

*This is an important document that requires your careful review and consideration. If you are in doubt as to how to respond to the Offer, you should consult with your investment dealer, stockbroker, bank manager, lawyer or other professional advisor. Inquiries concerning the information in this document should be directed to Georgeson Shareholder Communications Canada Inc. at 1-888-605-7616.*



## **Notice of Change to Directors' Circular**

**RECOMMENDING**

**REJECTION**

of the Amended and Extended Offer by

**6818862 CANADA INC.,**

**an indirect wholly-owned subsidiary of**

**SEITEL, INC.**

to purchase all of the outstanding common shares of

**Pulse Data Inc.**

at a nominal price of \$3.30 per common share (before deduction of dividends)

**The Board of Directors of Pulse Data Inc. continues to unanimously recommend that you REJECT the Seitel, Inc. Offer and NOT TENDER your Pulse Data Shares**

### **Notice to United States Securityholders:**

*The Seitel Offer is in respect of securities of a Canadian issuer, and while the issuer is subject to continuous disclosure requirements in Canada, securityholders should be aware that these requirements are different from those in the United States. The enforcement by United States securityholders of civil liabilities under United States federal securities laws may be adversely affected by the fact that the issuer is located in a foreign country and that some of its directors and officers are residents of a foreign country.*

October 3, 2007

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### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Notice of Change to Directors' Circular are "forward looking statements". Forward looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", or other similar words, or statements that certain events or conditions "may" or "will" occur. Forward looking statements are not based on historical facts but rather on expectations regarding Pulse Data's future growth, results of operations, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of business prospects and opportunities as of the date hereof. Such forward looking statements reflect current beliefs and assumptions and are based on information currently available. Forward looking statements involve significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with the impact of general economic conditions, industry conditions, governmental regulation, currency fluctuations, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources, and other factors, many of which are beyond the control of Pulse Data.

## DEFINITIONS

*In this Notice of Change to Directors' Circular, the following terms shall have the meanings set forth below:*

"**ASC**" means the Alberta Securities Commission;

"**Board**" means the board of directors of Pulse Data;

"**Directors' Circular**" means the Directors' Circular of the Board dated August 24, 2007 recommending rejection of the Original Seitel Offer, as amended and supplemented by the First Notice of Change;

"**First Notice of Change**" means the Notice of Change to Directors' Circular dated September 24, 2007 which was issued by the Board in response to the Notice of Extension in respect of the Seitel Offer dated September 18, 2007 which extended the expiry of the Seitel Offer to 5:00 p.m. (Toronto time) on September 28, 2007;

"**Offer Documents**" means, collectively, the Seitel Offer, the take-over bid circular accompanying the Seitel Offer and the related letter of transmittal and notice of guaranteed delivery;

"**Offer Price**" means \$3.30 cash per Pulse Data Share (before deduction of dividends);

"**Offeror**" means 6818862 Canada Inc., a corporation incorporated under the laws of Canada and an indirect wholly-owned subsidiary of Seitel, Inc.;

"**Original Seitel Offer**" means the unsolicited offer by the Offeror to purchase all of the outstanding Pulse Data Shares dated August 10, 2007, as amended by Notice of Variation dated August 22, 2007, the terms and conditions of which are set forth in the Offer Documents;

"**Pulse Data**" means Pulse Data Inc., a corporation incorporated under the CBCA;

"**Pulse Data Shares**" means common shares in the capital of Pulse Data;

"**Seitel**" means Seitel, Inc., as further described in the Offer Documents;

"**Seitel Offer**" means the Original Seitel Offer, as extended by the Notice of Extension dated September 18, 2007, and as amended and further extended by the Notice of Variation and Extension dated September 28, 2007, the terms and conditions of which are set forth in the Offer Documents;

"**Shareholders**" means the holders of Pulse Data Shares, from time to time, and "**Shareholder**" means any one of them;

"**Special Committee**" means the special committee of the Board formed in response to the Original Seitel Offer;

"**ValueAct Capital**" means, collectively, ValueAct Capital Master Fund, L.P., and ValueAct Capital Master Fund III, L.P., as further described in the Offer Documents.

## NOTICE OF CHANGE TO DIRECTORS' CIRCULAR

This Notice of Change to Directors' Circular further amends and supplements the Directors' Circular issued by the Board in connection with the Original Seitel Offer, and is being issued in response to the Notice of Variation and Extension in respect of the Seitel Offer dated September 28, 2007 which (i) increases the nominal Offer Price to \$3.30 per Pulse Data Share (\$3.2625 after deducting Pulse Data's regularly quarterly dividend that was declared in August 2007 and paid on September 20, 2007); and (ii) extends the expiry of the Seitel Offer to 5:00 p.m. (Toronto time) on October 12, 2007. This Notice of Change to Directors' Circular should be read in conjunction with the Directors' Circular. Defined terms used herein but not defined in this Notice of Change to Directors' Circular have the meanings given to them in the Directors' Circular.

Information herein relating to the Offeror, Seitel and the Seitel Offer has been derived from the Offer Documents. Neither Pulse Data nor the Board assumes any responsibility for the accuracy or completeness of such information.

### UNANIMOUS RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board continues to believe that the Seitel Offer is inadequate as it does not take into account Pulse Data's growth potential, does not offer any control premium over the value of the Pulse Data Shares (before taking into account Pulse Data's growth potential), and does not share with the Shareholders the significant synergies that should be realized by Seitel upon acquiring Pulse Data. **For the reasons set forth below in this Notice of Change, the Board continues to unanimously recommend that Pulse Data Shareholders REJECT the Seitel Offer and NOT TENDER their Pulse Data Shares to the Seitel Offer.**

### NO NEED FOR IMMEDIATE ACTION

As a Pulse Data Shareholder, there is no need for you to do anything immediately. The Seitel Offer is currently scheduled to expire on October 12, 2007 at 5:00 p.m. (Toronto time), unless extended or withdrawn. If you have already tendered Pulse Data Shares to the Seitel Offer, you should withdraw them as described in the Offer Documents.

### RECENT DEVELOPMENTS

#### Update on Review of Strategic Alternatives

Of the eight parties identified in the First Notice of Change as active with confidentiality agreements, none have moved forward to pursue negotiations with respect to a potential transaction. As previously indicated, Pulse Data had received certain preliminary indications of interest from certain financial buyers at superior price levels; however, the Board does not anticipate receiving in the near future any superior proposals for the acquisition of Pulse Data Shares. As mentioned in the First Notice of Change, the current state of the debt markets has resulting in debt financing being either no longer available, or available on much more stringent terms than in the past, to financial buyers which has made it more difficult for such buyers to participate in an auction process.

Pulse Data continues to seek and assess strategic alternatives to maximize shareholder value, and, in particular, is continuing to pursue seismic data library acquisitions that would be considered accretive to its business.

## **Recent Developments Concerning the Seitel Offer and Pulse Data's Shareholder Rights Plan**

Following the mailing on September 24, 2007 of the First Notice of Change to Shareholders, on September 25, 2007, the Board determined to reduce the time period for the Seitel Offer to qualify as a "permitted bid" under Pulse Data's Shareholder Rights Plan (the "Rights Plan"). Pulse Data issued a press release on September 25, 2007 indicating that such determination was made as a result of a careful assessment by the Board of strategic alternatives available to Pulse Data at that time, including maximization of shareholder value through the execution of Pulse Data's current business plan and future prospects. The press release noted that the Board continued to unanimously recommend that Shareholders reject the Seitel Offer and that, notwithstanding the reduction of the time period for a permitted bid in respect of the Seitel Offer, the Rights Plan continued to provide important protection to Shareholder against a creeping take-over of Pulse Data by requiring that any take-over offer be accepted by Shareholders holding a majority of the outstanding Pulse Data Shares (other than those held by the Offeror and its joint actors).

On September 26, 2007, the ASC convened a hearing in connection with the application brought by the Offeror for an order to cease trade (i.e. effectively terminate) the Rights Plan and heard submissions from counsel to the Offeror, counsel to Pulse Data and staff of the ASC. The ASC delivered its oral decision on September 27, 2007 dismissing the application for a cease trade order upon finding that, in the circumstances, the Rights Plan was in the best interests of Shareholders. The ASC based its decision on the unique circumstances present, including the fully informed vote at the Shareholders meeting held on September 21, 2007 at which Shareholders (excluding ValueAct Capital and its joint actors) overwhelmingly approved the Rights Plan in the face of the Seitel Offer. Although the ASC dismissed the Offeror's application for an order to cease trade the Rights Plan, the ASC's decision does not preclude the Offeror from making a further application for a similar order in the event of a change in circumstances. On September 27, 2007, Pulse Data issued a press release announcing that the ASC had dismissed the Offeror's application to cease-trade the Rights Plan.

On September 28, 2007, the Offeror and Seitel issued a press release to announce the extension of the Offer and the increase in the Offer Price. In a further press release issued on October 1, 2007, Seitel stated that the amended and extended Seitel Offer was its "best and final offer" to Shareholders.

On October 1, 2007 Pulse Data issued a press release in response to the amended and extended Seitel Offer in which Pulse Data indicated that the Board would consider the amended and extended Seitel Offer. Pulse Data noted that the increased Offer Price is actually only \$3.2625 per share after deducting the regular quarterly dividend declared in August 2007, and that the dividend adjusted price represented only a 1.6% premium to the closing price of \$3.21 prior to the announcement of the amended Seitel Offer and only a slim 9.8% premium to the volume weighted average trading price of Pulse Data Shares of \$2.97 for the 30 trading days prior to the original Seitel Offer.

On October 3, 2007, Pulse Data issued a further press release indicating that the Board unanimously recommended that Shareholders reject the amended and extended Seitel Offer and not tender their Pulse Data Shares.

On October 3, 2007, Pulse Data further announced that it was calling a meeting of Shareholders to re-confirm the continuation of the Rights Plan in light of the amended and extended Seitel Offer. The Board believes that Shareholders should have the opportunity to re-confirm the Rights Plan in light of Seitel's "best and final" offer. The Rights Plan provides important protection to Shareholders in case of take-over bids such as the Seitel Offer. The Rights Plan prevents a creeping take-over of Pulse Data, by requiring that any take-over offer be accepted by Shareholders holding a majority of the outstanding Pulse Data Shares (other than those held by the Offeror and its joint actors).

## **Update on Terrapoint Sale Process**

Over the past seven months, following its original announcement on March 5, 2007, Pulse Data has diligently pursued a disposition of Terrapoint. The process included engaging Dundee Securities Corporation as financial advisors, establishing an electronic data room for potential purchasers, and soliciting and receiving expressions of interest from interested parties.

Although Pulse Data did not meet its target date of September 30, 2007 for completion of the disposition of Terrapoint, Pulse Data continues to pursue the disposition of Terrapoint. An expression of interest from an independent potential purchaser was received on October 2, 2007, which Pulse Data is currently reviewing.

The Board and management of Pulse Data remain committed to a business plan focused solely on Pulse Data's core seismic data library business.

### **REASONS FOR RECOMMENDATION**

**The Board continues to unanimously recommend that Shareholders REJECT the Seitel Offer and NOT TENDER their Pulse Data Shares to the Seitel Offer. If you have already tendered Pulse Data Shares to the Seitel Offer, the Board recommends that you withdraw them. The Board and senior management are unanimous in the view that Pulse Data's business plan of growing the seismic data library through strategic, high-quality seismic data acquisitions and participation surveys offers attractive growth potential and superior value for all Shareholders. The additional reasons for the Board's conclusions and recommendations are as follows:**

**1. The Seitel Offer is actually only \$3.2625 per Pulse Data Share.**

Under the amended and extended Seitel Offer, the Offer Price continues to be reduced by the regular quarterly dividend that was declared in August 2007 and paid on September 20, 2007. Thus the true consideration being offered to Shareholders is \$3.2625 rather than \$3.30.

**2. The Seitel Offer does not take into account Pulse Data's growth potential or offer any control premium.**

The Seitel Offer does not take into account Pulse Data's growth potential and does not offer any control premium over the value of the Pulse Data Shares (before taking into account Pulse Data's growth potential). In addition, the Seitel Offer does not share with the Shareholders the significant synergies that should be realized by Seitel upon acquiring Pulse Data. These synergies would result from significant savings in general and administrative costs and in the greater market share the combined business would have. Pulse Data estimates that upon Seitel taking Pulse Data private and combining their seismic operations, Seitel should realize synergies, from the cost savings alone, with a Pulse share value in excess of \$0.50 per Pulse Data Share.

**3. The Seitel Offer does not reflect Pulse Data's three consecutive quarters of record data library sales or the recently increased dividend.**

In its news release on September 21, 2007, Pulse Data announced record quarterly seismic data library sales for the third consecutive quarter. As a result of its increased sustainable free cash flow, Pulse Data also announced a 33% increase in its annual dividend rate, from \$0.15 per share to \$0.20 per Pulse Data Share. The Seitel Offer does not adequately reflect Pulse Data's three consecutive quarters of record seismic data library sales, nor the 33% increase in the annual dividend rate. Based upon the dividend-adjusted offer price of \$3.2625 per Pulse Data Share, the annual dividend of \$0.20 per Pulse Data Share represents an effective yield of

approximately 6.1%. This is an attractive dividend yield for a Canadian publicly traded corporation, and it would be difficult for Shareholders who accept the Seitel Offer to replace it.

**4. The Seitel Offer does not offer a significant premium to market price.**

The dividend-adjusted offer price of \$3.2625 per Pulse Data Share represents only a 1.6% premium to the closing price of \$3.21 per share on September 28, 2007, which was reached prior to the announcement of the amended and extended Seitel Offer, only a 6.3% premium to the volume-weighted average trading price of \$3.07 per share for the 30 trading days prior to the date of the amended and extended Seitel Offer, and only a 9.8% premium to the volume-weighted average trading price of \$2.97 per share for the 30 trading days prior to the original Seitel offer.

**5. The purported premiums stated by Seitel are outdated and misleading.**

In its news release of September 28, 2007 and the Notice of Variation and Extension dated September 28, 2007, Seitel continues to base its claimed premiums on the market price of Pulse Data Shares before the offer made by Quantum Yield Inc. in June 2007. This price comparison is based upon price data that is now more than three months old. As previously pointed out by Pulse Data, this price comparison is outdated and misleading.

Seitel also continues to claim premiums to the price of the private placement of Pulse Data Shares completed by Pulse Data in July 2007. As previously pointed out by Pulse Data, private placements are commonly issued at a discount to market price due to the statutory hold period applicable to the shares issued under the private placement. In addition, this price comparison is based upon price data that is now two months old. For both reasons, this price comparison is misleading.

**6. Significant Shareholders have indicated that they do not intend to tender to the Seitel Offer.**

Significant shareholders and the directors, officers and certain consultants of Pulse Data, collectively representing in excess of 50% of Pulse Data's outstanding shares (fully diluted), have again verbally indicated to the officers and directors of Pulse Data that they do not intend to tender their Pulse Data Shares to the Seitel Offer. The Seitel Offer continues to be conditional upon at least 66-2/3% of the outstanding Pulse Data Shares (fully diluted) being tendered to the Seitel Offer. If the minimum tender condition is not waived by Seitel, then the Seitel Offer will not succeed.

**7. The new provision added by Seitel to the Seitel Offer does not provide any protection to Shareholders against a creeping take-over bid by Seitel.**

The amended and extended Seitel Offer provides that until such time as the Rights Plan is cease-traded or is no longer applicable to the Seitel Offer, Seitel will not waive the minimum tender condition of 66-2/3% of the outstanding Pulse Data Shares (fully diluted) unless a majority of the outstanding Pulse Data Shares (other than those owned by ValueAct, the parent company of Seitel) are tendered to the Seitel Offer.

This new provision does not provide protection to Shareholders against a creeping take-over bid by Seitel, since Seitel has not agreed that it will not bring another application to cease-trade the Rights Plan which was overwhelmingly approved by Shareholders on September 21, 2007. If such an application was brought and was successful, the Offeror would be permitted to waive its minimum tender condition and take up and pay for any number of Pulse Data Shares deposited under the Seitel Offer and not withdrawn, even where such deposited shares would not represent a majority of the outstanding Pulse Data Shares (excluding those owned by the Offeror and ValueAct Capital). As a result, the Offeror (acting jointly with ValueAct Capital which currently owns approximately 13.5% of the outstanding Pulse Data Shares) would be in a position to effect a

creeping take-over bid for the outstanding Pulse Shares. If ValueAct Capital's share ownership position continues to increase through a creeping take-over bid strategy, Pulse Data may become less marketable in the future and the ability of Shareholders to realize a full premium in any future change of control transaction would be adversely affected which, in the opinion of the Board, is not in the best interests of Shareholders. A large share ownership position held by ValueAct Capital may also allow Value Act and Seitel to effectively control the Board and be in a position to dictate Pulse Data's business plan, including their stated intention of eliminating the payment of quarterly dividends. A creeping take-over bid strategy would also allow the Offeror to effectively acquire control of Pulse Data without paying any appreciable control premium to the Pulse Data Shareholders. This appears to have been acknowledged by counsel to the Offeror and Seitel in the application made by the Offeror to the ASC for an order cease trading the Right Plan where such counsel stated it was likely that the Offeror "was not going to pay a premium price for a minority position or something close" where it could achieve control "in some reasonable time frame".

The Rights Plan does not entrench management or the Board, but rather empowers the Shareholders. The Rights Plan does not stand in the way of the Seitel Offer so long as at least a majority of the Pulse Data Shares (excluding Pulse Data Shares held by ValueAct Capital and its joint actors) are tendered to the Seitel Offer. Rather, the Rights Plan preserves the ability for Shareholders to decide to tender to the Seitel Offer in the event that the Offeror offers to pay an acceptable control premium. The Rights Plan thereby gives existing Shareholders important counterbalancing leverage over the Offeror in the context of its bid. If the Rights Plan is cease traded, this leverage is gone, and Shareholders may never realize an acceptable control premium for the Pulse Data Shares.

#### **8. Refusal by Seitel to negotiate an acceptable price.**

Pulse Data rejects Seitel's statement that it has refused to engage in substantive negotiations with Seitel. On the contrary, Pulse Data has made a number of overtures to Seitel to negotiate an acceptable transaction, which Seitel has either rejected or not followed up on each time.

#### **NO MATERIAL CHANGES**

Except as publicly disclosed or as referred to in this Notice of Change or in the Directors' Circular, the Board and senior officers of Pulse Data are not aware of any other information that indicates any material change in the affairs of Pulse Data since September 21, 2007, being the date of the First Notice of Change.

#### **STATUTORY RIGHTS OF ACTION**

Securities legislation in certain of the provinces and territories of Canada provides Shareholders with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or notice that is required to be delivered to such shareholders. However, such rights must be exercised within prescribed time limits. Shareholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

#### **APPROVAL OF DIRECTORS' CIRCULAR**

The contents of this Directors' Circular have been approved, and the delivery hereof has been authorized, by the Board of Directors.

**CERTIFICATE**

DATED: October 3, 2007

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made. The foregoing does not contain any misrepresentation likely to affect the value of the market price of the securities subject to the Seitel Offer within the meaning of the *Securities Act* (Quebec.)

On behalf of the Board of Directors

(Signed) "Arthur Dumont"  
Director

(Signed) "Douglas A. Cutts"  
President, Chief Executive Officer and Director

**ANY QUESTIONS OR REQUESTS FOR ASSISTANCE MAY BE DIRECTED TO:**

**GEORGESON SHAREHOLDER COMMUNICATIONS CANADA INC.**

**100 University Avenue**

**11<sup>th</sup> Floor, South Tower**

**Toronto, Ontario M5J 2Y1**

**North American Toll Free Number: 1-888-605-7616**