

EVENT: DATA GROUP INCOME FUND - SECOND QUARTER  
RESULTS CONFERENCE CALL  
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DATE: AUGUST 10, 2005

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OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the DATA Group Income Fund Second Quarter Results Conference Call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. If anyone has any difficulties hearing the conference, please press \* 0 for operator assistance at any time.

I would like to remind everyone that this conference call is being recorded on Wednesday, August 10, 2005, at 2:00 p.m. Eastern time.

I will now turn the conference over to David Odell, President and Chief Executive Officer. Please go ahead.

DAVID ODELL (President and Chief Executive Officer): Good morning, everyone. Welcome, and thank you for joining us to review the DATA Group Income Fund's financial results for our second quarter of fiscal '05.

Paul O'Shea, our CFO, is with me, and we will be discussing the Fund's performance for the 3 months ended June 30.

Before we begin, I'll remind you that our remarks and our answers to your questions today may contain forward-looking information about future events on the Fund's performance. This information, by its nature, is

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subject to risks and uncertainties that may cause actual events or results to differ materially.

Also, in today's conference call, all reference to the DATA Group will mean the Fund together with its various business divisions and affiliated entities.

I am pleased to report that our performance during the second quarter and year to date has been solid, and reflects both the underlying stability of our business and the conservatism of our model. As a result, we've announced today a 3 percent increase in our distributions per unit, which will take effect with our August 31 '05 distribution. Monthly distributions will increase to \$0.09656 per unit from the current level of \$0.09375 per unit.

In terms of the quarter, revenue was 52.4 million, which is down about 1 percent from the same period a year ago. This is largely due to reduced annual report revenue in our Sundog division, related to a financial filing requirement that moved demand for production from the second to the first quarter.

Revenues were up slightly in our other two divisions, DATA East and West and Multiple•Pakfold, which we'll be reviewing in more detail further on.

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Cost of revenue decreased to 36.8 million, a decline of 1.6 percent from the second quarter last year. The result was a gross profit that was consistent with last year, at 15.7 million for the quarter.

Adjusted EBITDA during the quarter was 6.4 million, down about 600,000 from '04. As a percentage of revenue, the EBITDA margin was 12.2 percent, compared to 13.2 percent in the same quarter last year.

During the second quarter, the Fund generated 5.5 million in distributable cash, or \$0.37 per unit, and declared distributions of 4.2 million, or \$0.281 per unit, representing a payout ratio of 76 percent.

Our low payout ratio, our conservative model, our business stability, and the cash on our balance sheet of 8.9 million as of January 30, '05, were the key factors in our decision to increase distributions by 3 percent at the end of August.

I'll now ask Paul to provide some more detail on the Fund's financial performance and position.

PAUL O'SHEA (Chief Financial Officer): Thank you, David. For the second quarter ended June 30, 2005, the Fund recorded revenues of 52.4 million, a decrease of 1.2 percent compared with the same period in 2004. This was primarily due to decreased revenue at Sundog, as David mentioned.

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For the first 6 months of 2005, our revenue of 106.6 million was slightly ahead of the 105.8 million recorded for the same period in 2004.

Cost of revenues decreased 1.6 percent, from 37.3 million in 2004 to 36.8 million in 2005. This, combined with the above-noted decrease in revenue, resulted in gross profit of 15.7 million, consistent with the same period in 2004.

For the 6 months ended June 30, 2005, cost of revenues increased from 74.6 million in 2004 to 81.0 million in 2005, resulting in a gross profit of 25.6 million, which decreased from 31.1 million in 2004. This was due to a charge of 5.8 million relating to the inventory fair-value allocation on the purchase of Data Business Forms Limited by the Fund. Before the fair-value inventory allocation charge, gross profit margins were 29.4 percent, year to date, in 2005.

Selling, general, and administrative expenses were 10.1 million, as compared to 9.8 million for the same period in 2004. The 300,000 increase in costs resulted primarily from public company costs, when compared with 2004. Year-to-date selling, general, and administrative expenses were 20.2 million, as compared to 19.7 million in the previous year.

Adjusted EBITDA for the quarter was 6.4 million or 12.2 percent of revenue. As compared to the same period in 2004, this was lower by

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600,000, and the adjusted EBITDA as a percent of revenue was down from 13.2 percent of revenue.

Adjusted EBITDA for the 6 months of 2005 was 12.8 million, compared to 13.5 million in 2004. Year-to-date results compare favorably to prior year, as we have incurred public company costs of 400,000 in the quarter, and 700,000 year-to-date.

I'll now highlight results by division.

At DATA East and West, revenues for the quarter ended June 30, 2005 increased to 40.8 million from 40.7 million in 2004. For the 6 months ended June 30, 2005, revenue also increased nominally to 81.9 million from 81.6 million in the prior year.

While revenues in the quarter were essentially flat, versus the prior year, sales declines and low-value-added stock tab continued to be replaced with higher-value-added Document Management Services contracts and agreements. Specifically, we experienced growth in our labels, gaming, and variable imaging businesses.

Revenues at Sundog decreased 16 percent to 6 million from 7.2 million in the same period in 2004. For the 6 months ended June 30, 2005, revenue increased 2.2 percent to 13.5 million from 13.2 million. As mentioned, the decline in sales for the quarter was due to decreased

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annual report production, driven in part by changes in annual report filing requirements. However, year-to-date sales increased due to continued strong demand in the Alberta marketplace. And in Sundog, our year-to-date gross margin, as a percent of sales, has increased from 32.1 percent in 2004 to 35.4 percent in 2005.

At Multiple•Pakfold, revenues increased by 2.1 percent to 6.5 million from 6.4 million. For the 6 months ended June 30, 2005, revenue decreased 2.3 percent to 13 million from 13.3 million.

As we have discussed previously, we've made several management changes at Multiple•Pakfold. As a result, the division recorded a gross margin increase to 17.3 percent in the second quarter, from 14.5 percent in the first quarter.

Let me now turn to distributable cash.

The Fund generated 5.5 million or \$0.37 per unit for the period April 1, 2005 to June 30, 2005. For the period December 21, 2004 to June 30, 2005, the Fund generated 11.5 million or \$0.773 per unit of distributable cash.

Distributions declared totaled 4.2 million or \$0.281 per unit for the quarter. Year-to-date, from December 21, 2004 to June 30, 2005, total cash distributions were 8.9 million or \$0.596 per unit.

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The payout ratio for the quarter was 76 percent. Our year-to-date ratio is 77 percent.

In terms of capex, we spent 201,000 in the quarter, and have spent 472,000, year-to-date. We will continue to fund necessary maintenance capital expenditures with cash flow from operations.

Management believes that the Fund will continue to meet its objectives for the balance of the year, which is reflected in our decision to increase distributions to unitholders by 3 percent.

I'll now turn it back to David for some closing remarks.

DAVID ODELL: Thanks, Paul. In closing, I'd like to say that, as we look at the business currently, we are confident that the Fund will continue to meet its objectives, providing monthly distributions at our new level of \$0.09656 per unit at minimum.

We are optimistic about what we currently see in the new business pipeline. While finalization of agreements and startups are slower than expected, we have secured between \$11 million and \$14 million per annum in volume from significant customers -- this is new volume -- in the healthcare, gaming, financial services, and transportation sectors.

In addition to maintaining superior customer service levels, we continue to focus on selling higher-value-added products and services to

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existing and new customers, in order to achieve and surpass our distribution target.

At the same time, we're continuing to pursue acquisition opportunities which fit our acquisition strategy and would be accretive to distributable cash before synergies.

On behalf of the team, I'd like to thank you for joining us today, and turn it back to the Operator to open it up for any questions you may have.

OPERATOR: Thank you, sir. One moment, please, for your first question. Your first question comes from Sophia Taylor from TD Newcrest. Please go ahead with your question.

SOPHIA TAYLOR: Good afternoon. A question for you, just a follow-up question on the 11 to 14 million that you just mentioned in your outlook statement -- the new volume. Can you elaborate, perhaps, on the timing and how much of that we're seeing in current results?

DAVID ODELL: We're not seeing any of it in current results, Sophia, and I can't comment specifically on timing. I think, as I said the last time that we spoke that determining when things get finalized and when they will kick in is nigh impossible, and the reason for that is, there's the normal process of dotting I's and crossing T's, in terms of agreements and legal and what-have-you. And then, from there, there's the lag between that and

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what startup might be, and startup can be different things. For example, if you're taking over something that's under management, and you have to work your way through what's currently there, then we're only getting fees for that, and we're not doing any replenishment. So I can't be absolutely specific about when it kicks in.

SOPHIA TAYLOR: Okay, fair enough. Can you update us on your acquisition pipeline currently?

DAVID ODELL: To the extent that I can. We continue to work hard at that area, and I'll remind, if I can, everybody with a couple of points relative to strategy. First of all, we only have interest in businesses that we know something about -- how to run them -- so we're not going far afield. We're looking at opportunities where we might pay as multiple of EBITDA 4 to 6 times, depending on the opportunity, the quality of same, and so on. It has to be something that's accretive before synergies.

And so, we've worked our way through and continue to work our way through and on a number of opportunities. We've had a couple of situations where, upon further investigation, we passed. But we're optimistic, as we continue to focus on that, that we'll come up with some good things. But I don't have any specifics on what and when that might be, of course.

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SOPHIA TAYLOR: Okay, great. Last question, and then I'll queue up again. Your maintenance capital expenditures are obviously trending a lot lower than, say, perhaps the guidance offered at IPO, or at the time of the IPO. Just wondering if you could please give us some color on, I suppose, why we're seeing the discrepancy, sort of the lower rate, versus the higher rate previously.

DAVID ODELL: Sure. Thanks for bringing that up. I mentioned early on in my comments, and I made reference to our conservative model. The way we look at it is, we're a Fund, we're about distributable cash, and we're about dependability. And so, when we went out, I submit that the record now shows that, as I said to you and others, I think, it's a pretty conservative model.

With respect to, for instance, our interest expense is less than what we had in the model. Our payout ratio has been less than we had in the model. With respect to maintenance capex, we put in the model 3.7 million per annum, which would compare against a prior 3-year average of about 3.1.

But as we've said on a number of occasions, we only spend it when we need it, and when there's a significant payback for us. And this year, we haven't had a lot by way of needs. We'll have some in the back half.

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There's about, oh, 600 associated with some of the business that I mentioned, but we will be considerably under what we put in as the 3.7 in the prospectus, and possibly, in this year, under the 3.1.

SOPHIA TAYLOR: Okay, great. Thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, you may ask them at this time. Your next question is a follow-up question from Sophia Taylor from TD Newcrest. Please go ahead.

SOPHIA TAYLOR: Just a few more follow-ups.

DAVID ODELL: Sure.

SOPHIA TAYLOR: With respect to the rate of interest on your long-term debt, any thoughts or consideration being given to changing the floating rate to fixed?

PAUL O'SHEA: Sophia, at this time, yes, we're starting to look at possibly hedging our debt and our interest rate, and we'll be looking at that over the next quarter.

SOPHIA TAYLOR: Over the next quarter?

PAUL O'SHEA: Yes.

SOPHIA TAYLOR: Okay. And are you still waiting for the new actuarial valuation on your pension plan?

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PAUL O'SHEA: Yes, we are. We expect to have that towards the end of September, early October.

SOPHIA TAYLOR: Okay. And my last, my very last question, has to do with current taxes. It's zero in Q1 and Q2. What run-rate would you be expecting, going forward here?

PAUL O'SHEA: Sorry, I wasn't clear--

DAVID ODELL: Sophia, we missed part of your question. You broke up.

SOPHIA TAYLOR: Okay. My question just related to current taxes. We saw zero both in Q1 and Q2. Just wondering what run-rate you're expecting here, going forward.

PAUL O'SHEA: That will continue for the rest of this year.

SOPHIA TAYLOR: And the reason for that?

PAUL O'SHEA: Because we have significant loss carry-forwards.

SOPHIA TAYLOR: And those expire beginning '06?

PAUL O'SHEA: '06 to '07.

SOPHIA TAYLOR: '06 to '07. So '06 to '07. Then should we be looking to the prospectus for guidance on a run-rate there?

PAUL O'SHEA: Most likely.

SOPHIA TAYLOR: Perfect. Thanks very much.

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DAVID ODELL: Okay, thank you.

OPERATOR: Mr. Odell, there are no further questions at this time.

Please continue.

DAVID ODELL: All right. Thanks again for joining us. We look forward to reporting our progress to you after our next quarter.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. Please disconnect your lines.

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