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FIRST QUARTER RESULTS  
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**Operator:** Good morning, ladies and gentlemen, thank you for standing by. Welcome to the Data Group 2009 first 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. Instructions will be provided at that time for you to queue up for questions. Anyone who has any difficulties hearing the conference, please press star followed by zero for operator assistance at any time. We would like to remind everyone that this conference call is being recorded on Thursday, May 7, 2009 at 11 AM Eastern time. I will now turn the conference over to David Odell, President and Chief Executive Officer. Please go ahead, sir.

**David Odell:** Good morning, everyone, and thanks very much for taking the time to join us to review the Data Group income fund's financial results for our first quarter of 2009. Paul O'Shea our CFO is with me and we will be discussing the fund's performance by division for the first quarter of 09.

Before we begin, I'll remind you that our remarks and our answers to your questions today may contain forward-looking information. This information by its nature is subject to risk and uncertainties that may cause actual events or results to differ materially from any conclusion, forecast or projection contained in our remarks or answers. Certain material factors or assumptions we applied in drawing the conclusions, forecasts or

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projections included in our marks and answers, and additional information about the applicable to risk factors and assumptions are contained in the fund's annual and quarterly continuous disclosure filings available on SEDAR. Also in today's conference call all references to the Data Group will mean the fund together with its various business divisions and affiliated entities.

We continue to maintain a strong balance sheet and a very strong cash position. We had 14.1 million in cash at March 31, 2009, an increase of 2.7 million from December 31, 2008. This is critically important in an unparalleled economic environment, and to our fundamental objective of distribution maintenance through this economic cycle, which I'll expand upon in my closing remarks.

Let me briefly touch upon another critical factor for all organizations in these troubled times, that being bank covenants. Our debt to EBITDA ratio on a trailing 12 month basis was 1.91, well within our covenant of 2.5. Our fixed charge ratio was 1.81 to 1 against our covenant of 1 to 1. I should also remind you that we, in terms of investment of cash, we are not invested in nor have we invested in any asset backed paper. Instead our investment policy only provides for investment in bank money market accounts with schedule A Canadian chartered banks.

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In terms of highlights for the quarter, revenue for the quarter ended March 31, 2009 was 90.4 million, a decrease of 10.5% compared to the same period in 2008. Net profit for the first quarter was 2.8 million or .12 per basic unit adjusted EBITDA (that's earnings before interest, taxes, depreciation, amortization), and gains on cancellation of convertible debentures in the quarter were 9.1 million or 10.1% of revenues compared to 12.2 or 12.1% of revenues in the same period of 2008. In our first quarter of 2009 the fund had total cash available for distribution of 6.2 million or .264 per unit. Our total distributions to unit holders during the quarter were 6.8 million or .29 per unit for a payout ratio of 109.9%.

I'll now ask Paul to provide further details on the fund's financial performance by division.

**Paul O'Shea:** Thanks, David. I will start with the Data East and West segment. Revenues at the Data East and West segment for the three months ended March 31, 2009, decreased 9.2 million or 10% to 82.4 million from 91.6 million in the same period last year. Revenues for the three months ended March 31, 2009 decreased due to a significant decline in revenues in Eastern Canada due to lower spending from customers in the financial, government and direct mail industries as a result of general poor economic conditions. For the quarter ended March 31, 2009 gross

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profit decreased 4.8 million to 21.2 million from 26 million for the same period in 2008. Gross profit as a percentage of revenues for the quarter decreased to 25.8% from 28.4% for the same period of 2008. The decrease in gross profit as a percentage of revenues during the quarter was due to the lower revenues, as mentioned earlier. I also wanted to add that this segment continues to be focused upon improving productivity and efficiencies.

Turning now to Sundog, revenue at the Sundog segment for the quarter ended March 31, 2009 decreased 1.1 million to 5.3 million from 6.5 million in 2008. The decrease in revenues for the three months ended March 31, 2009 was as a continued result of weaker local market demand for commercial printing in Alberta and increased competition in that market. In addition, the current poor economic conditions continued to negatively affect demand for commercial printing in that market. For the quarter ended March 31, 2009 gross profit decreased 400,000 to 1.5 million from 1.9 million for the same period in 2008. Gross profit as a percentage of revenues for the quarter decreased to 27.7% from 29.8% for the same period in 2008. The overall decrease in gross profit was due to the revenue shortfall.

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Turning to our Multiple Pakfold segment, revenues for the quarter decreased 300,000 or 8.3% to 3.7 million from 4 million in 2008. The declining revenues for the three months ended March 31, 2009 was attributable to the weak economic conditions which have resulted in a decline in quoting activity, smaller order quantities and extended reorder cycles. Gross profit was 400,000 for the quarter ended March 31, 2009 and 2008 respectively. Gross profit as a percentage of revenues for the quarter was 11.8% compared to 10.1% for the same period in 2008. The improvement in the gross profit as a percentage of revenues is due to the initiatives undertaken in 2008 to improve operating efficiencies.

In terms of our cap. ex., we spent 1.14 million in the quarter. As we have said previously, we will continue to fund our necessary maintenance capital expenditures with cash flow from operations and net proceeds from asset dispositions. Also, on a very positive note, during the quarter we completed the sale of our Hemmingford, Québec property for gross proceeds of \$700,000, and we recorded a pretax gain on disposal of the assets of \$100,000.

As we go into the quarter, we exited our Dorval, Québec facility, subject to a long-term lease. A lease exit charge of \$900,000 representing the liability for the remaining lease costs under the lease agreement. That

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sub-lease income will be recorded in the second quarter of 2009. I'll now turn it back to David for some closing remarks.

**David Odell:** Thanks, Paul. Just a point of clarification on Dorval. There is the \$900,000 charge, but we will save significant money over time, of course, as a result of doing that.

All of us are trying to cope with an unprecedented turmoil, and consequently, an impossible to forecast environment. As we look at things currently we continue to be cautiously confident that we'll be able to maintain our current distributions of 1.587 per unit for the foreseeable future. This point of view is based upon three simple premises. One, after maintaining our banking agreement, our overriding priority is maintenance of distribution. I've spoken of this commitment ad nauseum to you in the past so I won't say anything other than it's our number one priority. Two, we've built and maintained a strong balance sheet and cash position to help us weather economic cycles, although I don't know that anyone anticipated one of the severity. And in order of doing so to allow us to continue to maintain distributions through a downturn even if our payout ratio were exceed 100%. We have and we will continue to adjust our cost base to reflect the harsh economic and market realities that we must now endure. We don't like or enjoy the decisions the environmental realities

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force us to take. It causes us great pain. However, we must recognize and accept and deal with reality as it is and not as it was nor as we wished it were. Therefore, we'll be taking additional and significant steps to manage down costs throughout this year in order that we may survive and emerge from this period in an even stronger leadership position than when we entered this cycle.

Thank you for joining us today. I'll now turn it back to the operator and open it up to a questions.

**Operator:** Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press the star followed by the one on your touch tone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you are using a speakerphone before pressing any keys. One moment please for your first question. And our first question comes from Sophia Taylor of TD New Crest. Please go ahead.

**Gary House:** Good morning, this is Gary House stepping in for Sophia.

**Man:** Good morning, Gary.

**Gary House:** Morning. My first question is on the maintenance cap. ex. We saw it creeping up a bit this quarter. I'm just wondering if it's due to the

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lumpiness of cap. ex. spend and whether you can give us a bit more guidance as to where it will shake out on the full year basis?

**Paul O'Shea:** Gary, it absolutely is due to the lumpiness of it. We'd approved a number of projects in the fourth quarter that came through in the first quarter. We don't anticipate that that will be the run rate for the year, but I'm not going to, at this point, give you any guidance as to where we expect our total cap. ex. to be for the year. All I can say is that all cap. ex. is under even greater scrutiny at this point in time.

**Gary:** Gotcha. That's very helpful. I guess my next question is do you guys see any evidence of the bottoming out and weakened levels of demands for your products, services, across your lines of businesses?

**David Odell:** We don't currently, Gary. We have had and we have, on an encouraging note, a lot of new business that we're on-boarding. I talked last call, I think, of about 6 to 8, and that number is more like 10 to 12. So that's good news. However, as you know from previous discussions, that on-boarding process takes time in terms of converting supply, getting rid of old inventory, getting it ramped up and going. What we've enjoyed from new business so far, you know, clearly has not offset the declines in rate of usage amongst our current client base. We mentioned particularly how much financial institutions' and governments' run rates are down

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considerably. Because we are transaction oriented business—and I don't want to sound trite—but most businesses are down, so there are less activities and a consequent impact there. So at the moment we don't see any changes happening. And in fact, in terms of our planning, I'm thinking about this going on for another 18 to 24 months.

**Gary:** But do you guys see a stabilization so far, you know, these past couple of months?

**David Odell:** Um yeah, I guess stabilization, as you say, is at the bottom, we think so but, you know, nobody knows. We see, we think, a bubble of demand growing that, you know, ought to burst. And that's not necessarily in terms of activity, but as clients have made major efforts, like we all have, to reduce their costs, they forestall or suspend spending. But, you know, with certain kinds of things there comes a point that that doesn't work anymore and you have to reorder or draw down inventory.

**Gary:** Yeah. Okay, and my last question is just on your Dorval facility that you just mentioned. So the 900,000, that's a cash outflow in Q2?

**Paul O'Shea:** No, it's a non-cash.

**Gary:** It's a non-cash, okay. So would there be any penalties, like cash flow related?

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**Paul O'Shea:** No. No, we are going to save significant money over the life of the lease. The lease goes until 2021. We've sublease to till the end of the lease. We are subsidizing the rent somewhat during that period and that's what the charge represents. But we'll be out of all of the occupancy costs for that location. So there is not much in this year in terms of savings, but certainly going forward we are looking at \$300,000+ a year in savings.

**Gary:** \$300,000 on an annual basis, right?

**David** That's right.

**Paul O'Shea:** On an annual basis, yeah.

**Gary:** Okay, perfect. That's it for me. Thank you, guys.

**David Odell:** Thank you, Gary.

**Operator:** And our next question comes from Bill Chilson (?) from MacDougal and MacTyre. Please go ahead.

**Bill:** Yes, good morning.

**Answer:** Good morning, Bill.

**Bill:** [INAUDIBLE] on the Sundog [INAUDIBLE] experienced an increase in competition in Alberta?

**Answer:** Sorry, I'm not hearing you. Could you speak up, Bill?

**Bill:** Yeah, okay, is this better?

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**Answer:** Not much but I'll scream, go ahead. I heard Sundog and something about competition.

**Bill:** Yeah, increased competition for Sundog in Alberta, is that from a new competitor or is that existing competitors?

**Answer:** No, there's not an increase in competition. It's the stock that's in market. In fact, you know, from a competitive standpoint, at least in terms of players, that declined towards the end of last year when one local competitor, who was part of a national thing, went bankrupt. But, you know, most of what Sundog provides relates to marketing oriented materials. And of course one of the first things that companies can do in terms of cutting their costs is to reduce expenditures on marketing. And so demand in general is much softer. And in fact I'd say in round numbers that the disappearance of the one competitor probably equals the reduction in market size.

**Bill:** Okay, then. And bad debts, are you getting any additional sort of problems with bad debts?

**Paul O'Shea:** No, we're not. Your question was about bad debt?

**Bill:** Yeah.

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**Paul O’Shea:** Yes, no, no, we are not experiencing any additional issues with bad debt, and that's mostly due to our customer base. We have mostly blue chip customers.

**David Odell:** Yes, and as well as making some prior decisions to not operate in some categories. For example, back when we hired... or when we acquired Relizon, there was considerable exposure to the auto sector. I cut that off, and so we have no exposure in that sector at all.

**Bill:** Okay. The last couple of quarters your sales have been declining by approximately 10%.

**David Odell:** Yeah.

**Bill:** It sounds as though that rate of decline will continue for the next couple of quarters, excluding any new business to bring on board.

**David Odell:** I think the question was, and let me repeat it for everyone—I apologize, Bill, we're really having trouble hearing—you said decline in the last couple of quarters was 10% and was that the expected run rate? And no, it's not. And the reason for that is that Q4 last year, which is one of the quarters that you referred to, was down considerably. We're not expecting a further decline from that in the fourth quarter. Second of all, I did mention the on-boarding of some businesses and offset against soft

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demand amongst our current client base. Therefore we don't expect that to be the absolute run rate of decline.

**Bill:** Okay, that's it, and I apologize for the poor line.

**David Odell:** No problem. Thank you, Bill.

**Operator:** Gentlemen, there are no further questions at this time. Please continue.

**David Odell:** Well, thank you very much for joining us. We look forward to talking to you again after our next quarter. Have a good day.

**Operator:** Ladies and gentlemen, this concludes the conference call today. Thank you for participating. You may now disconnect your lines.

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