution would have exceeded actual distributions by \$1.6 million or \$0.069 per unit.

Distributions paid by the Fund on its outstanding trust units during the quarter ended March 31, 2007 were funded entirely from cash generated by the Data Group's operations.

**Table 3** The following table sets out selected historical financial information for the periods noted.

**The period from January 1, 2007 to March 31, 2007 includes results of operations of the Relizon Canada business.**

### Cash Available for Distribution and Adjusted EBITDA

For the periods ended March 31, 2007 and 2006 <i>(in thousands of dollars, except per unit amounts, unaudited)</i>	Jan. 1, 2007 to Mar. 31, 2007 \$	Jan. 1, 2006 to Mar. 31, 2006 \$
Cash provided by (used in) operating activities	3,539	4,124
Changes in non-cash working capital	4,914	2,058
Pension contribution in excess of expense	(8)	210
Amortization of deferred financing fees	-	(76)
Gain (loss) on disposal of fixed assets	(14)	4
Other items, net	(1)	-
Interest expense	1,542	543
Adjusted EBITDA	9,972	6,863
Add:		
Loss (gain) on disposal of fixed assets	14	-
Less:		
Cash interest expense <sup>(1)</sup>	1,499	467
Maintenance capital expenditures <sup>(2)</sup>	1,134	426
Pension contributions in excess of expense	(8)	210
Cash available for distribution <sup>(4)</sup>	7,361	5,760
Distributions to Unitholders <sup>(5)</sup>	6,801	4,305
Excess of cash available for distribution over actual distributions	560	1,455
Per unit <sup>(6)</sup>		
Cash available for distribution per unit <sup>(6)</sup>	0.314	0.388
Distributions to Unitholders per unit <sup>(6)</sup>	0.290	0.290
Excess of cash available for distribution per unit over actual distributions per unit	0.024	0.098
Payout ratio	92.4%	74.7%

**Notes:**

- <sup>(1)</sup> Cash interest expense is interest expense calculated in accordance with GAAP, less the interest cost associated with accretion of convertible debentures and unfavourable lease obligation.
- <sup>(2)</sup> Maintenance capital expenditures are additions, replacements or improvements to property, plant and equipment to maintain the Data Group's business operations. These expenditures involve the replacement of printing and digital equipment, computers and software and leasehold improvements.
- <sup>(3)</sup> Cash income taxes are current income taxes calculated in accordance with GAAP.
- <sup>(4)</sup> Cash available for distribution has not been adjusted for changes in non-cash working capital so as to remove the impact of timing differences in cash receipts and cash disbursements, which generally reverse themselves but can vary significantly across quarters.
- <sup>(5)</sup> Distributions are in respect of the distributions declared and paid.
- <sup>(6)</sup> Per unit calculations are based upon the number of units outstanding at the end of each month consistent with the number of units upon which distributions are declared and paid and not the weighted average number of units outstanding. As at March 31, 2007, 23,475,659 units were outstanding and 14,861,333 units were outstanding as at March 31, 2006.

**Table 4****Eight Quarter Consolidated Statement of Distributable Cash – Summary***(in thousands of dollars,**except per unit**amounts, unaudited)*

	2007		2006			2005		
	Q1 <sup>(2)</sup>	Q4 <sup>(2)</sup>	Q3 <sup>(1)(3)</sup>	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Adjusted EBITDA	9,972	13,213	6,611	6,424	6,863	6,469	5,712	6,410
Cash available for distribution	7,361	8,300	5,320	5,090	5,760	4,706	4,493	5,528
Distributions to Unitholders	6,801	6,801	5,969	4,305	4,305	4,305	4,263	4,179
Excess (shortfall) of cash for distribution over actual distributions	560	1,499	(649)	785	1,455	401	230	1,349

Per unit

Cash available for distribution per unit	0.314	0.354	0.258	0.343	0.388	0.317	0.302	0.372
Distributions per unit	0.290	0.290	0.290	0.290	0.290	0.290	0.287	0.281
Excess (shortfall) of cash available for distribution per unit over actual distributions per unit	0.024	0.064	(0.032)	0.053	0.098	0.027	0.015	0.091

**Notes:**

- (1) Includes results of operations of the Relizon Canada business for the period from August 31, 2006 to September 30, 2006.
- (2) Includes results of operations of the Relizon Canada business for the three months ended.
- (3) Includes a \$0.8 million distribution on the 8.6 million units issued on August 31, 2006, while no corresponding EBITDA was earned by the Fund from the operations of Relizon Canada business, save the one business day of August 31, 2006.

## CASH FLOW FROM OPERATIONS

Changes in non-cash working capital decreased cash by \$4.9 million in the quarter ended March 31, 2007. Accounts receivable decreased by \$3.8 million as a result of collections from the fourth quarter activity of 2006. Accounts payable and accrued liabilities and accrued restructuring and integration provisions decreased by \$9.0 million as a result of payments to suppliers from the fourth quarter activity of 2006.

## INVESTING ACTIVITIES

Capital expenditures for the quarter ended March 31, 2007 of \$1.1 million related primarily to maintenance capital expenditures, which were financed by operating cash flows.

## FINANCING ACTIVITIES

For the quarter ended March 31, 2007, the Fund paid cash distributions of \$6.8 million to its Unitholders.

### **Eight Quarter Results of Operations - Summary**

*(in thousands of dollars, except per unit amounts, unaudited)*

	2007		2006		2005			
	Q1 <sup>(2)</sup>	Q4 <sup>(2)</sup>	Q3 <sup>(1)(3)</sup>	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	103,996	108,846	67,838	53,802	56,164	55,980	52,447	52,425
Net income	3,810	4,336	15,239	4,312	4,003	3,616	3,204	3,475
Basic income per unit	0.16	0.19	0.86	0.29	0.27	0.24	0.22	0.23
Diluted income per unit	0.16	0.18	0.82	0.29	0.27	0.24	0.22	0.23

**Notes:**

- (1) Includes results of operations of the Relizon Canada business for the period from August 31, 2006 to September 30, 2006.
- (2) Includes results of operations of the Relizon Canada business for the three months ended.
- (3) Net income included a \$14.9 million recovery of future taxes as a result of the Fund's Reorganization on September 30, 2006.

**DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

With the supervision and participation of the Data Group's senior management team, the Chief Executive Officer and the Chief Financial Officer of the Data Group have evaluated the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Multilateral Instrument 52-109) of the Fund and the Data Group, as of March 31, 2007. Based on that evaluation, those officers have concluded that such disclosure controls and procedures are sufficiently effective to provide reasonable assurance that material information relating to the Fund and the Data Group is made known to management and disclosed in accordance with the applicable securities laws.

With the supervision and participation of the Data Group's senior management team, the Chief Executive Officer and the Chief Financial Officer of the Data Group have evaluated the design of the internal controls over financial reporting (as defined in Multilateral Instrument 52-109) of the Fund and the Data Group, as of March 31, 2007. Based on that evaluation, those officers have concluded that such internal controls over financial reporting are sufficiently effective to provide reasonable assurance regarding the reliability of the Fund's financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Fund acquired the Relizon Canada business on August 31, 2006. The Data Group is continuing the documentation and assessment of the design of internal controls over financial reporting for that business and will finalize that review in 2007, following the completion of restructuring and integration initiatives.

There were no changes in the Fund's internal controls over financial reporting during the most recent interim reporting period that have materially affected, or are reasonably likely to materially affect, the Fund's internal controls over financial reporting.

**OUTLOOK**

Management believes that the Fund will continue to meet its objectives, continuing to meet its monthly per unit distributions to Unitholders of \$0.09656. The Fund's Board of Trustees does not currently anticipate increasing distributions to Unitholders based on the contribution of the Relizon Canada Acquisition, but will continue to monitor the Fund's cash available for distributions and its payout ratio.

As discussed in the Fund's MD&A for the year ended December 31, 2006, management has developed a plan to integrate and restructure the Relizon Canada business. On March 1, 2007, the Fund announced a restructuring plan resulting in the closure of four plants, the elimination of 121 jobs and the transfer of 99 jobs to other facilities. The plants to be closed in the proposed restructuring are located in Dorval, Quebec; Hemmingford, Quebec; Orangeville, Ontario; and Medicine Hat, Alberta. The plants are scheduled to be closed during the third quarter of 2007. As a result of this plan, the Data Group has recognized restructuring costs and provisions relating to the termination of certain employees of the acquired business and for other costs to exit or terminate specific leases and contracts which the Data Group intends to modify or terminate. In addition to the plan announced on March 1, management has completed other initiatives to reduce management, sales and administration expenses. These restructuring and related liabilities are based on contractual obligations and management's best estimates and have been recognized as assumed liabilities in the preliminary purchase price

allocation as they were contemplated at the time of the Relizon Canada Acquisition, and were therefore included in the underlying net identifiable assets acquired. The Data Group will continue to review its operations and undertake restructuring initiatives to maintain a competitive cost structure. These initiatives may result in the further consolidation of facilities, and the Data Group may incur additional severance costs, accelerated further depreciation expense, impairment charges related to property, plant and equipment and costs attributable to the termination of contracts for leases, supplier arrangements and other contractual obligations. The Fund believes that restructuring charges are likely to occur in 2007 as the Data Group continues to rationalize sales and operations as a result of the Relizon Canada Acquisition and other initiatives. Additional unanticipated costs may also be incurred to integrate the Relizon Canada business. Any costs relating to the closure of facilities leased by the Data Group prior to the acquisition will be expensed as incurred. These expenses will result in some variability in the Fund's quarterly operating results in 2007.

On March 27, 2007 legislation was tabled in Parliament that will change the tax regime applicable to publicly traded Canadian resident trusts (a "SIFT"), including the Fund. A SIFT paying a distribution from the SIFT's "non-portfolio earnings" will not be entitled to deduct the distribution and, generally, will be subject to tax on the "non-portfolio earnings" at a rate similar to the combined federal and provincial corporate rates.

"Non-portfolio earnings" of a SIFT are generally income of the SIFT attributable to a business carried on by the SIFT in Canada or income from, or capital gains on, non-portfolio properties. "Non-portfolio properties" of a SIFT include securities of a "subject entity" if the SIFT holds securities of the subject entity that have a fair market value greater than 10% of the subject entity's equity value, or if the SIFT holds securities of the subject entity that, together with securities held by the SIFT in entities affiliated with the subject entity, have a total fair market value greater than 50% of the equity value of the SIFT. A subject entity is a corporation resident in Canada, a trust resident in Canada, a Canadian resident partnership, or a non-resident person or partnership if the principal source of income is from one or more sources in Canada.

If a SIFT has "non-portfolio earnings" that are considered to have become payable to its beneficiaries in the year, this amount will be deemed to be a taxable dividend paid by a taxable Canadian corporation to the beneficiaries, which will be eligible for the enhanced tax credit if paid to an individual resident in Canada.

These new rules will apply to income trusts for taxation years that end after 2006, except that if a trust would have been a SIFT on October 31, 2006 had the definition been in force and applied to the trust on that date, these rules will apply to a trust for its taxation year that ends before the earlier of 2011 and the first day after December 15, 2006 on which the trust exceeds normal growth, as determined by reference to the normal growth guidelines issued by the Department of Finance on December 15, 2006, as amended from time to time (the "Guidelines").

If enacted in their present form, the proposed tax changes would, all other things being equal, likely result in a reduction of cash available for distribution from the Fund commencing in 2011. With respect to the proposed limitations on equity unit issuances under the Guidelines, the Fund believes that it should be able to fund its currently identified growth plan. However, with the current uncertainty in the capital markets resulting from the proposed tax changes, there can be no assurance that sufficient capital to fund further acquisitions or expansion projects will be available on terms acceptable to the Fund, or at all. The Data Group, with input from external legal and financial advisors, is closely monitoring legislative developments and carefully assessing the impact of

the proposed legislation on the business and financial outlook of the Fund and the Data Group and its broader effect on the income trust sector as a whole, all with a view to adopting a strategy that will maximize value to Unitholders going forward once the legislative framework is finalized.

Management believes that the acquisition of Relizon Canada has introduced a marginal amount of seasonality into the business. The gift card business as well as the buying pattern of a major customer appear to indicate that the fourth quarter may have higher revenues and profit than the other three quarters.

The Data Group will continue its strategic focus on being the leading document management service provider in Canada, concentrating on providing high value-added products and services. The Data Group will also pursue acquisition opportunities within its existing business segments.

## DISTRIBUTIONS

The Fund has adopted a policy that the Fund will distribute all of its cash available for distribution to the maximum extent possible to Unitholders by monthly cash distributions of its net monthly cash receipts, less estimated amounts required for the payment of expense obligations, taxes and cash redemptions of units.

The Data Group has adopted a policy that the Data Group will distribute all of its available cash, subject to applicable law, by way of monthly distributions on its partnership interests (all of which are held directly or indirectly by the Fund), after satisfaction of its debt service obligations and other expense obligations (including pension liabilities), retaining amounts for capital expenditures, reasonable and appropriate working capital, and satisfaction of its obligations under the Data Group's long-term incentive plan.

The Fund's Board of Trustees does not currently anticipate increasing distributions to Unitholders based on the contribution of the Relizon Canada Acquisition but will continue to monitor the Fund's cash available for distributions and its payout ratio.

The following is a summary of the declared distributions, record dates and payment date in respect of the units in 2007:

<b>Record Date</b>	<b>Payment Date</b>	<b>Per Unit</b>	<b>Amount</b>
January 31, 2007	February 15, 2007	\$0.09656	\$2.267 million
February 28, 2007	March 15, 2007	\$0.09656	\$2.267 million
March 30, 2007	April 13, 2007	\$0.09656	\$2.267 million

## CONTRACTUAL OBLIGATIONS

In the quarter the Data Group entered into a three year operating lease for printing equipment, which will increase contractual obligations for operating leases by \$2.1 million in 2007; \$2.8 million in 2008, \$2.8 million in 2009 and \$0.7 million in 2010.

## NEW ACCOUNTING POLICIES

Effective January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income, Section 3861 Financial Instruments – Disclosure and Presentation; and Section 3251, Equity. The adoption of these new standards resulted in changes in accounting for financial instruments and hedges as well

as the recognition of certain transition adjustments have been recorded in opening accumulated other comprehensive income. These changes were applied retroactively without the restatement of comparative financial statements. The Fund has adopted a policy to expense financing costs and therefore upon adoption of these sections, those deferred financing costs outstanding as at December 31, 2006 were written off against opening retained earnings.

#### FINANCIAL ASSETS AND LIABILITIES

Under Section 3855, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to the initial recognition, financial instruments are measured at fair value, amortized cost or cost depending on the financial instrument classification.

##### **Held for trading**

Financial assets that are purchased and incurred with the intention of generating profits in the near term are classified as held for trading. These instruments are accounted for at fair value with the change in the fair value recognized in net income for the period. The Fund has classified cash and cash equivalents as held for trading. This classification had no impact on the financial statements.

##### **Receivables and payables**

Receivables and payables are accounted for at amortized cost. This category includes all trade receivables and payables and had no impact on the financial statements.

##### **Revolving bank facility and convertible debentures**

The Data Group's revolving bank facility and Convertible Debentures are accounted for at amortized cost using the effective interest rate method. This classification had no impact on the financial statements.

#### EMBEDDED DERIVATIVES

Derivatives may be embedded in other financial and non-financial instruments. Prior to the adoption of the new standards, embedded derivatives were not accounted for separately from the host contract instrument except in certain circumstances. Under the new standards, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a standalone-derivative and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in the statement of operations as an element of general and administrative expenses. The Fund selected December 21, 2004 as a transition date to recognize as separate assets and liabilities the derivatives embedded in the contracts issued, acquired or substantively modified by the Fund on or after the transition date. The impact of the change in accounting policy related to embedded derivatives had no impact on the financial statements.

#### HEDGE ACCOUNTING

The Data Group has entered into interest rate swap contracts with its lenders. The interest rate swap contracts meet the criteria for cash flow hedges which under Section 3865 and 3855 are measured at fair value with the unrealized gains and losses on effective hedges recorded in other comprehensive income and the ineffective portion in the net income of the period. Amounts accumulated in other comprehensive income are reclassified to the consolidated statement of income in the period in which the hedged item affects net income. Upon adoption of the standard, the Data Group recorded an unrealized gain on revaluation of the interest rate swap of \$58. In the first quarter of 2007 an additional gain of \$63 was recognized. The related asset of \$121 is included in prepaid expenses and other current assets.

## COMPREHENSIVE INCOME

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income includes net income and other comprehensive income.

Other comprehensive income includes changes in the fair market value of derivative instruments designated as cash flow hedges.

## RISKS AND UNCERTAINTIES

An investment in the Units involves risks. In addition to the other information contained in this report, investors should carefully consider the risks described below before investing in units. The risks described below are not the only ones facing the Fund and/or the Data Group. Additional risks not currently known to the Fund and/or the Data Group, or that the Fund and/or the Data Group currently believe are immaterial may also impair the business, results of operations, financial condition and liquidity of the Data Group, and the ability of the Fund to make distributions on the Units.

## RISKS RELATED TO THE BUSINESS

### POTENTIAL UNDISCLOSED LIABILITIES ASSOCIATED WITH THE RELIZON CANADA ACQUISITION

There may be liabilities and contingencies that the Fund did not discover in its due diligence prior to consummation of the Relizon Canada Acquisition and the Fund may not be indemnified for some or all of these liabilities and contingencies. The discovery of any material liabilities or contingencies could have a material adverse effect on the Fund's business, financial condition, liquidity and results of operations.

### INTEGRATION OF RELIZON CANADA INTO THE DATA GROUP

The operations of the Data Group and Relizon Canada were conducted as separate and distinct businesses prior to the Relizon Canada Acquisition, each with its own management team, sales force and operations. On March 1, 2007, the Fund announced a restructuring plan in connection with the integration of the Data Group and Relizon Canada businesses. Under the restructuring plan, the Partnership will reduce its workforce, relocate certain employees to other Data Group facilities and will close plants in Québec, Ontario and Alberta. There can be no assurance that problems will not arise in the future in connection with the integration. The Data Group could face contractual and other restrictions on its ability to implement expected cost reductions. The Data Group may not be able to realize anticipated cost savings and efficiencies from that restructuring initiative and other efforts to integrate the two businesses. There can be no assurance that unforeseen costs and expenses, including those related to compensation costs, or other factors will not offset, in whole or in part, the expected cost savings or other components of the respective operating plans. In particular, the Data Group has assumed that its assumptions regarding average compensation costs and average years of service for those employees affected by its restructuring plan are materially correct and that the restructuring is executed in a timely manner. Further, the transfer and integration of employees from one facility to another may require substantial attention from, and place substantial demands upon, senior management of the Data Group, as well as require the cooperation of employees. Failure to successfully complete the integration of the operations of the Data Group and Relizon Canada could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations.

**INABILITY TO SUSTAIN AND MANAGE ORGANIC GROWTH**

A principal component of the Data Group's strategy is to continue its internal growth. The Data Group may not be successful in growing its business or in managing its organic growth and a failure to do so could have a material adverse effect on its business, financial condition, liquidity and results of operations and the amount of cash available for distribution to Unitholders. The Data Group's growth depends on its ability to accomplish a number of things, including, successfully introducing new products; identifying and developing new geographic markets; developing new products and gaining market acceptance for them; establishing and maintaining favourable relationships with customers in new markets and market segments and maintaining these relationships in existing markets; and successfully managing expansion and obtaining the required financing. Any growth the Data Group achieves may require additional employees and an increase in the scope of both its operation and financial systems and the geographic area of its operations.

**COMPETITION FROM COMPETITORS SUPPLYING SIMILAR PRODUCTS AND SERVICES**

Some of the Data Group's competitors have economic resources greater than those of the Data Group and are well-established suppliers. If consolidation in the document management or printing industry occurs, some competitors may become larger and pose an additional competitive threat to the business of the Data Group. A competitor may reduce the price of its products or services in an attempt to gain increased sales, and the corresponding pricing pressure placed on the Data Group may result in reduced profit margins or cash flow. A loss of business may occur if the Data Group does not meet competitive prices that fall below its profitability targets. Several of the Data Group's products and services are sold into select market segments and there can be no assurance that these segments will not attract additional competitors that could have greater financial, technological, manufacturing and marketing resources than the Data Group.

**LIMITED GROWTH IN THE PRINTING OF TRADITIONAL BUSINESS FORMS**

The overall printing industry is highly competitive and has not grown over the last several years and, accordingly, it may be difficult for the Data Group to grow its sales or even maintain historical levels of its sales of printed business documents. The Data Group has depended heavily on sales of printed business forms, which accounted for approximately 26% of the Data Group's revenues in fiscal 2006. However, the overall printed forms industry has not grown in the last few years due to technological advancements resulting in the decline in the use of traditional paper-based forms. In addition, the printed document industry historically has been affected by general economic and industry cycles that have materially and adversely affected print distributors and print manufacturers. Accordingly, for the Data Group to continue to experience growth in printed document sales, the Data Group must increase its market share and individual customer share and respond to changes in demand in this segment of the industry. The Data Group also faces competition from alternative sources of communication and information transfer, such as facsimile machines, electronic mail, and the Internet. These sources of communication and advertising may adversely impact printed product sales in the future.

**INCREASES IN THE COST OF PAPER OR OTHER RAW MATERIALS**

In fiscal 2006, the cost of paper, carbon and other raw materials represented approximately 35.7% of the Data Group's related revenues. Increases in paper costs could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations. The Data Group cannot be certain that the Data Group will be able to pass on future increases in the cost of paper to its customers consistent with industry

practice. Moreover, rising paper costs and their consequent impact on the Data Group's pricing could lead to a decrease in the volume of products sold. The overall paper market is beyond the Data Group's control, and as a result, the Data Group cannot be certain that future paper price increases will not result in decreased volumes and decreased cash flow and profitability.

Due to the significance of paper in the manufacture of most of the Data Group's products, the Data Group is dependent upon the availability of paper. During periods of tight paper supply, many paper producers allocate shipments of paper based on the historical purchase levels of customers. Unforeseen developments in world paper markets coupled with shortages of raw paper could result in a decrease in supply, which would cause a decrease in the volume of product the Data Group could produce and sell, and could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations.

Additionally, the Data Group utilizes a number of raw materials, including carbon, ink, film, offset plates, chemicals and solvents, glue, wire and subcontracted components, that are subject to price fluctuations beyond its control. There has generally been a lag time before those increases could be passed on to the Data Group's customers. There can be no assurance that the price of the Data Group's raw materials will not increase in the future or that the Data Group will be able to pass on those increases to its customers consistent with industry practice. A significant increase in the price of raw materials that cannot be passed on to customers could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations. The Data Group cannot be certain that a shortage of any of these raw materials will not occur in the future or what effect, if any, such a shortage would have on the Data Group's cash flow and profitability.

#### **CUSTOMER RELATIONSHIPS**

The Data Group typically does not enter into long-term, written agreements with customers. As a result, there is a risk that customers may, without notice or penalty, terminate their relationship with the Data Group at any time. In addition, even if customers should decide to continue their relationship with the Data Group, there can be no guarantee that customers will purchase the same amount as in the past, or that purchases will be on similar terms. A loss of several customers, a substantial decrease in order volumes from several customers, a loss of a significant customer or a change in the terms of the relationship with a significant customer could have an adverse impact on the Data Group's financial performance.

#### **SEASONALITY**

Sales of some of the Data Group's products are subject to predictable marginal seasonal fluctuations in demand. While certain variable costs can be managed to match seasonal patterns, a significant portion of costs, including rent, are fixed and cannot be adjusted for seasonality. Management believes that the acquisition of Relizon Canada has introduced a marginal amount of seasonality into the business. The gift card business as well as the buying pattern of a major customer appear to indicate that the fourth quarter may have higher revenues and profit than the other three quarters.

#### **FAILURE TO DEVELOP PRODUCT AND SERVICE OPTIONS**

The Data Group's ability to continue to generate comparable net income is based, in part, on the addition of new products and services which could be sold to existing and prospective customers. There can be no assurance that the Data Group will develop new products or services that will receive market acceptance or that those new

products or services will yield favourable margins. The failure to develop and successfully market new products and services at favourable margins could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations.

### **EXPANSION THROUGH ACQUISITIONS**

The acquisition and development of existing businesses to be operated by the Data Group will be dependent on the ability of the Data Group to identify, acquire and develop suitable acquisition targets in both new and existing markets. While it is intended that the Data Group will be careful in selecting businesses to acquire, acquisitions involve a number of risks, including the possibility that Data Group pays more than the acquired assets are worth; the additional expense associated with completing an acquisition and amortizing any acquired intangible assets; the difficulty of assimilating the operations and personnel of the acquired business; the challenge of implementing uniform standards, controls procedures and policies throughout the acquired business; the inability to integrate, train, retain and motivate key personnel of the acquired business; the potential disruption of the Data Group's ongoing business and the distraction of management from its day-to-day operations; the inability to incorporate acquired businesses successfully into the Data Group's operations; and the potential impairment of relationships with the Data Group's employees, customers and strategic partners. Such risks, if they materialize, could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations.

In addition, the Data Group may not be able to maintain the levels of operating efficiency that any acquired companies had achieved or might have achieved separately. Successful integration of each of the acquired company's operations would depend upon the Data Group's ability to manage those operations and to eliminate redundant and excess costs. As a result of difficulties associated with combining operations, the Data Group may not be able to achieve the cost savings and other benefits that it would hope to achieve with these acquisitions. Any difficulties in this process could disrupt the Data Group's ongoing business, distract its management, result in the loss of key personnel or customers, increase its expenses and otherwise materially adversely affect its business, financial condition, liquidity and results of operations.

In the event of any future acquisitions, the Fund could issue additional Units, which would dilute its existing Unitholders' interests, incur debt or assume liabilities. The Fund cannot assure investors that this will not have a material adverse effect on the Data Group's business, financial condition, liquidity and operating results. Additional indebtedness would make the Data Group more vulnerable to economic downturns and may limit its ability to withstand competitive pressures. The terms of any additional indebtedness may include restrictive financial and operating covenants, which would limit the Data Group's ability to compete and expand.

### **OPERATING HAZARDS**

The Data Group's revenues are dependent on the continued operation of its facilities. The operation of the Data Group's facilities involves a number of risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The Data Group may also have exposure to future claims with respect to workplace exposure, workers' compensation and other matters. There can be no assurance as to the actual amount or the timing of these liabilities. The occurrence of material operational problems, including but not limited to the above events, may

have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations and the amount of cash available for distribution to Unitholders.

#### **NEGOTIATION OF COLLECTIVE AGREEMENTS**

Current union agreements are typically three years in duration and are subject to expiration at various times in the future. The collective agreement with respect to the unionized employees at the Data Group's facility in Anjou, Québec expired on April 30, 2007. The Data Group is negotiating the contract and does not anticipate a labour disruption. If the Data Group is unable to renew union agreements as they become subject to renegotiation from time to time, it could result in work stoppages and other labour disturbances that could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations.

#### **AN ADVERSE CHANGE IN LABOUR RELATIONS**

As of March 1, 2007 (after giving effect to workforce reductions in connection with the restructuring announced by the Fund on March 1, 2007) the Data Group employed approximately 2,105 employees, of whom approximately 18% are members of various local labour unions. If unionized employees were to engage in a concerted strike or other work stoppage, or if other employees were to become unionized, the Data Group could experience a disruption of operations, higher labour costs or both. A lengthy strike could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations.

#### **PENSION LIABILITIES AND UNFUNDED BENEFIT PLANS**

Applicable pension legislation requires that the funded status of the Data Group's registered defined benefit pension plans be determined periodically on both a going concern basis (i.e., essentially assuming indefinite plan continuation) and a solvency basis (i.e., essentially assuming immediate plan termination).

Where an actuarial valuation reveals a solvency deficit, current regulations require it to be funded by equal payments over a maximum period of five years from the date of valuation. The solvency liability is influenced primarily by long-term interest rates and by the investment return on plan assets and also by certain statutory benefit enhancements that may apply on a plan termination. The interest rate used to calculate benefit obligations for solvency purposes is a prescribed rate derived from the interest rates on long-term Government of Canada bonds. In the current low interest rate environment, the calculation results in a higher present value of the pension obligations, leading to a larger unfunded solvency position.

Following the closing of the Relizon Canada Acquisition, the Data Group made a \$4.0 million payment in respect of certain underfunded pension liabilities of Relizon Canada. Even with such payment and the five year amortization period for solvency funding, the Data Group may have to make substantial annual or one-time cash contributions to the pension plans of the Data Group, including, without limitation, in connection with any reduction of support services or integration of facilities, and the level of those contributions will increase in the event of poor pension fund investment performance and/or further declines in long-term Government of Canada bond rates.

Certain senior executives of Relizon Canada participated in a Supplementary Executive Retirement Plan ("SERP"), which provides for pension benefits payable as a single life annuity with a five year guarantee. Upon

completion of the Relizon Canada Acquisition and related transactions, the SERP became an obligation of the Data Group. The SERP is unfunded and will be paid out of the general revenues of the Data Group.

Certain employees of Relizon Canada were provided with post-employment and post-retirement benefits, including health care and life insurance benefits on retirement and unfunded long-term disability benefits to certain former or inactive employees, their beneficiaries and covered dependents. These post-employment and post-retirement benefits are funded on a pay-as-you-go basis.

#### **PROPRIETARY RIGHTS MAY NOT BE ADEQUATELY PROTECTED**

The Data Group's success and ability to compete depends in part upon its proprietary technology, trademarks and copyrights. The Data Group regards the software underlying its DDM/INFORMA® system as proprietary, and relies primarily on trade secrets, copyright and trademark law to protect these proprietary rights. The Data Group, including Relizon Canada, have registered some of their trademarks and patents. Existing trade secrets and copyright laws afford only limited protection. Unauthorized parties may attempt to copy aspects of the Data Group's software or to obtain and use information that the Partnership regards as proprietary. Policing unauthorized use of the Data Group's software is difficult. The Data Group generally enters into confidentiality and assignment agreements with the Data Group's employees and generally controls access to and distribution of the Data Group's software, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Data Group's services or technology without authorization, or to develop similar services or technology independently. The Data Group is not aware that any of its owned software, trademarks or other proprietary rights that are material to the operations of its business infringe the proprietary rights of third parties. However, there can be no assurance that third parties will not assert infringement claims against the Data Group in the future. Any such claims, with or without merit, can be time consuming and expensive to defend and may require the Data Group to enter into royalty or licensing agreements or cease the alleged infringing activities.

#### **UNINSURED AND UNDERINSURED LOSSES AND INSURANCE COSTS**

The Data Group will use its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets. A substantial loss without adequate insurance coverage could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations.

The Data Group's cost of maintaining professional errors and omissions insurance and director and officer liability insurance is significant. The Data Group could experience higher insurance premiums as a result of adverse claims experience or because of general increases in premiums by insurance carriers for reasons unrelated to its own claims experience. Generally, the Data Group's insurance policies must be renewed annually. The Data Group's ability to continue to obtain insurance at affordable premiums also depends upon its ability to continue to operate with an acceptable claims record. A significant increase in the number of claims against the Data Group, the assertion of one or more claims in excess of its policy limits or the inability to obtain adequate insurance coverage at acceptable rates, or at all, could have a material adverse effect on the business,

financial condition and results of operations of the Data Group and the ability of the Fund to make distributions on the Units.

#### **ENVIRONMENT, HEALTH AND SAFETY REQUIREMENTS**

The Data Group's operations are subject to a complex and onerous legislative regime, including laws, statutes, regulations, by-laws, guidelines and policies as well as permits and other approvals relating to the protection of the environment and workers' health and safety, governing, among other things, air emissions, water discharges, non-hazardous and hazardous waste (including waste water), the storage, handling, transportation and distribution of dangerous goods and hazardous materials, remediation of releases and the presence of hazardous materials, land use and zoning and employee health and safety (the "Environment, Health and Safety Requirements"). As a result of the Data Group's operations, it is or may be subject from time to time to orders, fines, penalties, civil claims, administrative and judicial proceedings and inquiries relating to Environment, Health and Safety Requirements. Any such incident could have a material adverse effect on the Data Group's business, financial condition, liquidity and/or results of operations.

In addition, changes to existing Environment, Health and Safety Requirements or the adoption of new Environment, Health and Safety Requirements in the future, changes to the enforcement of Environment, Health and Safety Requirements, as well as the discovery of additional or unknown conditions at facilities owned, operated or used by the Data Group, could require expenditures which might materially affect the business, financial condition, liquidity and/or results of operations.

#### **DEPENDENCE ON KEY PERSONNEL**

The success of the Data Group depends upon the personal efforts of a small group of senior management. Although the Data Group believes it will be able to replace its key employees within a reasonable time should the need arise, the loss of key personnel could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations.

#### **CREDIT FACILITY IS SUBJECT TO FLOATING INTEREST RATES**

The Amended Credit Facility will be subject to floating interest rates and, therefore, is subject to fluctuations in interest rates. Interest rate fluctuations are beyond the Data Group's control and there can be no assurance that interest rate fluctuations will not have a significant adverse effect on the Data Group's financial performance.

#### **RISK OF FUTURE LEGAL PROCEEDINGS**

The Data Group is threatened from time to time with, or is named as a defendant in, various legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damage claims in the ordinary course of conducting its business. A significant judgment against the Company, or the imposition of a significant fine or penalty, as a result of a finding that the Data Group has failed to comply with laws or regulations. The result of these proceedings cannot be predicted with certainty. There can be no assurance that these matters will not have a material adverse effect on the Data Group's results of operations in any future period, and a substantial judgment could have a material adverse impact on the Data Group's business, financial condition, liquidity and results of operations.

The Data Group has received a letter on behalf of a former executive of Relizon Canada asserting certain entitlements arising from the termination of the former executive's employment following the completion of the Relizon Canada Acquisition. The letter indicates that the former executive may commence legal proceedings in respect of this matter. To date, no such proceedings have, to the knowledge of the Fund, been commenced. The amount claimed by the former executive is not currently determinable. Although the Data Group intends to defend this claim vigorously, there can be no assurance that the Data Group will be successful in doing so, or that this dispute with the former executive will not have a material adverse impact on the Data Group.

#### **LIMITED RECOURSE AGAINST THE RELIZON COMPANY**

Unitholders do not have a direct statutory right or any other rights against The Relizon Company or any of its shareholders. The sole remedy of the Fund against The Relizon Company or any of its shareholders will be the Fund exercising its rights, under the share purchase agreement between the Fund and the Relizon Company executed in connection with the Relizon Canada Acquisition, to claim indemnification in respect of a breach of the representations and warranties in that agreement by The Relizon Company. The Relizon Company has represented and warranted in favour of the Fund that the information in the short form prospectus filed with securities regulatory authorities relating to Relizon Canada is true and correct. However, The Relizon Company has made no representation or warranty that the information pertaining to The Relizon Company in such short form prospectus constitutes full, true and plain disclosure.

### **RISKS RELATED TO THE STRUCTURE OF THE FUND**

#### **INCOME TAX MATTERS**

Although the Fund and the Partnership are of the view that all expenses to be claimed by them in the determination of their respective incomes under the Tax Act will be reasonable and deductible in accordance with the applicable provisions of the Tax Act, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that CRA will agree with the expenses claimed. If CRA successfully challenges the deductibility of expenses, the Partnership's taxable income and losses and indirectly that of the Fund or the Unitholders, will increase or change.

There can be no assurance that Canadian federal income tax law or the interpretation thereof, respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax consequences of holding Units could change materially and adversely in certain respects.

The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be payable each year to Unitholders in order to reduce the Fund's taxable income to zero. Where in a particular year, the Fund does not have sufficient distributable cash to distribute such an amount to Unitholders, the Declaration of Trust provides that additional Units must be distributed to Unitholders in lieu of cash payments. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, notwithstanding that they do not directly receive a cash payment.

On October 31, 2003 the Department of Finance released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. In general, the proposed amendments may deny the realization of losses in respect of a business if there is no reasonable expectation that the business will produce a cumulative profit over the period that the business can reasonably be expected to be carried on. Management believes that it is reasonable to expect the business of the Partnership to produce a cumulative profit over the expected period that the business will be carried on by the Partnership. In the February 23, 2005 Federal Budget, (the "2005 Budget") the Minister of Finance indicated that a revised legislative proposal will be released at an early opportunity for public comment.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act (Tax proposals released March 27, 2007 will amend this provision such that a trust will not be disqualified as a mutual fund trust if it meets this property requirement at the time when it can be reasonably considered that the trust is being maintained for the benefit of non-resident persons). On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act (the "September 16 Proposals"), under which a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons of partnerships that are not Canadian partnerships (or any combination thereof) is more than 50% of the aggregate fair market value of all the units issued by the trust, where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the September 16 Proposals are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of Units of the Trust were held by non-residents and partnerships other than Canadian partnerships (or any combination thereof), the Trust would thereafter cease to be a mutual fund trust. The September 16 Proposals do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance indicated that the September 16 Proposals are being further considered.

On September 8, 2005, the Department of Finance (Canada) released a consultation paper on tax and other issues related to publicly listed flow-through entities such as income trusts and limited partnerships and invited interested parties to make submissions prior to December 31, 2005. In addition, on September 19, 2005, the Minister of Finance (Canada) announced that he had requested that the CRA postpone providing advanced income tax rulings respecting flow-through entities effective immediately, that the Department of Finance (Canada) was closely monitoring developments in the flow-through entity market with a view to proposing measures in relation to the consultations and that consideration would be given to what, if any, transitional measures were appropriate. On November 23, 2005, the Minister of Finance (Canada) announced the end of this consultation process and no legislative amendments were proposed to change the taxation of income trusts or to impose tax on holdings of "restricted investment properties". Instead the Minister of Finance (Canada) has tabled a Notice of Ways and Means Motion that will enhance the dividend gross-up and tax credit mechanism applicable to dividends paid by certain corporations after 2005. In addition, the CRA will resume providing advance income tax rulings in respect of flow-through entities.

On March 27, 2007 legislation was tabled in Parliament that will change the tax regime applicable to publicly traded Canadian resident trusts (a "SIFT"), including the Fund. A SIFT paying a distribution from the SIFT's

“non-portfolio earnings” will not be entitled to deduct the distribution and, generally, will be subject to tax on the “non-portfolio earnings” at a rate similar to the combined federal and provincial corporate rates.

“Non-portfolio earnings” of a SIFT are generally income of the SIFT attributable to a business carried on by the SIFT in Canada or income from, or capital gains on, non-portfolio properties. “Non-portfolio properties” of a SIFT include securities of a “subject entity” if the SIFT holds securities of the subject entity that have a fair market value greater than 10% of the subject entity’s equity value, or if the SIFT holds securities of the subject entity that, together with securities held by the SIFT in entities affiliated with the subject entity, have a total fair market value greater than 50% of the equity value of the SIFT. A subject entity is a corporation resident in Canada, a trust resident in Canada, a Canadian resident partnership, or a non-resident person or partnership if the principal source of income is from one or more sources in Canada.

If a SIFT has “non-portfolio earnings” that are considered to have become payable to its beneficiaries in the year, this amount will be deemed to be a taxable dividend paid by a taxable Canadian corporation to the beneficiaries, which will be eligible for the enhanced tax credit if paid to an individual resident in Canada.

These new rules will apply to income trusts for taxation years that end after 2006, except that if a trust would have been a SIFT on October 31, 2006 had the definition been in force and applied to the trust on that date, these rules will apply to a trust for its taxation year that ends before the earlier of 2011 and the first day after December 15, 2006 on which the trust exceeds normal growth, as determined by reference to the normal growth guidelines issued by the Department of Finance on December 15, 2006, as amended from time to time (the “Guidelines”).

If enacted in their present form, the proposed tax changes would, all other things being equal, likely result in a reduction of cash available for distribution from the Fund commencing in 2011. With respect to the proposed limitations on equity unit issuances under the Guidelines, the Data Group believes that the Fund should be able to fund its currently identified growth plan. However, with the current uncertainty in the capital markets resulting from the proposed tax changes, there can be no assurance that sufficient capital to fund further acquisitions or expansion projects will be available on terms acceptable to the Fund, or at all. The Data Group, with input from external legal and financial advisors, is closely monitoring legislative developments and carefully assessing the impact of the proposed legislation on the business and financial outlook of the Fund and its broader effect on the income trust sector as a whole, all with a view to adopting a strategy that will maximize value to unitholders going forward once the legislative framework is finalized.

#### **DEPENDENCE OF THE FUND ON THE DATA GROUP**

The cash distributions to the Unitholders are entirely dependent on the ability of the Data Group to pay its interest obligations under the Notes, and dividends or other distributions on its common shares. Distributions to the Unitholders are entirely dependent on the ability of the Fund to pay its operating expenses and to pay distributions. In the conduct of the business of the Data Group, it pays expenses and incurs debt and obligations to third parties. These expenses, debts and obligations could impact the ability of the Data Group to produce positive operating results. The Fund’s ability to pay distributions is also subject to the risks encountered by the Data Group in the operation of its business and the results of operations and financial condition of the Data Group.

**CREDIT FACILITIES AND RESTRICTIVE COVENANTS**

The Data Group has third party debt service obligations under its existing credit facilities. The degree to which the Data Group is leveraged could have important consequences to the holders of the Units, including: (i) a portion of the Data Group's cash flow from operations is dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for distribution to the Fund; (ii) certain of the Data Group's borrowings are at variable rates of interest, which exposes the Data Group to the risk of increased interest rates. The Data Group's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness depends on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The Data Group's credit facilities contain numerous restrictive covenants that limit the Data Group with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Data Group to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. A failure to comply with the obligations in the agreements in respect of the those credit facilities could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that the Data Group's assets would be sufficient to repay in full that indebtedness.

The Data Group's credit facilities have a three-year term. The Data Group may need to refinance its credit facilities at the conclusion of their term, and there can be no assurance that the Data Group will be able to do so or able to do so on terms as favourable as the existing credit facilities. If the Data Group is unable to refinance the existing credit facilities or is only able to refinance the existing credit facilities on less favourable and/or more restrictive terms, this may have a material adverse effect on the Data Group's financial position, which may result in a reduction or suspension of cash distributions to Unitholders. In addition, the terms of any new credit facilities may be less favourable or more restrictive than the terms of the existing credit facilities, which may indirectly limit or negatively impact the ability of the Fund to pay cash distributions to Unitholders.

**CASH DISTRIBUTIONS ARE NOT GUARANTEED AND WILL FLUCTUATE WITH THE DATA GROUP'S PERFORMANCE**

Although the Fund intends to distribute the income earned by the Fund less expenses of the Fund and amounts, if any, paid by the Fund in connection with the redemption Units, there can be no assurance regarding the amounts of income to be generated by the Fund or the Data Group. The actual amount distributed in respect of the Units depends upon numerous factors, including profitability, fluctuations in working capital, obligations under applicable credit facilities, the sustainability of margins, capital expenditures and payment of distributions by the Data Group. The market value of the Units may deteriorate if the Fund is unable to meet its distribution targets in the future and that deterioration may be material. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

**NATURE OF UNITS**

Securities such as the Units share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the Data Group and should not be viewed by investors as units in

the Data Group. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. The Units represent a fractional interest in the Fund. The Fund’s only assets will be securities of the Data Group. The price per Unit is a function of anticipated distributable cash of the Fund. The Units are not “deposits” within the meaning of the Canadian Deposit Insurance Act and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on the business of a trust company.

#### **POSSIBLE UNITHOLDER LIABILITY**

The Declaration of Trust provides that no Unitholder shall be subject to any liability whatsoever to any person in connection with a holding of Units. However, in jurisdictions outside the Provinces of Ontario, Quebec and Alberta, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. The affairs of the Fund will be conducted to seek to minimize such risk.

#### **RESTRICTIONS ON POTENTIAL GROWTH**

The payout by the Data Group of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of such funds could limit the future growth of the Data Group and the related cash flow to the Fund.

#### **STRUCTURAL SUBORDINATION OF THE UNITS**

In the event of a bankruptcy, liquidation or reorganization of the Data Group, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the Data Group before any assets are made available for distribution to the Fund. The Units will be effectively subordinated to most of the indebtedness and other liabilities of the Data Group. Except for restrictions under the Data Group’s credit facility, the Data Group is not limited in its ability to incur secured or unsecured indebtedness.

#### **DISTRIBUTION OF SECURITIES ON REDEMPTION OR TERMINATION OF THE FUND**

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Upon a redemption of Units or termination of the Fund, Trustees may distribute securities of the Data Group directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the securities of the Partnership. In addition, securities of the Partnership are not freely tradable and are not currently listed on any stock exchange and no established market is expected to develop in such securities or Notes. Securities of the Partnership so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

#### **THE FUND MAY ISSUE ADDITIONAL UNITS DILUTING EXISTING UNITHOLDERS’ INTERESTS**

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units for such consideration and on such terms and conditions as shall be established by Trustees without the approval of any Unitholders. The Unitholders will have no pre-emptive rights in connection with such further issues. In addition, under the terms of

the Convertible Debentures the Fund may be required to issue additional Units in the event that one or more holders of Convertible Debentures elect to convert these securities into Units.

**EFFECT OF MARKET INTEREST RATES ON PRICE OF UNITS**

One of the factors that may influence the price of the Units in public trading markets will be the annual cash-on-cash return from distributions by the Fund on the Units as compared to cash-on-cash returns on other financial instruments. Thus, an increase in market interest rates will result in higher cash-on-cash returns on other financial instruments, which could adversely affect the market price of the Units.

**INVESTMENT ELIGIBILITY AND FOREIGN PROPERTY**

There can be no assurance that the Units will continue to be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments.

**CONSOLIDATED BALANCE SHEETS**

<i>(in thousands of dollars)</i>	<b>March 31, 2007</b>	<b>December 31, 2006</b>
	<b>\$</b>	<b>\$</b>
	<i>(unaudited)</i>	
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,371	4,767
Accounts receivable	50,164	55,010
Inventories	45,668	46,331
Prepaid expenses and other current assets	4,320	3,788
Income taxes recoverable	2,093	2,056
	<hr/>	<hr/>
	103,616	111,952
Property and equipment	53,174	53,497
Goodwill	152,570	152,570
Intangible assets	73,951	76,362
Future income taxes	472	183
Deferred finance fees	-	2,601
	<hr/>	<hr/>
	383,783	397,165
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	43,709	52,480
Accrued restructuring and integration provisions (note 6)	10,269	10,473
Distribution payable	2,267	2,267
	<hr/>	<hr/>
	56,245	65,220
Revolving bank facility	70,000	70,000
Convertible debentures	34,198	34,155
Unfavourable lease obligation	1,338	1,355
Deferred lease inducement	1,194	459
Pension obligation	10,627	10,619
Post-employment benefits	706	700
	<hr/>	<hr/>
	174,308	182,508
<b>Unitholders' Equity</b>		
Units	215,164	215,164
Conversion option	902	902
Accumulated other comprehensive income	121	-
Deficit	(6,712)	(1,409)
	<hr/>	<hr/>
	209,475	214,657
	<hr/>	<hr/>
	383,783	397,165
	<hr/>	<hr/>

APPROVED BY THE BOARD OF TRUSTEES


 \_\_\_\_\_ Trustee


 \_\_\_\_\_ Trustee

*The accompanying notes are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

<i>(in thousands of dollars, except per unit amounts, unaudited)</i>	<b>For the three months ended March 31, 2007</b>	<b>For the three months ended March 31, 2006</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	103,996	56,164
<b>Cost of revenues</b> (including depreciation of \$2,042 and \$703, respectively)	76,395	39,582
<b>Gross profit</b>	27,601	16,582
<b>Expenses</b>		
Selling, commissions and expenses	11,069	6,266
General and administration (including depreciation of \$167 and \$70, respectively)	7,713	4,226
Integration costs	1,056	-
Amortization of intangible assets	2,411	1,652
	22,249	12,144
<b>Income before interest and income taxes</b>	5,352	4,438
<b>Interest expense on long-term debt</b> (net of interest income of \$77 and \$107, respectively)	1,542	543
<b>Income before income taxes</b>	3,810	3,895
<b>Recovery of future income taxes</b>	-	(108)
<b>Net Income for the period</b>	3,810	4,003
<b>Gain on cashflow hedges</b>	63	-
<b>Comprehensive Income</b>	3,873	4,003
<b>Basic income per unit</b>	0.16	0.27
<b>Diluted income per unit (note 8)</b>	0.16	0.27
<b>Units outstanding</b>	23,475,659	14,861,333

*The accompanying notes are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

<i>(in thousands of dollars, unaudited)</i>	Units \$	Conversion option \$	Accumulated other comprehensive income \$	Deficit \$	Total Unitholders' Equity \$
<b>Balance as at December 31, 2005</b>	137,519	-	-	(7,920)	129,599
Distributions declared	-	-	-	(4,305)	(4,305)
Net Income for the period	-	-	-	4,003	4,003
<b>Balance as at March 31, 2006</b>	137,519	-	-	(8,222)	129,297
<b>Balance as at December 31, 2006</b>	215,164	902	-	(1,409)	214,657
Accounting policy change (note 3)	-	-	58	(2,312)	(2,254)
<b>Balance as at January 1, 2007</b>	215,164	902	58	(3,721)	212,403
Distributions declared	-	-	-	(6,801)	(6,801)
Gain on cashflow hedges	-	-	63	-	63
Net income for the period	-	-	-	3,810	3,810
<b>Balance as at March 31, 2007</b>	215,164	902	121	(6,712)	209,475

*The accompanying notes are an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(in thousands of dollars, unaudited)

<b>Cash provided by (used in)</b>	<b>For the three months ended March 31, 2007</b>	<b>For the three months ended March 31, 2006</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net income for the period	3,810	4,003
Items not involving cash		
Depreciation of property and equipment	2,209	773
Amortization of intangible assets	2,411	1,652
Pension expense (note 5)	746	344
Contributions made to pension plans	(738)	(554)
Amortization of deferred financing fees	-	76
Loss (gain) on disposal of property and equipment	14	(4)
Accretion of convertible debentures	43	-
Unfavourable lease obligations	(17)	-
Amortization of leasehold inducement	(31)	-
Post-employment benefits	6	-
Future income taxes	-	(108)
	8,453	6,182
Changes in non-cash items relating to operating activities (note 7)	(4,914)	(2,058)
	3,539	4,124
<b>Investing activities</b>		
Purchase of property and equipment	(1,134)	(426)
Proceeds on disposal of property and equipment	-	4
Acquisition of business (note 4)	1,000	(374)
	(134)	(796)
<b>Financing activities</b>		
Distributions to Unitholders	(6,801)	(4,305)
	(6,801)	(4,305)
<b>(Decrease) increase in cash and cash equivalents during the period</b>	<b>(3,396)</b>	<b>(977)</b>
<b>Cash and cash equivalents - beginning of period</b>	<b>4,767</b>	<b>8,903</b>
<b>Cash and cash equivalents - end of period</b>	<b>1,371</b>	<b>7,926</b>
<b>Supplemental cash flow information</b>		
Interest paid	1,887	627
Non cash lease inducement	766	-

*The accompanying notes are an integral part of these consolidated financial statements.*

Notes to Consolidated Financial Statements  
**The Periods Ended March 31, 2007 & 2006**  
*(in thousands of dollars, except per unit amounts, unaudited)*

## 1. THE FUND

The DATA Group Income Fund (the "Fund") is a trust established under the Laws of the province of Ontario pursuant to a Declaration of Trust dated November 15, 2004. The Fund commenced operations on December 21, 2004 and was created to invest in common shares and unsecured subordinated notes of Data Business Forms Limited ("Data Business Forms"). On August 31, 2006, the Fund acquired the business of Relizon Canada Inc.

Management of the Data Group believes that the acquisition of Relizon Canada has introduced a marginal amount of seasonality into the business. The gift card business as well as the buying pattern of a major customer appear to indicate that the fourth quarter may have higher revenues and profit than the other three quarters.

Effective September 30, 2006, the Fund reorganized its structure pursuant to a plan of arrangement to carry on in a limited partnership the business previously carried on by Data Business Forms as a corporation. The reorganization created a flow through structure under Canadian income tax laws whereby the Fund directly and indirectly owns all of the partnership interests of The Data Group Limited Partnership (the "partnership" or the "Data Group"). The reorganization did not result in a change to the number, type or ownership of the outstanding units of the Fund and had no impact on the daily operations of the Fund. As part of the reorganization, certain consequential amendments were made to the Fund's Declaration of Trust.

The Data Group offers a wide variety of print and electronic products and related services, which include traditional business forms, labels, direct mail products, security documents, commercial print, and facility and print management. The Data Group operates in the following business segments:

- a. DATA East and West - sells a broad range of printed products and document management services directly to customers in the Canadian market. This segment also includes the former business of Relizon Canada Inc.;
- b. Sundog - commercial printing division and total document management and event ticket production; and
- c. Multiple Pakfold - sells forms and labels to independent brokers/resellers in the Canadian market

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fund prepares its financial statements in accordance with Canadian generally accepted accounting principles. The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the 2006 audited consolidated financial statements and notes thereto. The accounting policies used in preparing these interim consolidated financial statements are consistent with those followed in the annual 2006 audited consolidated financial statements except as described in note 3 – New Accounting Policies.

## 3. NEW ACCOUNTING POLICIES

Effective January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income, Section 3861 Financial Instruments – Disclosure and Presentation; and Section 3251, Equity. The adoption of these new standards resulted in changes in accounting for financial instruments and hedges as well as the recognition of certain transition adjustments have been recorded in opening accumulated other

Notes to Consolidated Financial Statements  
**The Periods Ended March 31, 2007 & 2006**  
*(in thousands of dollars, except per unit amounts, unaudited)*

comprehensive income. These changes were applied retroactively without the restatement of comparative financial statements. The Fund adopted a policy to expense financing costs and therefore upon adoption of these sections, those deferred financing costs, net of related future taxes, outstanding as at December 31, 2006 were written off against opening retained earnings.

#### FINANCIAL ASSETS AND LIABILITIES

Under Section 3855, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to the initial recognition, financial instruments are measured at fair value, amortized cost or cost depending on the financial instrument classification.

##### **Held for trading**

Financial assets that are purchased and incurred with the intention of generating profits in the near term are classified as held for trading. These instruments are accounted for at fair value with the change in the fair value recognized in net income for the period. The Fund has classified cash and cash equivalents as held for trading. This classification had no impact on the financial statements.

##### **Receivables and payables**

Receivables and payables are accounted for at amortized cost. This category includes all trade receivables and payables and had no impact on the financial statements.

##### **Revolving bank facility and convertible debentures**

The revolving bank facility and convertible debentures are accounted for at amortized cost using the effective interest rate method. This classification had no impact on the financial statements.

#### EMBEDDED DERIVATIVES

Derivatives may be embedded in other financial and non-financial instruments. Prior to the adoption of the new standards, embedded derivatives were not accounted for separately from the host contract instrument except in certain circumstances. Under the new standards, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a standalone-derivative and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in the statement of operations as an element of general and administrative expenses. The Fund selected December 21, 2004 as a transition date to recognize as separate assets and liabilities the derivatives embedded in the contracts issued, acquired or substantively modified by the Fund on or after the transition date. The impact of the change in accounting policy related to embedded derivatives had no impact on the financial statements.

#### HEDGE ACCOUNTING

The Data Group has entered into interest rate swap contracts with its lenders. The interest rate swap contracts meet the criteria for cash flow hedges which under Section 3865 and 3855 are measured at fair value with the unrealized gains and losses on effective hedges recorded in other comprehensive income and the ineffective portion in the net income of the period. Amounts accumulated in other comprehensive income are reclassified to the consolidated statement of income in the period in which the hedged item affects net income. Upon adoption of the standard, the Data Group recorded an unrealized gain on revaluation of the interest rate swap of \$58. In

Notes to Consolidated Financial Statements  
The Periods Ended March 31, 2007 & 2006  
*(in thousands of dollars, except per unit amounts, unaudited)*

the first quarter of 2007 an additional gain of \$63 was recognized. The related asset of \$121 is included in prepaid expenses and other current assets.

#### COMPREHENSIVE INCOME

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income includes net income and other comprehensive income.

Other comprehensive income includes changes in the fair market value of derivative instruments designated as cash flow hedges.

#### 4. ACQUISITION OF BUSINESS

##### ACQUISITION OF RELIZON CANADA INC.

On August 31, 2006, the Fund acquired from The Relizon Company (the "Relizon Canada Acquisition") all of the shares of the Relizon Canada business for cash payment of \$112,000 and 2,964,326 trust units of the Fund, subject to a working capital adjustment. There was an adjustment of \$1,000 to adjust the working capital of Relizon Canada to \$31,300 as of the closing of the Relizon Canada acquisition which was received by the Fund during the three month period ending March 31, 2007. Immediately following the Relizon Canada acquisition, Relizon Canada and Data Business Forms Limited were amalgamated and continued as "Data Business Forms Limited" prior to the reorganization of the Fund on September 30, 2006.

The cash payment of \$112,000 was funded with a combination of funds raised pursuant to a public offering of securities of the Fund, additional borrowings under Data Business Form's credit facilities of \$30,000, and cash on hand. In connection with the Relizon Canada acquisition, the Fund issued to the public (the "Offering") 5,650,000 subscription receipts at a cost of \$9.50 per subscription receipt (the "Subscription Receipts"), each representing the right to receive one unit of the Fund (a "Unit") for no additional consideration upon completion of the Relizon Canada acquisition, for gross proceeds of approximately \$53,700, and \$35,000 aggregate principal amount of 6.75% extendible convertible unsecured subordinated debentures (the "Convertible Debentures"). Following the closing of the Relizon Canada acquisition, the Fund issued 5,650,000 Units upon the exchange of the Subscription Receipts. The total net proceeds of the Offering were approximately \$84,000 and were used to fund \$82,000 of the cash portion of the acquisition cost. The remainder of the cash portion of the acquisition cost was funded by the Fund through existing cash balances and committed credit facilities provided by two Canadian chartered banks.

Notes to Consolidated Financial Statements  
**The Periods Ended March 31, 2007 & 2006**  
*(in thousands of dollars, except per unit amounts, unaudited)*

The acquisition has been accounted for by the purchase method and results of operations have been included in the statement of income from the date of acquisition. The preliminary purchase price allocation is as follows:

	\$
Cash and cash equivalents	1,888
Accounts receivable	21,220
Inventories (including fair value allocation of \$4,918)	27,550
Prepaid expenses and other assets	3,514
Income taxes recoverable	2,365
Property, plant and equipment	40,092
Goodwill	64,597
Intangible assets	34,123
Accounts payable and accrued liabilities	(29,297)
Restructuring provisions	(10,412)
Unfavourable lease obligation	(1,410)
Pension obligation	(12,266)
Post-employment benefits	(736)
	141,228
	141,228
	\$
Consideration	
Cash	112,000
Units	27,243
Acquisition costs	2,985
Working capital adjustment	(1,000)
	141,228
	141,228

The intangible assets acquired are amortized over their expected useful lives of 3-12 years. The goodwill and the intangible assets acquired are not deductible for tax purposes.

Estimated liabilities of \$10,412 have been included in the preliminary purchase price allocation relating to estimated costs associated with severance and exit costs related to acquired facilities. The Fund may also incur costs relating to facilities leased by the Data Group. Any costs relating to the Data Group incurred in connection with the integration of the acquired business will be expensed as incurred as integration costs.

Management is currently carrying out detailed assessments of the assets acquired and liabilities assumed and changes may be made to the preliminary purchase price allocation when more information becomes available.

Notes to Consolidated Financial Statements  
**The Periods Ended March 31, 2007 & 2006**  
*(in thousands of dollars, except per unit amounts, unaudited)*

**5. PENSION EXPENSE**

The Fund's pension expense related to the defined benefit and defined contribution plans are as follows:

	For the three months ended March 31, 2007	For the three months ended March 31, 2006
	\$	\$
Defined benefit plan	746	344
Defined contribution plan	80	112

**6. ACCRUED RESTRUCTURING AND INTEGRATION PROVISIONS**

In connection with the acquisition of Relizon Canada as described in note 2, the Fund adopted a plan to integrate and restructure the acquired business. As a result, the Fund recognized provisions of \$10,412 for severance and relocation and exit costs relating to certain employees and facilities of the acquired business. The Fund expects that these activities will be completed in 2007. The liabilities relating to these costs have been included in the allocation of the purchase price of the Relizon Canada.

On March 1, 2007, the Fund announced a restructuring plan in connection with the integration of the DBFL and Relizon Canada businesses, which includes a reduction in the Data Group's workforce, the relocation of certain employees to other Data Group facilities and the closure of four plants.

Any costs incurred relating to employees at or facilities previously leased by the Fund are charged to integration costs as incurred in the statement of income.

The following is a summary of the amounts accrued and paid relating to restructuring and integration costs:

	\$
Accrued restructuring and integration as at December 31, 2006	10,473
Integration costs charged to expense	1,056
Cash payments	(1,260)
Accrued restructuring and integration as at March 31, 2007	10,269

Notes to Consolidated Financial Statements  
**The Periods Ended March 31, 2007 & 2006**  
*(in thousands of dollars, except per unit amounts, unaudited)*

**7. CHANGES IN NON-CASH ITEMS RELATING TO OPERATING ACTIVITIES**

	<b>For the three months ended March 31, 2007</b>	<b>For the three months ended March 31, 2006</b>
	<b>\$</b>	<b>\$</b>
Accounts receivable	3,846	(573)
Inventories	663	(2,005)
Prepaid expenses and other current assets	(411)	66
Income taxes recoverable	(37)	66
Accounts payable, accrued liabilities and accrued restructuring and integration provisions	(8,975)	388
	<b>(4,914)</b>	<b>(2,058)</b>

**8. DILUTED EARNINGS PER UNIT**

Convertible debentures in the amount of \$35,000 were excluded from the computation of diluted earnings per unit as their effect would have been antidilutive. If converted at the beginning of the period, the weighted average number of units outstanding used in computing diluted earnings per unit would have been 3,111,111 units higher.

**9. SEGMENTED INFORMATION**

The company has three reportable segments organized on the basis of geography, channels and specialties as follows: Data East and West; Sundog; and Multiple Pakfold. These segments follow the same accounting policies as described in the summary of significant accounting policies, and all intersegment revenues are recorded at the exchange amount. Management evaluates the performance of each segment based on earnings before interest and taxes (EBIT). Corporate expenses, interest expense and income taxes are not taken into account in the evaluation of the performance of the business segments. All significant external sales are to customers located in Canada.

Notes to Consolidated Financial Statements  
**The Periods Ended March 31, 2007 & 2006**  
*(in thousands of dollars, except per unit amounts, unaudited)*

<b>For the three months ended March 31, 2007</b>					
	<b>Data East and West</b>	<b>Sundog</b>	<b>Multiple</b>		<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>Pakfold</b>	<b>Intersegment</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	93,236	6,911	5,342	(1,493)	103,996
Gross profit	24,265	2,470	866	-	27,601
Income (loss) before under noted items	8,437	1,143	(287)		9,293
Unallocated corporate and Fund expenses					3,941
Income before interest and income taxes					5,352
Interest expense on long-term debt - net					1,542
Recovery of future income taxes					-
Income for the period					3,810

<b>For the three months ended March 31, 2006</b>					
	<b>Data East and West</b>	<b>Sundog</b>	<b>Multiple</b>		<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>Pakfold</b>	<b>Intersegment</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	43,655	7,460	6,202	(1,153)	56,164
Gross profit	12,737	2,709	1,136	-	16,582
Income before under noted items	5,156	1,398	313	-	6,867
Unallocated corporate and Fund expenses					2,429
Income before interest and income taxes					4,438
Interest expense on long-term debt - net					543
Recovery of future income taxes					(108)
Income for the period					4,003

**10. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current period's presentation.

## **DIRECTORS, TRUSTEES AND OFFICERS**

**Derek Ridout** <sup>(2) (3)</sup>  
Chairman, Director and Trustee

**Ron Fotheringham** <sup>(1) (2) (3)</sup>  
Director and Trustee

**John H. Greenhough** <sup>(1)</sup>  
Director and Trustee

**Thomas R. Spencer** <sup>(1) (2) (3)</sup>  
Director and Trustee

**David M. Odell**  
Director, Trustee and Officer  
President and Chief Executive Officer

**Paul O'Shea**  
Officer  
Chief Financial Officer and  
Corporate Secretary

(1) Member, Audit Committee  
(Chairperson is Thomas R. Spencer)

(2) Member, Compensation Committee  
(Chairperson is Ron Fotheringham)

(3) Member, Corporate Governance Committee  
(Chairperson is Derek Ridout)

## **EXECUTIVE TEAM**

**David M. Odell**  
President and Chief Executive Officer

**Paul O'Shea**  
Chief Financial Officer

**Elaine Deramo**  
Vice-President, Human Resources

**Steve Galarneau**  
President, DATA West

**Michael Suksi**  
President, DATA East

**Rick Barron**  
Vice-President, Sales and Marketing,  
DATA West

**Tom Cochrane**  
Vice-President and General Manager,  
Multiple Pakfold

**Brad Hains**  
Vice-President, Sales and Marketing,  
DATA East

**Diane Schwind**  
Vice-President, Operations,  
DATA East

**Ross Van Patter**  
Vice-President and General Manager,  
Calgary Operations

## **CORPORATE INFORMATION**

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**TRANSFER AGENT**  
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**CORPORATE COUNSEL**  
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**TORONTO STOCK EXCHANGE SYMBOLS**  
DGI.UN  
DGI.DB



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