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OPERATOR: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to The DATA Group Income Fund 2008 third 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. If anyone has any difficulties hearing the conference, please press * followed by 0 for operator assistance at any time.

I would like to remind everyone that this conference call is being recorded on Thursday, November 6th, 2008 at 11:00 a.m. Eastern time.

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

DAVID ODELL (President and Chief Executive Officer, The DATA Group Income Fund): Good morning, everyone, and thank you for taking the time to join us to review the DATA Group's Income Fund's financial results for our third quarter of 2008.

Paul O'Shea, our CFO, is with me and will be discussing the Fund's performance by division for the quarter and for the year to date ended September 30th, 2008.

Before I 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 were applied in drawing the conclusions, forecasts or projections included in our remarks and answers and additional information about the applicable 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 reference to The DATA Group will mean the Fund together with its various business divisions and affiliated entities.

Let me start by addressing a question I've been hearing a lot from people lately, and that is that during the credit lock that's being experienced, concern was being expressed about the status of our current agreement. So I'll start by telling you that we renewed our credit agreement during the quarter with the same terms and conditions that we had before for an additional year until August 31st, 2010.

We were able to achieve this because we have a solid balance sheet with very strong cash position. We had 13.7 million in cash as of September 30th, 2008. Our debt-to-EBITDA ratio on a trailing 12-month basis was 1.44. Our fixed charge ratio is 5.01 to 1. It should be noted that we have a very conservative investment policy which allows us to only invest excess cash in bank market accounts with schedule A Canadian chartered banks.

In terms of highlights for the quarter, revenue for the quarter ended September 30th, 2008 was 89.2 million, a decrease of 1.1 per cent compared to the same period in 2007. Net income for the third quarter was 1.1 million, or 0.05 per basic unit.

EBITDA, earnings before interest, taxes, depreciation, amortization, in the quarter was 8.2 million, or 9.2 per cent of revenue compared to 8.1 million. or 9 per cent of revenue in the same period – pardon me – in 2007.

In our third quarter of 2008, the Fund had total cash available for distribution of 6.1 million, or 0.29 per unit, an improvement of 12.5 per cent over 2007. Our total distributions to unitholders during the quarter were 6.8 million, or 0.29 per unit for a payout ratio of 111.2 per cent compared to a payout ratio of 125.1 per cent for the same period of 2007.

Turning to calendar year to date, revenues were 284 million versus 291 million in 2007, a decrease of 2.6 per cent. Net income for the nine months ended September 30th, 2008 were 10.7 million, or 0.46 per basic unit compared to a net loss of 3.2 million, or 0.14 per basic unit for the same period in 2007. Adjusted EBITDA was 31.1 million, or 10.9 per cent of revenues compared to 25.5 million, or 8 per cent of revenues in 2007.

Cash available for distribution for the year to date at September 30th, 2008 was 24.5 million or 1.05 per unit, an improvement of 43.1 per cent over same period 2007. Cash distributions were 20.4 million, or 0.87 per unit for a payout ratio of 83.2 per cent. In these uncertain economic times, we will increase our activities to review our operations and undertake whatever restructuring initiatives are necessary to insure the long-term health of our company.

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

PAUL O'SHEA (Chief Financial Officer, The DATA Group Income Fund): Thanks, David.

David provided some highlights for the division and year to date for the Fund. I'll provide some highlights by division and finish up with... and

David already touched on the balance sheet. I'll touch on a little bit about our pension.

I'll start with the DATA East and West segment. Revenue at The DATA Group's DATA East and West segments for the three months ended September 30, 2008 increased 0.3 million, or 0.3 per cent to 82 million from 81.7 million for the same period in the prior year. Revenues for the nine months ended September 30, 2008 decreased 3.9 million, or 1.5 per cent to 258.7 million from 262.6 million for the same period in the prior year.

Revenues for the three months ended September 30, 2008 increased in Western Canada but were offset by declines in Eastern Canada due to lower demand for direct mail and traditional forms.

The decrease in revenues for the nine months ended September 30, 2008 was due to the determination following a strategic review that commenced in 2007 to eliminate from our customer offering certain low-margin products and services previously manufactured and provided in this segment.

In addition, there have been declines in revenues earned, as we've said earlier, from traditional business forms and direct mail. A factor in the decline in traditional forms revenue has been a decrease in revenues from small to medium-sized customers. As we said in our previous quarter, we have increased our focus on these customers during the quarter and will expect better results for the rest of the year.

The segment continued to experience increases in sales at variable imaging and fulfilment warehouse services as a result of contracts signed in the fourth quarter of 2007.

For the quarter ended September, 2007 gross profit decreased 0.1 million to 21.4 million and 21.5 million for the same period in 2007.

Gross profit as a percentage of revenues for the quarter ended September 30, 2008 decreased to 26.1 per cent from 26.3 per cent for the same period in 2007. The relatively flat gross profit as a percentage of revenues during the quarter was due to weakness in our direct mail and traditional business forms businesses as previously mentioned.

For the nine months ended September 30, 2008 gross profit increased 2.9 million to 71.4 million from 68.5 million in the same period in 2007. Gross profit as a percentage of revenues for the nine months increased to 27.6 per cent from 26.1 per cent for the same period in 2007. The increase of gross profit was due to the integration and restructuring initiatives completed in 2007 which resulted in lower labour and overhead costs. In addition, the increase in gross profit as a percentage of revenues during the nine-month period was due to the elimination of certain low-margin products and services previously mentioned.

Turning now to our Sundog segment, revenues at Sundog for the quarter ended September 30, 2008 decreased 0.9 million to 5.1 million from 6 million in 2007. Revenues for the nine months ending September 30 decreased 2.4 million to 17.2 million from 19.6 million for the same period in the prior year.

The decrease in revenues for the three and nine months ended September 30, 2008 were a result of the continued weaker local market demand for commercial printing in Alberta and increased competition in that market. In addition, current economic conditions continue to negatively affect demand for commercial printing in that market.

For the quarter ended September 30, 2008, gross profit decreased 0.6 million to 1.2 million from 1.8 million for the same period in 2007. Gross profit as a percentage of revenues for the quarter ended September 30, 2008 decreased to 23 per cent from 29.7 per cent for the same period in 2007.

For the nine months ended September 30, 2008, gross profit decreased 1.8 million to 4.8 million from 6.6 million in the same period of 2007. Gross profit as a percentage of revenues for the nine months has decreased to 27.6 per cent from 33.3 per cent. The overall decrease in gross profit was due to the revenue shortfall as mentioned earlier.

Turning to Multiple Pakfold, revenues at Multiple Pakfold for the quarter decreased 0.3 million, or 8.1 per cent to 4 million from 4.3 million in 2007. Revenues for the nine months ended September 30, 2008, decreased 1.9 million, or 13.9 per cent to 12 million from 13.9 million for the same period in the prior year.

Gross profit was 400,000 versus 300,000 for the quarters ended September 30, 2008 and 2007 respectively. Gross profit as a percentage of revenues for the quarter was 11.3 per cent compared to 7.5 per cent for the same period in 2007. For the nine months ended September 30, 2008, gross profit decreased 300,000 to 1.2 million from 1.5 million for the same period of 2007. Gross profit as a percentage of revenues for the nine months ended September 30, 2008 was 10.1 per cent compared to 11 per cent for the same period of 2007.

In terms of capex, we spent 692,000 in the quarter. Year to date, we have spent 2.2 million. We anticipate spending approximately 3.5 million for the year and will continue to fund necessary maintenance capital expenditures with cash flow from operations.

Recently I've received many questions regarding our pension plans and it's been in our previous disclosure, but let me just highlight a number of actions that we've taken in the last year and this year with regard to our pension plan.

Members of the former DATA defined benefit plan were moved to a defined contribution plan effective December 31, 2007. We will continue to experience actuarial gains and losses in the plan but we will incur no further additional current service costs. An actuary evaluation was done on January 1, 2008 which resulted in the Fund being required to increase contributions. The next actuarial evaluation will be done in 2009.

The plan is invested approximately 60-per-cent equities and 40-per-cent bonds. We will move over time to immunize the plan whereby the investment assets will match the liability.

The former Relizon plan is being wound effective December 31, 2008. 2008 will be the last year for the members to earn current service credits. They will join the defined contribution plan effective January 1, 2009. We took steps to immunize the Relizon plan in 2007. The plan adjustments were transferred to a bond portfolio so that the duration of the bonds matches the future liability for pension payables to the members.

I would also like to point out that in our pension plans we have very little exposure to asset backed commercial paper.

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

DAVID ODELL: Thanks, Paul.

I'd like to return for a moment to my earlier comments with respect to our balance sheet and cash position. We continue to demonstrate our ability as a very strong cash generator. This was more than demonstrated in the year when we paid for over $10 million in integration costs while still maintaining our distributions and continuing to grow our cash balance.

We have taken a conservative approach to cash management as we recognize and as we're all experiencing today, that we live in highly cyclical economic times. Such prudent management of cash puts us in a position to maintain distributions through a soft economic period and to have the financial strength to take action to reduce costs as dictated by prevailing economic conditions and we are looking at some further reductions of costs.

In addition, we are closely monitoring our tax position with a view to making a special distribution. This decision will be dictated by formalizing our taxable income position for 2008.

I know that all of us are very concerned about the current economic environment and that we've all been affected by it. However, as we look at our business currently, we are confident the fund will continue to meet its objectives, thanks to the support of our customers, the dedication of our employees and the continued focus by our management on our fundamental strategies.

Thank you for taking the time to join us. I'll now turn it back to the Operator to open it up to any questions you may have.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press the * followed by the 1 on your touchtone 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.

Our first question comes from Sophia Taylor, from TD Newcrest. Please go ahead.

SOPHIA TAYLOR: Good morning. The first question I have is on your gross profit margins. It surprised us a little bit at 25.8 per cent versus last quarter's amount at 27.7. We understand some of the reasons but was just sort of hoping to open it up to you as to I guess giving us a better idea of where a normal run rate is for the Fund?

DAVID ODELL: Sure. I don't know about run rates, but it's a good question, Sophia, and it's simply this. In our third quarter, you know we had quite a soft quarter. In particular, we had one month, August, that was very weak. Consequently, we suffered some under absorption of costs in operations within the east and that's why gross margin was affected to the extent as you just stated.

SOPHIA TAYLOR: And that weakness was due to...?

DAVID ODELL: Softness in the marketplace. We just didn't have the volumes, particularly on the direct mail side, that we expected.

SOPHIA TAYLOR: Okay, in your commentary this quarter, there's mention of several different efficiency improvement initiatives that are still, I guess, underway or ongoing and in some cases, such as the Sundog case, have yet to really show the impact you're looking for. I'm just wondering if you could provide us with a timeline and some idea of the impact you're expecting from these initiatives.

DAVID ODELL: Let me start on an overall basis and then try and bring it down to that level.

In terms of Sundog we have done some things and there's some more things in process that will happen early this quarter. So our effort there is to reduce our fixed cost in recognition of the extreme softness that's being suffered in the commercial segment business, not just in Alberta, but across the entire country. So we have some more initiatives under way there.

We will also be moving to reduce some additional costs in our eastern DATA site operations within the fourth quarter. The relative softness that we've experienced is more eastern based than it is in terms of our western forms management division. So those are the things we're doing and it's partly as a result of what's currently going on, but it's also in anticipation of what we expect to be going on.

My personal viewpoint is that we're in for some economic softness for some protracted period of time. I take heart in the fact that oil has fallen and so has the dollar, at least with respect to its impact on the Ontario economy.

So we see relatively more issues in east than west.

SOPHIA TAYLOR: Okay, thank you. With respect to the traditional business forms, the focus that you had on your small to medium-sized customers sounds like it had a bit of a positive impact this quarter. Are you done there? Are you happy with your results or is there more to be seen?

DAVID ODELL: No, we're not happy with our results in that area and with some of the efforts on the sales side of the business on the east; and as a consequence, we've made some changes.

SOPHIA TAYLOR: Okay. The maintenance capex number, the 3.5 million this year, can you give us an idea of where the reductions have taken place in terms of projects?

PAUL O'SHEA: It's just in terms of any projects that have been brought forward haven't met our criteria. So as you might remember, we'll only spend capex if it meets certain hurdle rates and we haven't had projects this year that would justify spending any money.

DAVID ODELL: Or needs beyond what we've done.

PAUL O'SHEA: Beyond, yes.

SOPHIA TAYLOR: Okay, is that an outlook you think would hold for 09 as well?

PAUL O'SHEA: Each year is different. That's just where we see it at this point in time.

SOPHIA TAYLOR: Okay, fair enough. And then just back to the top line again and the issue of economic sensitivity, we have the understanding that commercial print and direct mail are potentially the most sensitive areas of your business and that that represents... that they represent about 10 per cent of the overall. Is that still true or are there other areas of your business that are proving to be more sensitive than you originally thought?

DAVID ODELL: Well, I think that is true, but I think there's more general softness across the board. I mean, we are a transaction-based business. You know, look to any major sectors. There have been as many transactions within banks or car companies or what have you in the last quarter? I don't think so.

SOPHIA TAYLOR: Okay, fair enough. And then just with respect to your commentary, in the release it sounds like you will be remaining a trust until 2011.

DAVID ODELL: That's our plan, yes.

SOPHIA TAYLOR: Okay. Okay, that's it for me. Thank you very much.

DAVID ODELL: Thank you.

OPERATOR: Your next question comes from Brendan Austin from Venniger(phon). Please go ahead.

BRENDAN AUSTIN: Hi, guys. How are you doing this morning?

DAVID ODELL: Good, thank you. How about you, Brendan?

BRENDAN AUSTIN: Well, you know, just keep fighting away.

DAVID ODELL: As we all are.

BRENDAN AUSTIN: Yes, anyways, I mean, you know, it looks like things are good on the cash flow side and I have to compliment you guys for continuing to cut costs and maintain your cash flow. I just missed the early part of the call, I don't have my notes in front of me. What's your net debt position as of the end of the quarter?

PAUL O'SHEA: We have $70 million outstanding on our credit facility.

BRENDAN AUSTIN: Okay, so 70 million outstanding on the credit facility. And you talked about your pension. What would be the size of the unfunded portion of the pension plan as of today?

PAUL O'SHEA: We usually measure it at the end of the year. We have to make contributions to the plan of $1.5 million over the next five years at this point in time.

BRENDAN AUSTIN: And that would be to catch up making it fully funded?

PAUL O'SHEA: Yes.

BRENDAN AUSTIN: Okay, so that's kind of immaterial. I guess in terms of cash management, I mean, it's good that you guys still have the cash to maintain the distribution, but I guess the yield right now is pushing about 25 per cent. Obviously you're not getting credit for that.

I understand why you guys might be doing a special distribution to take the tax impact down for fiscal 08, but when we roll into fiscal 09, would it not make sense to review that policy and say hey, you know, if the stock's still at $5 then maybe we should reduce our distribution to like $0.55 a year, whatever, $0.05 a month or something from, I can't remember what the number is now, offhand. I think it's like 8.

But would it make sense to lower that distribution and maybe use the excess cash to pay down debt and then as the end of the year comes, then decide based on how things look, whether to just put a bigger special distribution at the end of the year or to pay down debt?

Like it just doesn't seem to have any point to have this monthly distribution signalling a 25-per-cent yield.

PAUL O'SHEA: Yes, but remember that we're a flow-through entity, so we're a trust on partnership. So at the end of the day we still have to distribute our taxable income. So regardless of what our monthly distribution is, wherever our taxable income is, we have to give that to unitholders, or else there's tax consequences.

The fund, if we don't distribute it, the Fund would be taxable at individual rates of 46 per cent. If we could have phantom units which to not... and not distribute the case; but then our unitholders are left in a taxable position and they haven’t received any cash for that. So we’re always...

BRENDAN AUSTIN: No, I appreciate that.

PAUL O’SHEA: ... looking and monitoring our taxable income position of the Fund in regard to our distribution. While I hear you about decreasing distributions, at the end of the day, we have to distribute up to taxable income.

BRENDAN AUSTIN: No, I appreciate that, but can you not reduce the monthly distribution and then at the end of the year determine whether or not it makes sense to catch up and do a larger special distribution at the end of the year and a lesser monthly distribution? So, you know, pay down your debt as the year goes on and then at the end of the year, if things look better, then do the special distribution, but if things look worse, take the debt pay down and then take the tax consequences which still aren’t a full tax consequence.

DAVID ODELL: Yes, I hear you, Brendan. It's David. I think there are a couple of other... we're always looking at that. And you know, there's some other things to take into consideration.

For example, our analysis shows that as much as 90 per cent of our unitholders are in DATA and hold it for income, so I don't think a lot of them would be too thrilled about a reduction.

Second of all, we want to conserve cash to, you know, I said earlier, I'll give you this example. Imagine some trusts that are in a position in softening times of needing to reduce some costs and are at or just about 100-per-cent payout. How do they fund it? The only way they fund it is by cutting distributions. So there's a need to take a conservative approach.

Lastly, I don't think any of us think this current environment's going to last forever and there will be buying opportunities that occur towards the end of this cycle. So that's why we're at the position we are now.

BRENDAN AUSTIN: Yes, but with buying opportunities also you want to make sure that you've got the room on the balance sheet to do it. That's why I'm thinking if you pay down debt as the year goes on and at the end of the year you either make an acquisition or a do a special distribution, at least it gives you more flexibility. But just... you know, just moving on to the next thing...

DAVID ODELL: Before we leave that one, Brendan, I appreciate you raised the question, when Paul said 70, you know, our availability is 90.

BRENDAN AUSTIN: Yes, I fully appreciate that. Looking at the competitive landscape, at what point, because I've got to imagine, I mean, I know there are several probably smaller competitors that, you know, have the potential to go under here...

DAVID ODELL: Yes.

BRENDAN AUSTIN: And as business slows, you probably have the potential to add capacity so there's always the discussion of do we just take customers or do we actually buy the company for next to nothing?

DAVID ODELL: Yes.

BRENDAN AUSTIN: At what point does the competition fall off, giving the survivors the ability to maybe be a bit more, just a bit more, just a bit stronger on pricing in negotiations, because that just tends to happen in different sectors?

DAVID ODELL: Well, good question and while generally I don't wish anyone misfortune, if you've been following this category you know we have a competitor that's under very considerable financial strain within our traditional business and there are some competitors in the western landscape, in Sundog's territory, that also have significant issues. So I would expect that if this current environment continues for any time, there will be a change to the competitive landscape, which would be beneficial to us.

BRENDAN AUSTIN: And is your preference to hire top-ranking employees out of that organization to bring, or those organizations, to bring customers over to you and fill extra capacity you might have? Or is your preference to buy a competitor's assets at fire sale prices if they look like they're going to go under?

DAVID ODELL: Yes. It's not a black-or-white answer but in terms of assets, we do have ability to flex capacity in terms of shifts... shifting and so an asset play in and of itself would only have appeal in spots.

The second thing is I'd never to never to stepping into a situation if it made sense. But, but and especially in these conditions, I don't have an interest in buying a company that's in a negative cash flow position, taking the restructuring costs because we're not quite good enough to have it start producing positive EBITDA within two weeks.

BRENDAN AUSTIN: Okay. All right, thanks guys. Good job in the tough economy.

DAVID ODELL: Thank you.

PAUL O'SHEA: Thanks.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the * followed by the 1. As a reminder, if you're using a speakerphone, please lift the handset before pressing the keys.

There are no further questions at this time. Please continue.

DAVID ODELL: Well, thank you very much for joining us today and we look forward to talking to you at the end of next quarter. Have a good day.

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

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