

EVENT: THE DATA GROUP INCOME FUND Q1 RESULTS
CONFERENCE CALL
TIME: 11:00 E.T.
REFERENCE: DATA GROUP INCOME FUND-CC-051311
LENGTH: 33 MINUTES
DATE: MAY 13, 2011

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OPERATOR: Good morning. My name is Simon and I will be your conference operator today. At this time, I would like to welcome everyone to the DATA Group Income Fund 2011 first quarter results conference call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. If you would like to ask a question during this time, simply press * then the number 1 on your telephone keypad. If you would like to withdraw your question, press the # key. Thank you.

I will now turn the call over to Mr. Michael Suksi, President and CEO. Please go ahead, sir.

MICHAEL SUKSI (President and Chief Executive Officer, The DATA Group Income Fund): Thank you and good morning, everyone. Thank you for joining us to review The DATA Group Income Fund's financial results for our first quarter of 2011. Paul O'Shea, our CFO, is with me, and we will be discussing the Fund's performance by division for the first quarter of 2011.

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 risks and uncertainties that may

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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 references to The DATA Group will mean the Fund, together with its various business divisions and affiliated entities.

During the quarter we continued to put significant effort into moving forward on the three key strategic initiatives outlined in our letter to unitholders in our 2010 annual report. We will provide an update on these today. But first, we want to go straight to our first quarter results.

Revenues for the quarter ended March 31, 2011 were \$84.3 million, a decrease of 1.5 per cent compared to the same period in 2010. Net income for the first quarter of 2011 was \$1.8 million, or \$0.07 per basic unit compared to a net income of \$3.4 million, or \$0.14 per basic unit for the same period in 2010.

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Adjusted EBITDA for the first quarter of 2011 was \$8 million, or 9.5 per cent of revenues, compared to adjusted EBITDA of \$8.2 million, or 9.6 per cent of revenue for the same period in 2010. See non-GAAP measures in the accompanying report for a description of adjusted EBITDA.

The Fund had total cash available for distribution of \$5 million, or \$0.214 per unit for the first quarter of 2011. Our total distributions to unitholders during the quarter were \$3.8 million, or \$0.162 per unit for a payout ratio of 76.1 per cent. All of our distributions in the first quarter of 2011 were funded from cash generated by our operations.

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, Michael.

Before I begin I'd like to point out that The DATA Group previously had three reportable segments: DATA East and West, Sundog and Multiple. The Sundog segment's operations have become more integrated with the DATA East and West segment to better serve our customers and maximize operational efficiencies. Therefore beginning January 1, 2011 the operations of Sundog are included in the DATA East and West segments.

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Beginning with our DATA East and West segment, revenues at DATA East and West for the quarter ended March 31, 2011 decreased \$1.3 million, or 1.5 per cent to 81.6 million from 82.9 million for the same period in the prior year. Revenues for the three months ended March 31, 2011 decreased at a slower rate than experienced in previous quarters. Revenues in Western Canada increased when compared to the same quarter last year.

During the three months ended March 31, 2011 the segment experienced strong sales in February and March after weaker sales in January. In addition, revenues from the sale of lottery rolls during the first quarter of 2011 were higher than in the same period of 2010.

During the first quarter of 2011 the segment experienced revenue gains from new business, which partially offset declines in revenues from existing customers. Revenues from commercial printing in Alberta were higher due to the completion of several large projects for major customers.

For the quarter ended March 31, gross profit increased \$500,000 to 20.8 million from 20.3 million for the same period in 2010. Gross profit as a percentage of revenues for the quarter increased to 25.4 per cent from 24.4 per cent. The increase in gross profit as a percentage of revenues during the quarter were due to cost savings realized from ongoing

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productivity improvement and cost reduction initiatives, and better capacity utilization.

Turning to Multiple Pakfold, revenue at Multiple Pakfold for the quarter ended March 31, 2011 decreased \$200,000, or 6.4 per cent to 3.5 million from 3.7 million for the same period in the prior year. The decrease in revenues for the three months was attributable to aggressive pricing by competitors and a change in reorder cycles.

For the quarter ended March 31, 2011 gross profit remained largely unchanged from the same period in the prior year at \$600,000. Gross profit as a percentage of revenues for the quarter ended March 31, 2011 increased to 18.7 per cent from 17.5 per cent for the same period in 2010. The improvement in gross profit as a percentage of revenues for the three months ended March 31, 2011 was due to cost savings realized from cost reduction initiatives undertaken in prior periods by the segment to improve operating efficiencies.

I'll now turn it back to Michael for an update on our strategic plans going forward.

MICHAEL SUKSI: Thanks, Paul.

The management team and our employee base are excited about the changes we're making at DATA, changes that are focused on

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improving our results in the future by building on our strengths while adding significant new capabilities. As we do this – this is a very important point – we are balancing our commitments in terms of the resources and investments we are putting into these new initiatives with our immediate 2011 goals, which are maintaining consistent distributions to unitholders, a sustainable payout ratio, stable EBITDA results, and a healthy balance sheet. Therefore, the 2011 benefits and costs of our new initiatives will largely balance out by design. We expect a modest improvement in our 2011 financial performance as results of our new initiatives, which will contribute to our goal of achieving stability in our results this year.

As previously described in our last quarterly conference call and in our annual report, we will focus our strategic initiatives on three things: one, an aggressive sales effort in our core markets of document management services and marketing related print to generate new business; two, accelerated development of new products and services to provide enhanced value to our customers and new revenue streams for DATA; and three, incremental cost savings.

I will now provide an update on our progress in these three areas. First of all though, I want to comment on our leadership team since they are the ones that are driving these changes. Since last fall we have made

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changes in our senior management group. To put what I'm about to say in perspective, I'm talking about not strictly speaking our executive officers, but more broadly a group of about 20 or 22 of our senior most managers in the company. The changes that we've made are designed to align the skills of the team with our revised goals. So in addition to me taking on the CEO role last October, we've hired two new senior managers from outside our business. We've promoted three high-performing senior managers into more senior positions, and we have terminated the employment of two senior managers. The team is aligned with and focusing on attaining our goals.

With respect to gaining market share through new business wins, in the first quarter of 2011 we won five significant new clients without any material client losses. The changes that we made in Q4 of 2010 in our sales management team appointing a new Vice President of Sales for DATA East and a new Vice President of Sales for Ontario specifically, plus reorganizing our sales reporting structure, introducing enhanced sales information reporting, and revising our sales compensation program all contributed to these wins.

In Q1 of this year we launched new sales training programs, a new DATA Group website, and we enhanced our eCommerce website. Later on

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this year, we will initiate several new direct marketing programs to generate new business and further enhancement to our sales information system to monitor sales progress.

In the area of new product development we have committed to increasing our focus and resources on the development of new revenue streams through the launch of new products and services that will provide enhanced value to our clients. We are focusing on products and services that have positive future growth potential. One of the areas that we are focusing on is new products and services that complement and enhance our existing marketing offerings.

Today we supply marketers with direct mail, gift cards and other marketing related print and logistic services. We believe there is a significant opportunity for us to grow in the area of digital one-to-one marketing services, both in our current customer base and with new clients.

To that end, in Q1 we hired a new executive from outside the company in the role of Vice President of Digital and Direct Marketing. We will be launching two new products in this area shortly.

In Q2 we will launch a new web-to-print offering that will represent a unique approach to digital photo books, a product area that we're not in

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now, but which is growing at double-digit compound annual growth rates in North America. This offering will leverage our existing sales team, our digital print capability, and our eCommerce experience.

Then in Q3 we will launch a multi-channel direct marketing offering. This will augment our existing printed direct mail offering by adding direct marketing services in the rapidly growing areas of email, mobile messaging, promotional web pages, and associated data analytics. Also in Q2 and in Q3, we will take delivery of new equipment that will enhance our existing capability in short-run, personalized marketing print and gift card/loyalty card production.

In Q1 we appointed a new Chief Information Officer who has strength in not only managing and improving our information systems, but also in executing on our plan to develop new web-based and electronic services that complement our existing offerings. Also, we have just hired a Director of New Product Research who will support our executive team on the development of other new products and services. These individuals, along with several of our executives, are researching new products for future launch; in other words, beyond the two that I just mentioned a moment ago. Finally, we continue to actively pursue acquisitions that are

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consistent with our plans for new product development and will accelerate the pace of these results.

In the area of cost savings, as we previously reported, for 2011 we plan to continue to reduce our costs as we have in the past. However, to maintain and potentially increase our performance in this area in future years, we are initiating two new projects. First, we are reviewing our IT systems to look for ways to enhance efficiency. Second, we have just hired two dedicated supply chain and procurement professionals who will come into our business as Directors of Strategic Sourcing in our DATA East and DATA West operations. These two individuals will begin working with us in Q2. One of them starts Monday and the other, a couple of weeks after that.

In summary, while we did experience a revenue decline of 1.5 per cent and an adjusted EBITDA decline of about 2.5 per cent in Q1, this compares favourably to our overall results in 2010 versus 2009 when we experienced a 5-per-cent revenue decline and a 10-per-cent adjusted EBITDA decline. Also, our Q1 payout ratio of 76 per cent compared well to our 2010 payout ratio of 126.8 per cent. We will continue to focus on stable results for 2011 and growth in the years to come.

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

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OPERATOR: At this time, I would like to remind everyone that in order to ask a question, please press * then the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Sophia Taylor with TD Securities. Your line is open.

SOPHIA TAYLOR: Good morning. Congratulations on a very solid quarter.

MICHAEL SUKSI: Thanks, Sophia.

PAUL O'SHEA: Thank you.

SOPHIA TAYLOR: I had a couple of questions for you. First, with respect to the strategic initiatives that tie to the top line, we're wondering if you would hazard a targeted revenue growth forecast or outlook for 2012?

MICHAEL SUKSI: No, I'm not in a position to do that yet.

SOPHIA TAYLOR: Okay. Okay, it sounds like low single-digit growth though is probably not out of the ballpark?

MICHAEL SUKSI: Well, what I'd say, I'm not going to disagree with you, Sophia. We're not thinking of double-digit growth. So your conclusion probably is not out of the ballpark.

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SOPHIA TAYLOR: Great. What would the capex, or what would the impact be rather on the capex run rate from the strategic initiatives described, the new ones in particular?

MICHAEL SUKSI: Yes, at the moment, and this is consistent with what we said in our last quarterly call, we're forecasting in the 2 to 3 million range this year, probably at the high end of that. And the nature of the investments that we're doing are not driving that up beyond that for 2011 because a lot of what we're doing, while there is some capital investment, a substantial amount of it is in people, and skills, and leveraging capital that we have now with some additional software skills, or software capabilities, I should say.

So our outlook for 2011 on capex has not changed from that high end of the 2 to 3 million range. Beyond that for 2012, we have no plans at present to see that change either.

SOPHIA TAYLOR: Great, great. On the cost side, do we or can we expect significant restructuring costs I guess in 2011, and then savings thereafter?

MICHAEL SUKSI: No, you should not expect significant restructuring costs. The things that we're doing in 2011 are consistent with the types of things we've done in 2009 and 2010 and are all on track, by the way. It's

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going fine. So that would not lead to any kind of unusual restructuring charges relative to what you're used to seeing.

The strategic sourcing initiatives that I mentioned that we're just ramping up right now, given the time it takes to not just get people up to speed, but also keeping in mind that new initiatives in that area have to respect the fact that there may be contracts in place with current suppliers, means that the benefits of that program I think again will be much more material in 2012 than they will be in 2011.

But of course to come back to your question, Sophia, those types of changes don't have any impact in terms of restructuring charges.

PAUL O'SHEA: Yes, Sophia, we probably expect the restructuring charges to be in line with last year.

SOPHIA TAYLOR: Right.

PAUL O'SHEA: Which were \$600,000.

SOPHIA TAYLOR: All right, thank you. And then the final question is just on the topic of acquisitions, is it possible to get a sense for what you're thinking in terms of timing and ranges for size, please?

MICHAEL SUKSI: Sorry, you broke up a bit. The second part of your question was ranges of size?

SOPHIA TAYLOR: Please, the size.

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MICHAEL SUKSI: Yes. Timing, I'll start with that, it's impossible as I think people know to absolutely conclusively say what timing will be because, you know, it depends on when the deal actually gets done, and sometimes these things can fall apart at the last minute.

So we don't control timing completely, but what I will say is that we are actively involved with that right now. And so there's the potential that there could be something this year, but again, we don't control that completely.

In terms of size range, consistent with what we said last quarter, the ranges tend to be for companies that we're talking to anywhere from – I'm talking about revenues now – 10 million a year to 50 million a year, in that kind of a range. We could do something that's outside of that range if the circumstances were right; but at the moment we're not engaged in any discussion outside of that range.

SOPHIA TAYLOR: Wonderful. Thanks for your help.

MICHAEL SUKSI: Sure. Thanks for your question.

OPERATOR: Your next question comes from the line of Stephen Hamer with Canaccord. Your line is open.

STEPHEN HAMER: Hello. Thank you for taking my question. I have a few, if you don't mind. The first is on pension obligations.

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MICHAEL SUKSI: Go ahead.

STEPHEN HAMER: And I see that pension obligation over the last few years has been coming down pretty steadily. What can we anticipate there over the next few years? Are you hoping to reduce that overall?

PAUL O'SHEA: It will depend on how the actuarial valuations turn out. We will be doing an actuarial valuation through the summer to have the results by September.

STEPHEN HAMER: Right.

PAUL O'SHEA: When we went through it last year I believe – and I'm just going off memory – that we'd originally thought our contribution would need to be about 3.6 million – 3.5, 3.6 million – and it came in around the 2.2 million range.

STEPHEN HAMER: Right.

PAUL O'SHEA: So it's all subject to what discount rates do and market returns.

STEPHEN HAMER: Right.

PAUL O'SHEA: So we'll know better by September. And we will go with that at that point in time.

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STEPHEN HAMER: Right. Now your revolving bank facility's dropped over the last year from 69 million to 54. Any thoughts on what your financing needs are going to be through the year?

PAUL O'SHEA: They should be relatively stable. Again, it will depend on what we do with acquisitions.

STEPHEN HAMER: Yes, I'm assuming no acquisition in that...

PAUL O'SHEA: Yes, it should be... we should be stable. We're at 55 million on our senior credit facility right now. We don't anticipate that changing, all things being equal.

STEPHEN HAMER: Right. In your new initiatives that you're undertaking, what kind of rates of return do you – and I'm not asking what you would anticipate and project – but what would you find to be acceptable as your rate of return or return on capital, or however you want to define it?

MICHAEL SUKSI: Oh, I'll respond to that, Stephen. We are setting goals in those areas to be a minimum, and we think of it from a gross margin perspective because again, at least with the things that we've launched or about to launch shortly, the cost isn't so much in the capital as it is in people and consumables and so on. So we're focusing on it from a

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GM perspective, and we are seeking to do better in terms of those margins than we do typically in our business today, so north of 30 per cent.

STEPHEN HAMER: Right. And do you have a target down the road of what percentage these new businesses might be of your total business?

MICHAEL SUKSI: It's too soon to tell. We have internally identified some high-level goals that we want to achieve.

STEPHEN HAMER: Right.

MICHAEL SUKSI: But I don't feel that it would be particularly responsible to talk about those because it's too soon to really have a good handle on it. What I will say is that our intention is not to have much to do about nothing. In other words, this isn't so that a year or two from now we can say we added a couple of million bucks because everyone would say who cares? So we want it to be material and impactful to turning around the broad trend that we've seen in our business in the last four years and turn it into something that has some growth to it.

STEPHEN HAMER: And the five new accounts that you won, or five significant new accounts that you won, what was the driving force behind the change? Was it the level of service that you could provide? Have the people gone out of business who were...? Like are you seeing a lot of

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competition fall by the wayside? What's the competitive landscape looking like right now?

MICHAEL SUKSI: It's a broad question, but a good one. I'm going to make some generalizations here with those five wins. More than anything in terms of the types of product lines that they were involved with, they were consistent with the strategy that we talked about. They were more in the marketing space than the document management space.

STEPHEN HAMER: Um-hmm.

MICHAEL SUKSI: Some were in the document management space, but more in marketing. And they were more in the digital print, web-to-print portion of the marketing space than they were in the more traditional part of our business. So that is encouraging from the point of view that it sort of reaffirms the strategic direction we're going in, and it seems like the right thing.

Also with those clients, we are having initial discussions with them about not just what we're able to do for them today, but where we are going to be able to take them in the future, and with some of the new things that we're launching. And they respond very well to that. They feel that that could be a good fit for them. It's not really about companies going

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out of business though. We've had some cases in past years where that has helped us out, but that's not the case this year.

STEPHEN HAMER: Okay. Now you're talking to somebody who unfortunately is a bit of a digital luddite. So you've used some interesting terms like the web-to-print marketing and some of the eCommerce applications. What would an example be of web-to-print marketing, and some of these direct-to-consumer types of things? What would some examples be of that, please?

MICHAEL SUKSI: Sure. Here's a good example. In the traditional world of direct mail, if you're used to getting some kind of an offer that comes in in the mail that's... Sorry if I'm talking at too much of a basic level here, but based on...

STEPHEN HAMER: Oh, don't worry about being too basic.

MICHAEL SUKSI: Based on your term, luddite, I'll give you a straightforward one. So, you know, the traditional approach would be that a company would send out a large volume of pieces in the mail that were very, very similar other, than they might have Stephen's name on them and address. But other than that the text and the content and the offer is pretty much the same throughout a very large run.

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And with regards to using digital printing technology, what that's doing is allowing us and other organizations to be able to vary the content of each letter that goes out or each offer that goes out, not just in terms of your name, but in terms of the actual offer itself, what the content is of the document. So it might be for one person, there's an offer that's associated with one product that a retailer is selling, and another person who would get a DMP, a direct marketing piece, from the same retailer, but it would have a different product that's being promoted.

STEPHEN HAMER: Right.

MICHAEL SUKSI: That's what the digital printing capability allows. And then I referred to data analytics, which is a professional services consulting process that would allow us to work with our clients to help them figure out what the costs would be based on customer spend.

And then the web element, when I say web-to-print, Stephen, means that to take everything I just described one step further, a client can go onto our website and using... filling in on our website, custom design templates that we would have designed just for them, they can essentially create on the site their own design, their own mailing list, do a lot of that work themselves, and then hit send, and it goes to our digital printing devices. Hence the term, web-to-print.

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STEPHEN HAMER: Oh, I see. That's... Wow, that's very significant.

So now would any of this, do you have an email capability as well that, you know, because people send stuff by email all the time. So would that be part of it, like a customer, for example, say an Air Canada – I don't know if Air Canada's your customer or not, but I'm just using that as an example – they want to send out emails, blanket emails, and they want to customize the email, so I get one, you get one and so on and so forth. Is that what your product can do as well?

MICHAEL SUKSI: When I described the fact that in Q3 we are launching a multi-channel offering, that's part of what we will be offering. We do a little bit of it now, but we'll ramp that up significantly.

STEPHEN HAMER: Um-hmm.

MICHAEL SUKSI: So to build on the example I just gave where today we're doing various types of traditional print, digital print, web-to-print kind of solutions, those are all in place right now. And what we'll add to that in Q3 is the ability to take that concept of a direct marketing program but also be able to do email, but also mobile text messaging because mobile is the way of the future. And then build into that personalized websites, so picture an email or a direct mail piece that lands at your computer screen or in your home that has an offering, a promotion in it and guides you to a

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website that says, Hi, Stephen, and here's a chance for you to enrol in our program and you get a prize. Those websites are all part of that direct marketing program, and a rapidly growing part of the direct marketing world. So we'll add that functionality too. So that's all coming in about a quarter or so.

STEPHEN HAMER: And who would be some of the key competitors in that field, or are there many or just a few or...?

MICHAEL SUKSI: It's pretty fragmented, and our market research indicates that there's nobody that's really come to dominate the space.

STEPHEN HAMER: Right. Interesting. And in terms of your traditional businesses, are they pretty stable? Are they growing? Do they grow with the economy, like if the GDP's up 2 per cent, do you see your business go up 2 per cent, or how does that work?

MICHAEL SUKSI: Yes, we're pretty aligned with the economy. Yes, the answer to that is the economy has a definite impact on our business.

STEPHEN HAMER: Right, right. And your sense of the economy, is it getting better or is it the same, getting worse?

MICHAEL SUKSI: It's stable, from our perspective. We took pains in our last I guess two quarterly calls to describe the impact on DATA of the recession. But we are past that; it's behind us.

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STEPHEN HAMER: Right.

MICHAEL SUKSI: We're not seeing any negative impact from that. And at the same time though, I'm not seeing any kind of big growth either. So it's a bit of a non-issue at the moment for us.

STEPHEN HAMER: Great. I've taken up a lot of your time with a lot of questions. Thank you very, very much.

MICHAEL SUKSI: Thanks for your questions, Stephen.

STEPHEN HAMER: You're welcome.

OPERATOR: Again, if you would like to ask a question, please press * then the number 1 on your telephone keypad.

And your next question comes from the line of Bill Chisholm with MacDougall, MacDougall and MacTier. Your line is open.

BILL CHISHOLM: Yes, good morning.

MICHAEL SUKSI: Good morning, Bill.

BILL CHISHOLM: Hi. I'm quite intrigued by all your new projects and new services that you're planning, which seems very exciting. Curious about on the photo album book business you're getting into, do you have any sort of competitive advantage getting into that business compared to those who were in it already?

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MICHAEL SUKSI: Yes, we do. But I'm not, because we think it is a significant competitive advantage, I'm not today going to describe the detail behind that because we're not quite launching yet. But we are providing the information. In other words, if you think back to the last call that Bill, I know you were on, we alluded at a pretty high level to launching some new products in the marketing space. Today we talked about specifically now what they are, and in the next quarter perhaps we'll go into even more detail. But given that we're about to launch, and we think we have an angle on it that's a real advantage, we're going to just keep that to ourselves for now.

BILL CHISHOLM: Okay. Now will you be... will your existing customers be using this or will this be new customers you'll be...?

MICHAEL SUKSI: Both.

BILL CHISHOLM: Both. Okay, very good. I guess the only other question I have is on the corporate conversion cost over to a corporation, you expensed 100 and some thousand dollars in the first quarter. Do you have an estimate of what the total is going to be for the year?

MICHAEL SUKSI: Yes, we think it's going to be about... Well, I think the number's \$560,000, Paul?

PAUL O'SHEA: \$560,000. That's our estimate at this point in time.

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BILL CHISHOLM: And when will you actually convert to IFRS accounting? Will you do that at the time of conversion or...?

PAUL O'SHEA: No, we already converted to IFRS accounting in the first quarter. We were required to do that effective January 1, 2011.

BILL CHISHOLM: Okay. And the 2010 numbers have...

PAUL O'SHEA: Have been restated, yes.

BILL CHISHOLM: Okay. Well, there wasn't much of an impact.

PAUL O'SHEA: No. It's mostly around the balance sheet.

BILL CHISHOLM: Yes. Okay, that's fine. Thank you.

MICHAEL SUKSI: Thanks, Bill.

OPERATOR: There are no further questions at this time. I turn the call back over to our presenters for any closing remarks.

MICHAEL SUKSI: Well, thank you for your questions, thank you for listening today, and we look forward to talking to you again in about three months' time to update you on our next quarterly results.

OPERATOR: Ladies and gentlemen, this concludes today's conference call. You may now disconnect.

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