YELLOW MEDIA INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2011

March 23, 2012

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EXPLANATORY NOTES

The information in this Annual Information Form is stated as at December 31, 2011, unless otherwise indicated.

Unless otherwise indicated or the context otherwise requires, the "Corporation" refers to Yellow Media Inc. and/or its subsidiaries, and where such references are prior to November 1, 2010, the Fund and/or its subsidiaries; "YPG" refers to Yellow Pages Group Co.; "Fund" refers to Yellow Pages Income Fund, a predecessor of the Corporation; "Trust" refers to YPG Trust, previously a wholly-owned subsidiary of the Fund; "YPG GP" refers to YPG General Partner Inc., previously a wholly-owned subsidiary of the Fund; "Trader" refers to Trader Corporation; "Canpages" refers to Canpages Inc.; and "W2W" refers to Wall2Wall Media Inc. Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to "$" are to Canadian dollars.

Certain statements in this Annual Information Form may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Yellow Media Inc., or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Annual Information Form, such statements may be identified by such words "aim", "anticipate", "believe", "could", "estimate", "expect", "goal", "intend", "objective", "may", "plan", "predict", "seek", "should", "strive", "target", "will", "would" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this Annual Information Form. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future results or performance, and will not necessarily be accurate indications of whether or not such results or performance will be achieved. A number of factors could cause actual results or performance to differ materially from the results or performance discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Competition", "Decline in Print Revenue", "The availability of capital is dependent on the future operating performance of the Corporation's business and the Corporation's ability to refinance its indebtedness", "The Corporation's substantial indebtedness could adversely affect its financial health and the Corporation's efforts to refinance or reduce its indebtedness may not be successful", "The recent downgrades in the Corporation's credit ratings may increase its borrowing costs", "No Dividends for the Foreseeable Future", "Interest Rate Fluctuations", "Pension Contributions", "Reliance on Telco Partners and Other Suppliers", "Reliance on Key Brands and Trade-Marks and Failure to Protect Intellectual Property Rights", "Labour Relations", "Income Tax Matters", "Impairment Losses", "Acquisitions of New Businesses", "Advances in Communications Technologies", "Reliance on Key Personnel", "Pricing", "Prolonged Economic Downturn in Principal Markets", "Restrictive Covenants in Indebtedness of the Corporation", "Sales of Advertising to National Accounts", "Reliance on Search Engines and Portals", "Reliance on Technology", "Regulatory" and "Environmental Compliance" of the "Risks and Uncertainties" section. Additional risks and uncertainties not currently known to Management or that are currently deemed to be immaterial may also have a material adverse effect on the Corporation's business, financial position or financial performance. Although the forward-looking statements contained in this Annual Information Form are based upon what Management of the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements and cautions readers not to place undue reliance on them. These forward-looking statements are made as of the date of this Annual Information Form, and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required pursuant to securities legislation.

CORPORATE STRUCTURE

Name, Address and Incorporation

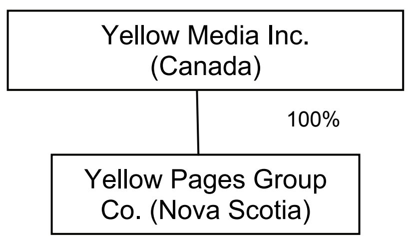
Yellow Media Inc. is a corporation amalgamated on November 1, 2010 under the *Canada Business Corporations Act* (the "CBCA"), resulting from the amalgamation of the predecessor entity named Yellow Media Inc., YPG GP, Canadian Phone Directories Holdings Inc. and certain other corporations pursuant to the plan of arrangement (the "Plan of Arrangement") referred to below. It is the successor of Yellow Pages Income Fund, following the completion of the reorganization of the Fund from an income trust structure to a corporate structure by way of a court-approved plan of arrangement (the "Arrangement") under section 192 of the CBCA.

As a result of the Arrangement, unitholders of the Fund received, for each unit of the Fund held, one common share of Yellow Media Inc. and consequently, the holders of units of the Fund became the holders of common shares of Yellow Media Inc. As a result of the reorganization, the Fund, the Trust and YPG LP were liquidated and dissolved. Accordingly, references to Yellow Media Inc. or the Corporation in this Annual Information Form for periods prior to November 1, 2010 are references to the Fund and/or its subsidiaries, as the context may require. See "Description of Yellow Media Inc. – Conversion of the Fund into the Corporation".

The Corporation's principal and head office is located at 16 Place du Commerce, Nuns' Island, Verdun, Québec, Canada, H3E 2A5.

Intercorporate Relationships

The following chart illustrates, on a simplified basis, the structure of the Corporation, including the jurisdiction of establishment/incorporation of the various entities as of March 23, 2012.



GENERAL DEVELOPMENT OF THE BUSINESS

History of Yellow Media Inc.

YPG (through one of its predecessors) published its first print directory in 1908. The business was operated as a division of Bell Canada until 1971, when it was incorporated as a wholly owned subsidiary of Bell Canada. In November 2002, funds managed by Kohlberg Kravis Roberts & Co. and the Ontario Teachers' Pension Board acquired the business from affiliates of Bell Canada. In August 2003, the Corporation completed its Initial Public Offering as an income trust, and in mid-2004, Kohlberg Kravis Roberts & Co. completed the sale of its remaining interests of the business.

Since 2004, the Corporation has completed a number of acquisitions enabling it to expand its presence from Ontario and Québec to every province and territory across Canada.

The Corporation's acquisitions have included all of the issued and outstanding shares of Advertising Directory Solutions Holdings Inc. ("ADS"), for approximately $2.55 billion at the end of May 2005. ADS was the official publisher for Telus Communications Inc. ("Telus") and the second largest telephone directories publisher in Canada and published directories under the brand SuperPages™ in Alberta, British Columbia and in certain parts of Québec where Telus is the incumbent telephone service provider. In October 2006, the Corporation indirectly acquired the directories business of MTS Allstream Inc. ("MTS Allstream") in Manitoba. In the spring of 2007, the Corporation indirectly purchased the assets of the

Aliant Directory Services Partnership, the official publisher for Bell Aliant Regional Communications LP ("Bell Aliant"), the incumbent and largest telephone company in Atlantic Canada.

The Corporation acquired Trader Media Corp. and Classified Media (Canada) Holdings Inc. in February 2006 and June 2006, respectively. Both of these companies were amalgamated to form Trader on January 1, 2007 which published print and digital automotive, real estate and generalist vertical media publications. In April 2007, Trader acquired a 50% interest in LesPAC Inc., a classified website in the generalist category, and in April 2009, acquired the remaining 50% interest of LesPAC Inc.

In September 2008, the Corporation acquired the directory production systems and services as well as the Mid-Atlantic and Southeast American directory publishing operations of Volt Information Sciences, Inc.

In January 2009, Trader purchased a minority interest and entered into a commercial agreement with Burlington, Vermont-based Dealer Dot Com, Inc. ("Dealer"), provider of digital solutions for automotive dealer websites, lead management tools, local search engine advertising solutions and metrics and Web analytics. In January 2010, Trader acquired an additional 10% equity interest in Dealer bringing its total equity interest in Dealer to approximately 32%.

In the first quarter of 2010, YPG acquired Restaurantica.com™, a restaurant and dining community website containing user generated reviews, the RedFlagDeals.com™ website, a leading provider of online promotions and shopping tools to Canadians and signed an agreement with 411 Local Search Corp. under which YPG purchased the 411.ca™ brand and domain names and acquired a 30% ownership interest in 411 Local Search Corp.

On April 15, 2010, a subsidiary of the Corporation contributed its interest in YPG Directories, LLC, publisher of Your Community PhoneBook™ in selected Mid-Atlantic and Southeast American markets in exchange for a 35% minority ownership in a new entity resulting from the business combination of YPG Directories, LLC and Ziplocal, LP.

On May 25, 2010, the Corporation acquired Canpages, an independent online and print directory publisher with mobile search technologies having operations in British Columbia, Alberta and Ontario.

On July 9, 2010, Trader acquired all of the assets of CanadianDriver Communications Inc. ("CanadianDriver"), publisher of CanadianDriver.com, an online automotive magazine.

On October 26, 2010, YPG announced the launch of Mediative, a digital advertising and marketing solutions provider for national agencies and advertisers. Concurrent with the launch of Mediative, the Corporation announced it had acquired Enquiro Search Solutions Inc., a leading search engine solutions company, Ad Splash Inc., a national retail advertising leader and UpTrend Media Inc., Canada's leading independent online advertising representation firm. YPG also entered into a licensing agreement with Acquisio Inc. for the Canadian rights to the company's flagship search, social and display advertising software platform.

On November 1, 2010, the Fund converted from an income trust structure into a corporate structure (Yellow Media Inc.). Following the conversion, Yellow Media Inc., parent company of YPG, began trading on the Toronto Stock Exchange ("TSX") under the ticker symbol "YLO". See "Description of Yellow Media Inc. – Conversion of the Fund into the Corporation".

On March 25, 2011, the Corporation reached a definitive agreement to sell Trader to funds advised by Apax Partners. Closing of the transaction occurred on July 28, 2011 for a purchase consideration of $702 million, net of expenses and estimated working capital, fees and other adjustments. The real estate, employment and LesPAC.com businesses were excluded from the divestiture. On November 14, 2011, the Corporation sold the assets of LesPAC Inc. to Mediagrif Interactive Technologies Inc. for a net purchase price of $71 million.

Recent Developments

The Corporation has begun evaluating alternatives to refinance maturities in 2012 and beyond. A broad range of alternatives will be considered and may involve the issuance of secured or unsecured debt, equity or other securities or other transactions. In connection with this review, the Board of Directors of the Corporation has established a committee of independent directors to serve as the Financing Committee (the "Financing Committee") that will oversee this process with the objective of completing any transaction or transactions in 2012. The Financing Committee is composed of four (4) independent Directors, namely Michael T. Boychuk, John R. Gaulding, Anthony G. Miller and Bruce K. Robertson (Chairman). The Financing Committee has a formal written charter, available on the Corporation's website at www.ypg.com, setting out its structure, duties and responsibilities. See "The availability of capital is dependent on the future operating performance of the Corporation's business and the Corporation's ability to refinance its indebtedness" and "The Corporation's substantial indebtedness could adversely affect its financial health and the Corporation's efforts to refinance or reduce its indebtedness may not be successful" under "Risks and Uncertainties".

BUSINESS OF THE CORPORATION

Yellow Media Inc. is a leading digital company offering media and marketing solutions to small and medium enterprises ("SMEs") across Canada. The Corporation is also a leader in national digital advertising through Mediative, a digital advertising and marketing solutions provider to national agencies and advertisers. W2W, a subsidiary of the Corporation, manages activities, publications, and services related to the real estate, employment and hospital newsprint and online verticals.

Directories

Overview

Through its nation-wide sales force of approximately 1,500 employees, including sales support staff, the Corporation serves approximately 340,000 local businesses, representing 29% of all businesses in the Corporation's markets. YPG also caters to the country's largest national agencies and advertisers through Mediative, its national digital advertising and marketing solutions division.

The Corporation is Canada's largest telephone directories publisher and owns and operates some of Canada's leading properties and publications including Yellow Pages™ directories, YellowPages.ca™, Canada411.ca™, Canpages.ca™ and RedFlagDeals.com™. Its online destinations reach approximately 9 million unique visitors monthly. YellowPages.ca™ can also be accessed on mobile devices through its various mobile applications on BlackBerry™, Apple iPhone™ and iPad™, Windows Mobile™ and Android™. As of December 31, 2011, its mobile applications had been downloaded 3.7 million times. YPG is the exclusive owner of the Yellow Pages™, Pages Jaunes™, Walking Fingers & Design™, Canada411™ and RedFlagDeals.com™ trade-marks in Canada.

The YellowPages.ca™ directory is the source behind a variety of online functionalities for a wide range of online sites in Canada. YPG has entered into agreements with several Internet portals, search engines and individual websites to promote its online directories and distribute its local data, such as AOL.ca, yahoo.ca, Yahoo! Mobile, Sympatico.ca, Canada.com, Bell Aliant, MTS Allstream, CBC.ca, Telus Mobility, Google Canada, FourSquare and Twitter. The YellowPages.ca™ directory is continually enhanced to facilitate local search and allow users to perform smarter local buying decisions. The Canada411.ca directory is the number one directory site for residential listings in Canada, providing residential listings, including postal codes, through its "Find a Person" interface. It includes results aggregated from the leading social media networks of Facebook™, Twitter™ and LinkedIn™.

YPG is the official Canadian directories publisher of Bell Canada, Telus, Bell Aliant, MTS Allstream, and a number of other incumbent telephone companies that have a leading market share in their respective markets.

2011 saw the launch of the Corporation's 360° Solution. With this integrated solution offered through a single point of access, YPG now offers targeted print advertising, presence on leading online and mobile Canadian properties and applications, managed web site solutions (including design) and videos, customized search engine marketing and search engine optimization, as well as access to a broad network of partners, to performance reporting and analytics and to personalised expertise and services.

In 2011, the Corporation, through YPG and Canpages, published more than 400 different print telephone directories annually with a total circulation of approximately 29 million copies reaching substantially all of the Canadian households and businesses in its markets which were also available online and through a variety of digital options. Local businesses represented approximately 91% of YPG and Canpages' advertising revenue in 2011. The Corporation's largest advertiser contributes less than 1% of annual revenue.

Mediative is one of Canada's largest integrated advertising and digital marketing companies. Mediative develops marketing solutions for national advertisers. It serves the marketing needs of clients such as WalMart, Future Shop, Sears and Disney. It is also one of Canada's leading ad display network, managing the ad inventory of approximately 500 web sites such as Best Buy, Martha Stewart, Sears, Future Shop and Toys 'R' Us. Mediative's advertising network reaches over 15 million unique visitors per month.

Following the sale of Trader, the Corporation created Wall2Wall Media Inc. ("W2W"), which manages over 75 print publications and six websites reaching approximately 5 million Canadians each year relating to the real estate and décor markets, employment and hospital news.

General

The Corporation's print and online directory operations are performed internally. Canadian businesses are approached by a sales force comprised of approximately 1,500 employees, including sales support staff, and offered the ability to create a lead and business generation campaign that will have visibility on the Corporation's online, mobile and print platforms. Canadian businesses are also offered access to managed website services and search engine solutions. The sales force collects the advertiser's information and the Corporation's production staff creates a tailor-made lead generation campaign for the advertisers. The campaign is then repurposed on one or more of the Corporation's platforms, namely online, mobile, print and/or through website and search engine solutions. As of December 31, 2011, the percentage of existing YPG customers across Canada advertising in its online directory represented 63% of total directory customers.

The print directories selling and production cycle lasts approximately 12 months from the initial sales date. YPG and Canpages print directories are distributed yearly by third party distributors to business and residential locations (free of charge to users) throughout the Corporation's markets.

Production and Components

The Corporation manages the entire process of compiling the print and online directories internally, including listing information updates, sales contract and commission processing, advertisement design and creation, page layouts, and the transfer of completed pages to the online directories YellowPages.ca™, PagesJaunes.ca™, Canpages.ca and to YPG's printing suppliers for the print directories. YPG contracts with a third party supplier for the printing and binding of all its directories published in Canada. The principal raw material used in manufacturing a print directory is paper, the cost of which represents less than 3% of YPG's directories revenues. YPG contracts with third party vendors to distribute its directories to residences and businesses within the geographic area covered by the directory title. Additional copies of the directories are available for residential and business users upon request.

Under separate billing and collection agreements with each of Bell Canada, Telus, Bell Aliant and MTS Allstream (collectively, "Telco Partners") and other independent telephone companies, YPG's billing is included as a separate line item on customer's telephone bills. Telco Partners also provide collection services. See “Business of the Corporation – Long-Term Relationships with Telecommunication Companies”. Advertisers who do not use the incumbent telephone company as their telephone service provider, or who purchase products outside of their incumbent telephone company’s territory are billed directly by YPG. Selling contractors and certified marketing representatives (“CMRs”) are billed on an annual basis by YPG upon directory publication after which they bill their clients. Clients of Mediative are billed directly by YPG.

YPG recognizes revenue on a monthly basis over the estimated life of the print directory or online directory advertising, not exceeding twelve months, commencing with the delivery or display date, respectively. The amount billed to Certified Marketing Representatives is deferred and recognized over the next 12 months.

Long-Term Relationships with Telecommunication Companies

YPG has entered into publishing agreements and is the official and exclusive publisher of telephone directories of Bell Canada, Telus, Bell Aliant and MTS Allstream YPG has entered into royalty-free, 30-year licenses which grant it the right to use the Bell (up to 2032), Telus (up to 2031), Bell Aliant (up to 2037) and MTS Allstream (up to 2036) trade-marks in connection with the publication of print and online telephone directories in any format (subject to certain exceptions). In addition, Bell, Telus, Bell Aliant and MTS Allstream have agreed not to compete with YPG in the creation, publication, distribution or marketing of telephone directories (subject to certain exceptions) for a period of 30 years from the execution of their respective publication and trade-mark license agreements. Furthermore, YPG has entered into Billing and Collection agreements with Bell (up to 2016), Telus (up to 2031), Bell Aliant (up to 2037) and MTS Allstream Inc. (up to 2036), whereby each performs billing and collection services on behalf of YPG, including billing and collecting directory advertising fees from YPG’s advertisers who are also customers of the Telco Partners.

Competition

The Corporation faces competition in the local-based search media and the full-service solutions markets where it operates from persons or companies that offer advertising services targeted at reaching local businesses, such as digital (which includes internet and mobile) marketing, national and regional directory publishing companies, community newspapers, radio and television, direct mail, flyers and coupons as well as full-service web and digital advertising firms.

With respect to the local-based search media market, the Corporation faces competition in the online, mobile and print segments.

In the online segment of local-based search media, competition is arising from online search engines google.ca, yahoo.ca and bing.ca. Yahoo.ca integrates the Corporation’s yellowpages.ca local search information. In addition, the Corporation competes with Internet sites that provide classified directory information such as those of WebLocal.ca, a local search site operated by TC Media, owned by Transcontinental Inc., MapQuest.ca, indirectly wholly-owned by AOL Inc., reachlocal.com, a California based local search site (“ReachLocal”), Groupon.ca and livingsocial.com, as well as with social networking organizations such as Facebook Inc., Twitter, Inc., Yelp! Inc. and Foursquare Labs, Inc.

In the mobile segment of local-based search media, the Corporation faces competition from Google Inc., which is currently the highest ranked mobile destination in Canada and provides local advertising on mobile through its Adwords platform. The Corporation also competes with location-based search application Poynt, which provides applications for a variety of smartphones and which currently integrates the Corporation’s yellowpages.ca local search information in Canada.

In the print segment of local-based search media, the Corporation faces competition from regionally focused independent publishers. In Québec, the Corporation faces competition from Les Annuaires G.B. Inc. which publishes approximately 30 community-based directories and from Quebecor MediaPages™, a company of Quebecor Media Inc. operating under the name “trouve tout” and “smart find” (formerly under the MediaPages brand), which publishes approximately 15 directories. In December 2011, Quebecor Media Inc. announced that it would publish its last printed directories in 2012 and instead focus on its online directory under the “trouve tout” and “smart find” brands. In Ontario, the Corporation faces competition from Gold Book, a subsidiary of Metroland Printing, Publishing & Distributing Inc. (which is owned by Torstar Corporation), which publishes approximately 40 directories. In Saskatchewan, the Corporation faces competition from DirectWest Corporation, a subsidiary of Saskatchewan Telecommunications Holding Corporation (SaskTel), the Saskatchewan-based provincial telecom operator publishes approximately ten directories in Saskatchewan.

With respect to the full-service solutions market, the Corporation faces competition in the website provision, search engine marketing and search engine optimisation segments. In the website provision segment, the Corporation competes with numerous providers, including Bell Canada and Telus, which both offer small and medium businesses web design, web site hosting, domain names, phone and Internet bundles and e-commerce solutions. In the search engine marketing and search engine optimisation segments, the Corporation competes with ReachLocal as well as with Search Engine People Inc., an Internet marketing company.

Logos and Trade-marks

Management of the Corporation believes that its trade-marks are important to its competitive position. The Corporation owns more than 250 trade-marks in connection with its Canadian directories business including Yellow Pages™, Pages Jaunes™, Walking Fingers & Design™, Canada411™, YellowPages.ca™, PagesJaunes.ca™ and Canpages™. In addition, YPG has entered into trade-mark license agreements with Bell Canada, Telus, Bell Aliant and MTS Allstream, giving YPG the exclusive right to use their trade-marks in connection with the publication of print and online directories. See “Business of the Corporation – Long-Term Relationships with Telecommunication Companies”.

The Corporation devotes significant resources to the protection of its trade-marks and takes a proactive approach to protecting its brand exclusivity.

Regulatory Matters

The Canadian Radio Television Telecommunications Commission (“CRTC”) does not regulate the provision of directory advertising by, or the operations of, YPG except as regards to the protection of the incumbent telephone company customer information and insofar as their respective regulatory obligations in respect of alphabetical and classified listing telephone directories affect the contractual requirements it places on the Corporation as a service provider to them. These requirements include the customer’s entitlement to receive, free of charge, copies of the alphabetical directory in which the customer’s telephone number is listed in all markets where the incumbent telephone company is the local telephone service provider.

Debt Financing

The Corporation has begun evaluating alternatives to refinance maturities in 2012 and beyond. A broad range of alternatives will be considered and may involve the issuance of secured or unsecured debt, equity or other securities or other transactions. In connection with this review, the Board of Directors of the Corporation has established a committee of independent directors to serve as the Financing Committee that will oversee this process with the objective of completing any transaction or transactions in 2012. The Financing Committee is composed of four (4) independent Directors, namely Michael T. Boychuk, John R. Gaulding, Anthony G. Miller and Bruce K. Robertson (Chairman). The Financing Committee has a formal written charter, available on the Corporation’s website at www.ypg.com, setting out its structure, its duties and responsibilities. See “The availability of capital is dependent on the future operating performance of the Corporation’s business and the Corporation’s ability to refinance its indebtedness” and “The Corporation’s substantial indebtedness could adversely affect its financial health and the Corporation’s efforts to refinance or reduce its indebtedness may not be successful” Under “Risks and Uncertainties”.

Credit Facilities and Commercial Paper Program

On September 28, 2011, Yellow Media Inc. announced the amendment of its senior unsecured credit facility, previously totalling $1.0 billion and which consisted of a $750 million revolving tranche and a $250 million non-revolving tranche. The amended facility consists of a $250 million revolving tranche maturing in February 2013 (the "Revolving Facility"), and a $250 million non-revolving tranche maturing in February 2013 (the "Non-Revolving Facility", the Revolving Facility and the Non-Revolving Facility hereinafter referred to collectively as the "Amended Credit Facility"). Concurrently with the amendment, the Corporation repaid a total amount of $500 million of its bank indebtedness. The Amended Credit Facility is unsecured and bears interest at Banker's Acceptance rates plus a spread of 3.5% and/or at prime rate plus a margin of 2.5%.

The Non-Revolving Facility may be used for general corporate purposes of the Corporation. The Revolving Facility may be used for general corporate purposes, to fund redemptions under the Commercial Paper Program, if any, and to finance day-to-day operations of the Corporation. Pursuant to the terms of the Amended and Restated Credit Facility, the Corporation is required to make quarterly repayments of $25 million on the outstanding balance of the Non-Revolving Facility through January 2013. The first quarterly repayment of $25 million was made in January 2012.

Under the Amended Credit Facility, the Corporation must maintain a Consolidated Total Debt to Consolidated Latest Twelve Month EBITDA ratio of not more than 3.5 to 1 and a Consolidated Latest Twelve Month EBITDA to Consolidated Interest Expense ratio of not less than 3.5 to 1. The Corporation has also agreed to certain restrictions on the repurchase or redemption of shares and the repurchase or repayment of debt prior to their stipulated maturity dates, subject to certain exceptions, which include the refinancing of such instruments subject to specified conditions. The Amended Credit Facility allows the Corporation to repurchase up to $125 million of its Series 8 and Series 9 Medium Term Notes prior to their maturity date in 2013, subject to certain conditions. The Amended Credit Facility also includes restrictions with respect to the incurrence or assumption of indebtedness and liens, the transfer of assets as well as acquisitions and investments. Going forward, the Amended Credit Facility restricts the declaration and payment of common share dividends. The Corporation also agreed not to exercise its right to redeem its Preferred Shares Series 1 for cash. However, the Corporation retains the right to exercise its exchange rights in respect of the Preferred Shares Series 1. See "Capital Structure — Description of Preferred Shares".

As of February 9, 2012, after the required quarterly repayment and additional reimbursement with the net proceeds from the sale of the assets of LesPAC Inc., $180 million remained outstanding on the Non-Revolving Facility. The Corporation also had drawn $239 million on the Revolving Facility and had approximately $280 million in cash.

The Corporation was in compliance with all of its debt covenants as at December 31, 2011.

Since the Corporation's downgrade to a non-investment grade rating on August 4, 2011, the Commercial Paper Program has been suspended as there is limited demand for such a program under its current corporate ratings. See "Ratings", below.

Ratings

DBRS Limited ("DBRS") and Standard & Poor's Ratings Services ("S&P") rate debt instruments with ratings ranging from "AAA", which represent the highest quality of securities, to "D", which represent securities that are in payment default. The S&P ratings ranging from "AA" to "CCC" may be modified by the addition of a plus "(+)" or minus "(-)" to show relative standing within the particular major rating category. The DBRS ratings ranging from "AAA" to "D" may be modified by the addition of "(high)" or "(low)" to indicate the relative standing of a credit rating within a particular rating category.

DBRS lowered the Corporation's Issuer Rating from "BBB (high)" to "BBB" on August 4, 2011, to "BB" on September 28, 2011 and to "B (high)" negative trend on February 13, 2012. DBRS lowered the senior unsecured credit rating of the Corporation from "BBB (high)" to "BBB" on August 4, 2011, to "BB" on September 28, 2011 and to "B (high)" negative trend on February 13, 2012. DBRS also lowered the Convertible Debentures rating from "BBB" to "BBB (low)" on August 4, 2011, to "B (high)" on September 28, 2011 and to "B (low)" negative trend on February 13, 2012. In addition, DBRS lowered the preferred shares rating from "Pfd-3 (high) to "Pfd-3" on August 4, 2011, to "Pfd-4 (low)" on September 28, 2011 and to "Pfd-5 (low)" negative trend on February 13, 2012. Finally, DBRS discontinued the Corporation's commercial paper rating on December 8, 2011.

The "B (high)" and "B (low)" ratings are the fourteenth and sixteenth, respectively, of twenty-six ratings used by DBRS. Financial instruments that are rated in the "B" category by DBRS are, in DBRS' opinion, of highly speculative credit quality. Further, DBRS adds that there is a high level of uncertainty as to the capacity of the issuer to meet financial obligations. As mentioned above, the preferred shares of the Corporation have been given a rating of "Pfd-5 (low)" by DBRS. A "Pfd-5 (low)" rating is the fifteenth of eighteen ratings used by DBRS for preferred shares. Preferred shares rated by DBRS in the "Pfd-5" category are highly speculative and the ability of the entity to maintain timely dividend and principal payments in the future is highly uncertain. Preferred shares rated "Pfd-5" often have characteristics that, if not remedied, may lead to default.

S&P lowered its corporate credit rating on the Corporation from "BBB-" to "BB+", with a ratings outlook of stable, on August 4, 2011, to "BB-" placed under CreditWatch with negative implications on December 5, 2011 and to "B-" placed under CreditWatch with negative implications on February 15, 2012. S&P lowered the issue-level rating on the Corporation's senior unsecured debt from "BBB-" to "BB+" on August 4, 2011 with a ratings outlook of stable, to "BB-" placed under CreditWatch with negative implications on December 5, 2011 and to "B-" placed under CreditWatch with negative implications on February 15, 2012. S&P lowered the convertible subordinated debentures rating from "BB+" to "BB-" on August 4, 2011, to "B" on December 5, 2011 and to "CCC" on February 15, 2012. S&P lowered the cumulative preferred shares rating from "P-3" to "P-4 (high)" on August 4, 2011, to "P-4 (low)" on December 5, 2011 and to "C" on February 15, 2012.

The "B" and "B-" ratings are the fifteenth and sixteenth, respectively, of twenty-two ratings used by S&P. Financial instruments that are rated in the "B" category by S&P means for S&P that the issuer is more vulnerable than the obligors rated "BB", but currently has the capacity to meet its financial commitments. Further, this rating signifies that, in the opinion of S&P, adverse business, financial, or economic conditions will likely impair the issuer's capacity or willingness to meet its financial commitments. Debt instruments that are rated in the "CCC" category by S&P means for S&P that the issuer is currently vulnerable to non payment, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. As mentioned above, the preferred shares of the Corporation have been given a Canadian scale rating of "C" by S&P. A "C" rating is the nineteenth of twenty ratings used by S&P in its Canadian preferred share rating scale. According to S&P, a "C" rating indicates that the obligations are currently highly vulnerable to non payment.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised entirely by a rating agency at any time if in its judgment circumstances so warrant.

MTN Program

Beginning in April 2004, the Corporation established a program (the "MTN Program") for the issuance of unsecured medium term notes. The trust indenture pertaining to the medium term notes dated April 24, 2004, as supplemented by a first supplemental trust indenture dated November 1, 2010, contains customary terms and conditions for issuers of this nature, including limits on pledging assets to secure indebtedness. The Corporation, as issuer, when not in default under the MTN Program, is entitled to redeem any notes issued thereunder stated by their terms to be so redeemable, either in whole at any time or in part from time to time before the stated maturity at such rate or rates of premium, on such date or dates and on such terms and conditions as shall have been determined at the time of issue of such notes.

During the course of 2011, the Corporation repurchased for cancellation by private agreement a total of $256 million of Medium Term Notes consisting of the principal amount of $42.8 million of the Series 2 Medium Term Notes, $67.5 million of the Series 4 Medium Term Notes, $23.9 million of the Series 5 Medium Term Notes and $121.9 million of the Series 7 Medium Term Notes for a total cash consideration of $229.3 million.

As of December 31, 2011, the following notes were issued and outstanding under the Corporation's MTN Program, totalling $1.4 billion:

Name of Series	Principal Amount	Initial Term	Coupon	Maturity Date
Series 2	$254.7 million	10 years	5.71%	April 21, 2014
Series 3	$121.2 million	15 years	5.85%	November 18, 2019
Series 4	$319.9 million	10 years	5.25%	February 15, 2016
Series 5	$16.6 million	30 years	6.25%	February 15, 2036
Series 7	$138.1 million	5 years	7.30%	February 2, 2015
Series 8	$125 million	4.5 years	6.85%	December 3, 2013
Series 9	$130 million	4 years	6.50%	July 10, 2013
Series 10	$300 million	10 years	7.75%	March 2, 2020

Following the issuance of Medium Term Notes Series 7, 8, 9 and 10, the Corporation remains subject to a maximum ratio of Consolidated Total Funded Debt to Consolidated EBITDA Ratio (as such terms are defined in each of the Medium Term Notes Series 7, 8, 9 and 10) of 4.25 times upon the incurrence of additional debt. The Corporation will be subject to this incurrence test as long as any of Medium Term Notes Series 7, 8, 9 or 10 remain outstanding.

All Series of notes are unsecured and are unconditionally guaranteed by YPG, YPG (USA) Holdings, Inc., Yellow Pages Group, LLC, and Canpages.

Convertible Unsecured Subordinated Debentures

On July 8, 2010, Yellow Media Inc. announced the completion of the public offering of $200 million principal amount of 6.25% convertible unsecured subordinated debentures (the "Convertible Debentures") under a trust indenture dated July 8, 2010, as supplemented by a first supplemental trust indenture dated November 1, 2010. The Convertible Debentures pay interest semi-annually on April 1 and October 1 of each year. The Convertible Debentures have a maturity date of October 1, 2017 and are convertible, at the option of the holder, for common shares of the Corporation at an exchange price of $8.00 per common share. Net proceeds resulting from the offering were used to fund the redemption of the July 6, 2006 5.50% exchangeable unsecured subordinated debentures which were redeemed on August 2, 2010 (the "Exchangeable Debentures") and to repay indebtedness under credit facilities and the commercial paper program.

Exchangeable Promissory Notes

In connection with the Canpages acquisition in 2010, Yellow Media Inc. issued $141.6 million of Mandatory Exchangeable Promissory Notes (the “Notes”). Starting in the first quarter of 2011, the Notes were exchangeable into a number of common shares of Yellow Media Inc. based upon a price equal to 95% of the volume weighted average trading price of the common shares on the TSX for a period of five consecutive trading days preceding delivery by the holder of an exchange notice. Each quarter, holders of the Notes had the right to exchange 25% of the principal amount representing a maximum of $35.4 million of the Notes. Until December 31, 2014, Yellow Media Inc. had the option at any time, to redeem all or a portion of the Notes for cash together with accrued and unpaid interest. The Notes ranked subordinate to the senior debt of Yellow Media Inc. and bore interest at a fixed initial rate of 5%, payable quarterly in cash, subject to step up provisions over time. The Notes had a final maturity of December 31, 2014. Any remaining Notes would have been automatically exchanged into common shares of Yellow Media Inc. on December 31, 2014.

On October 15, 2010, the holders of the Notes monetized their investment through a resale of the Notes to a third-party financial institution. In order to facilitate this resale transaction and the orderly conversion of the Notes into common shares during the course of 2011, Yellow Media Inc. entered into a total return swap (“TRS”) transaction referencing the Notes with the same counterparty for a period ending December 15, 2011. Pursuant to the terms of the TRS, the 5% fixed interest rate under the Notes was converted to a floating rate of interest equal to the three-month Banker’s Acceptance plus 1.75%. In addition, Yellow Media Inc. would have received or paid under the TRS an adjustment amount to the extent that the value realized by the TRS counterparty on the exchange or redemption of the Notes exceeded or was less than the $141.6 million principal amount of the Notes.

On February 15, 2011, the exchange right was exercised and one quarter of the Notes was converted into 6.3 million common shares of Yellow Media Inc. Also, since the value realized by the TRS counterparty on the exchange of the Notes was less than the principal amount of the Notes, Yellow Media Inc. paid an adjustment amount of $4.2 million under the TRS. On March 31, 2011 Yellow Media Inc. exercised its redemption right applicable to a quarter of the principal amount of the Notes, representing $35.4 million. The principal amount along with the 5% redemption premium stipulated under the TRS was paid on April 1, 2011. During the second quarter of 2011, the remaining Notes were redeemed by Yellow Media Inc. in accordance with the terms of the Notes. The remaining principal amount of Notes along with the 5% redemption premium stipulated under the TRS was entirely repaid on June 10, 2011 and the TRS was unwound.

Derivative Financial Instruments

Yellow Media Inc. uses various derivative financial instruments to manage its exposure to interest rate risks on debt financing. The Corporation does not hold or use derivative instruments for speculative trading purposes. Additional information on derivative instruments outstanding as at December 31, 2011 can be found in Note 25 to the financial statements of the Corporation for the year ended December 31, 2011 and in the Corporation’s February 9, 2012 Management Discussion and Analysis (“MD&A”).

Equity Financing

Common Shares

The Corporation did not initiate any public offering of common shares in 2011. A description of the common shares of Yellow Media Inc. can be found under “Capital Structure – Description of Common Shares”.

On May 11, 2011, Yellow Media Inc. received approval from the TSX on its notice of intention to make a normal course issuer bid for its common shares for the period from May 13, 2011 to no later than May 12, 2012, in accordance with applicable rules and regulations of the TSX. Under its normal course issuer bid, Yellow Media Inc. was entitled to purchase for cancellation up to 51,782,537 of its outstanding common shares. During 2011, Yellow Media Inc. purchased for cancellation 11,252,884 common shares of Yellow Media Inc. for a total cash consideration of $46.5 million including brokerage fees. In order to maximize funds available for debt repayment, Yellow Media Inc. suspended activity under its normal course issuer bid for its common shares on August 4, 2011.

Cumulative Redeemable Preferred Shares

Yellow Media Inc. has two series of cumulative redeemable first preferred shares outstanding.

On March 6, 2007, 12,000,000 cumulative first redeemable Preferred Shares, Series 1 (the "Preferred Shares Series 1") were issued for gross proceeds of $300 million. A cumulative dividend of $1.0625 per share per annum, if, as and when declared by the Board of Directors of the Corporation, is payable quarterly on the Preferred Shares Series 1, yielding 4.25% per annum. At any time and from time to time on or after March 31, 2012 and prior to December 31, 2012, the Corporation may, at its option in accordance with the terms of the Preferred Shares Series 1, exchange the outstanding Preferred Shares Series 1, in whole or in part, into common shares of the Corporation at a conversion price equal to the greater of $2.00 and 95% of the then applicable market price (as defined in the terms of the Preferred Shares Series 1) of the common shares. On and after December 31, 2012, and subject to the Amended Credit Facility, a holder of Preferred Shares Series 1 may require the Corporation to redeem such Preferred Shares Series 1 for a cash price of $25.00 per Preferred Share Series 1, together with any accrued and unpaid dividends up to but excluding the date fixed for redemption (the "Series 1 Redemption Price"). On and after March 31, 2012, the Corporation may, at its option, redeem for cash the Preferred Shares Series 1, upon payment of the Series 1 Redemption Price. Under the Amended Credit Facility, the Corporation agreed not to exercise its right to redeem its Preferred Shares Series 1 for cash. However, the Corporation retains the right to exercise its exchange rights in respect of the Preferred Shares Series 1.

On June 8, 2007, 8,000,000 cumulative redeemable first Preferred Shares, Series 2 (the "Preferred Shares Series 2") were issued for gross proceeds of $200 million. A cumulative dividend of $1.25 per share per annum, if, as and when declared by the Board of Directors of the Corporation, is payable quarterly, yielding 5.0% per annum. At any time and from time to time on or after June 30, 2012 and prior to June 30, 2017, the Corporation may, at its option in accordance with the terms of the Preferred Shares Series 2, exchange the outstanding Preferred Shares Series 2, in whole or in part, into common shares of the Corporation at a conversion price equal to the greater of $2.00 and 95% of the then applicable market price of the common shares (as defined in the terms of the Preferred Shares Series 2). On and after June 30, 2017, a holder of Preferred Shares Series 2 may require the Corporation to redeem such Preferred Shares Series 2 for a cash price of $25.00 per Preferred Share Series 2, together with any accrued and unpaid dividends up to but excluding the date fixed for redemption (the "Series 2 Redemption Price"). On and after March 31, 2012, the Corporation may, at its option, redeem for cash the Preferred Shares Series 2, upon payment of the Series 2 Redemption Price.

On May 11, 2011, the Corporation received approval from the TSX on its notice of intention to renew its normal course issuer bid for its Preferred Shares Series 1 and Preferred Shares Series 2 for the period from June 13, 2011 to no later than May 12, 2012 through the facilities of the TSX, in accordance with applicable rules and regulations of the TSX. During 2011, Yellow Media Inc. purchased for cancellation 1,232,948 Preferred Shares Series 1 for a total cash consideration of $25.5 million including brokerage fees, and 778,156 Preferred Shares Series 2 for a total cash consideration of $11.3 million, including brokerage fees. During 2011, the total cost of repurchasing preferred shares amounted to approximately $36.8 million, including brokerage fees.

In order to maximize funds available for debt repayment and reinvestment in the business, Yellow Media Inc. suspended activity under its normal course issuer bid for its Preferred Shares Series 1 and Series 2 on September 28, 2011. This decision was made in compliance with the terms of Yellow Media Inc.'s Amended Credit Facility.

In addition, on February 9, 2012, the Board of Directors of the Corporation decided to suspend dividends on the outstanding Preferred Shares Series 1 and Preferred Shares Series 2 (in this paragraph, the "Preferred Shares"). The holders of such Preferred Shares will not be entitled (except as otherwise provided by law or in the conditions attaching to the Preferred Shares as a class) to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation, for greater certainty, including at any meeting relating to a proposal to effect an exchange of the Preferred Shares by way of an amalgamation or plan of arrangement involving the Corporation provided that the rights, privileges, restrictions and conditions of the Preferred Shares are not removed or changed and provided that no class of shares of the Corporation superior to the Preferred Shares is created or are otherwise negatively impacted, unless and until the Corporation shall have failed to pay eight quarterly dividends on the Preferred Shares, whether or not consecutive and whether or not such dividends have been declared. In that event, and for only so long as any such dividends remain in arrears, the holders of the Preferred Shares will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders other than any meetings at which only holders of another specified class or series are entitled to vote, and, except when the vote of the holders of shares of any other class or series is to be taken separately and as a class or series, to vote together with all of the voting shares of the Corporation on the basis of one vote for each Preferred Share held.

Rate Reset Preferred Shares

Yellow Media Inc. has two series of rate reset first preferred shares outstanding.

On September 23, 2009, 7,500,000 cumulative rate reset first Preferred Shares, Series 3 (the "Preferred Shares Series 3") were issued for gross proceeds of $187.5 million. On September 28, 2009, an additional 800,000 Preferred Shares Series 3 were issued for gross proceeds of $20 million. A cumulative dividend of $1.6875 per share per annum, if, as and when declared by the Board of Directors of the Corporation, is payable quarterly, yielding 6.75% per annum for the initial five year period ending September 30, 2014. The dividend rate will be reset on September 30, 2014 and every five years thereafter at a rate equal to the 5 year Government of Canada bond yield plus 4.17%. The Preferred Shares Series 3 will be redeemable by the Corporation on or after September 30, 2014, in accordance with their terms. Holders of the Preferred Shares Series 3 will have the right, at their option, to convert their shares into cumulative floating rate first Preferred Shares, Series 4 (the "Preferred Shares Series 4") subject to certain conditions on September 30, 2014 and on September 30 every five years thereafter. Holders of the Preferred Shares Series 4 will be entitled to receive cumulative quarterly floating dividends, if, as and when declared by the Board of Directors of the Corporation at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.17%.

On December 22, 2009, 5,000,000 cumulative rate reset first Preferred Shares, Series 5 (the "Preferred Shares Series 5") were issued for gross proceeds of $125 million. A cumulative dividend of $1.7250 per share per annum, if, as and when declared by the Board of Directors of the Corporation, is payable quarterly, yielding 6.90% per annum for the initial five and one-half year period ending June 30, 2015. The dividend rate will be reset on June 30, 2015 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.26%. The Preferred Shares Series 5 will be redeemable by the Corporation on or after June 30, 2015, in accordance with their terms. Holders of the Preferred Shares Series 5 will have the right, at their option, to convert their shares into cumulative floating rate first Preferred Shares, Series 6 (the "Preferred Shares Series 6") subject to certain conditions on June 30, 2015 and on June 30 every five years thereafter. Holders of the Preferred Shares Series 6 will be entitled to receive cumulative quarterly floating dividends, if, as and when declared by the Board of Directors of the Corporation at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.26%.

Net proceeds resulting from the sale of the Preferred Shares Series 3 and Preferred Shares Series 5 were used to repay indebtedness under credit facilities and the commercial paper program, and for general corporate purposes.

On May 11, 2011, Yellow Media Inc. received approval from the TSX on its notice of intention to make a normal course issuer bid for its Preferred Shares Series 3 and Preferred Shares Series 5 for the period from May 13, 2011 to no later than May 12, 2012, in accordance with applicable rules and regulations of the TSX. Under its normal course issuer bid, Yellow Media Inc. was entitled to purchase for cancellation up to 830,000 of its outstanding Preferred Shares Series 3 and 500,000 of its outstanding Preferred Shares Series 5. During 2011, Yellow Media Inc. purchased for cancellation 179,100 Preferred Shares Series 3 for a total cash consideration of $2.7 million including brokerage fees and 80,080 Preferred Shares Series 5 for a total cash consideration of $1.2 million including brokerage fees. In order to maximize funds available for debt repayment and reinvestment in the business, Yellow Media Inc. suspended activity under its normal course issuer bid for its Preferred Shares Series 3 and Preferred Shares Series 5, on September 28, 2011. This decision was made in compliance with the terms of Yellow Media Inc.'s Amended Credit Facility.

On February 9, 2012, the Board of Directors of the Corporation decided to suspend dividends on the outstanding Preferred Shares Series 3 and Preferred Shares Series 5 (in this paragraph, the "Preferred Shares"). The holders of such Preferred Shares will not be entitled (except as otherwise provided by law or in the conditions attaching to the Preferred Shares as a class) to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation, for greater certainty, including at any meeting relating to a proposal to effect an exchange of the Preferred Shares by way of an amalgamation or plan of arrangement involving the Corporation provided that the rights, privileges, restrictions and conditions of the Preferred Shares are not removed or changed and provided that no class of shares of the Corporation superior to the Preferred Shares is created or are otherwise negatively impacted, unless and until the Corporation shall have failed to pay eight quarterly dividends on the Preferred Shares, whether or not consecutive and whether or not such dividends have been declared. In that event, and for only so long as any such dividends remain in arrears, the holders of the Preferred Shares will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders other than any meetings at which only holders of another specified class or series are entitled to vote, and, except when the vote of the holders of shares of any other class or series is to be taken separately and as a class or series, to vote together with all of the voting shares of the Corporation on the basis of one vote for each Preferred Share held.

Cumulative Exchangeable Preferred Shares

On February 9, 2010, in connection with the acquisition of the RedFlagsDeals.com™ website, Yellow Media Inc. completed a private placement in favour of the vendors of an aggregate amount of 1,300,000 cumulative exchangeable first Preferred Shares Series 7 (the "Preferred Shares Series 7") at a price of $7.50 per Preferred Share Series 7. The holders of the Preferred Shares Series 7 are entitled to receive cumulative dividends, if, as and when declared by the Board of Directors of the Corporation, in an amount equal to $0.375 per Preferred Share Series 7 per annum, yielding 5% per annum, payable quarterly on the third last business day of March, June, September and December of each year. In addition, 1,000,000 of the Preferred Shares Series 7 are exchangeable into common shares of Yellow Media Inc. at a ratio of one Preferred Share Series 7 for one common share of Yellow Media Inc., at the option of the holder thereof. Since January 1, 2012, the remaining 300,000 Preferred Shares Series 7 may be exchanged but subject to certain time-based and performance conditions.

As at December 31, 2011, 916,667 of the Preferred Shares Series 7 shares were exchanged into common shares of the Corporation at a ratio of one Preferred Share Series 7 for one common share of Yellow Media Inc. and there were 383,333 Preferred Shares Series 7 shares outstanding.

On February 9, 2012, the Board of Directors of the Corporation decided to suspend dividends on the outstanding Preferred Shares Series 7. The holders of such Preferred Shares Series 7 will not be entitled (except as otherwise provided by law or in the conditions attaching to the Preferred Shares Series 7 as a class) to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation, for greater certainty, including at any meeting relating to a proposal to effect an exchange of the Preferred Shares Series 7 by way of an amalgamation or plan of arrangement involving the Corporation provided that the rights, privileges, restrictions and conditions of the Preferred Shares Series 7 are not removed or changed and provided that no class of shares of the Corporation superior to the Preferred Shares Series

7 is created or are otherwise negatively impacted, unless and until the Corporation shall have failed to pay eight quarterly dividends on the Preferred Shares Series 7, whether or not consecutive and whether or not such dividends have been declared. In that event, and for only so long as any such dividends remain in arrears, the holders of the Preferred Shares Series 7 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders other than any meetings at which only holders of another specified class or series are entitled to vote, and, except when the vote of the holders of shares of any other class or series is to be taken separately and as a class or series, to vote together with all of the voting shares of the Corporation on the basis of one vote for each Preferred Shares Series 7 held.

Employees

The Corporation employs approximately 3,400 employees. The Corporation's sales force is comprised of approximately 1,500 employees, including sales support staff. Following the sale of Trader on July 28, 2011, 180 employees of Trader were transferred to create W2W. Certain of YPG's sales representatives, as well as certain of its office employees in Alberta, Manitoba, Ontario, British Columbia and Québec, together representing approximately 34% of YPG's workforce, are unionized. YPG's office employees based in the United States are not unionized.

YPG media consultants based in Ontario, other than those based in the city of Thunder Bay, are represented by the Canadian Office and Professional Employees' Union ("COPE"). The COPE Local 131 collective agreement was entered into on May 15, 2007 and expires on November 30, 2012. YPG media consultants based in the city of Thunder Bay are represented by the Communications, Energy and Paperworkers Union of Canada ("Thunder Bay CEP"). The Thunder Bay CEP Local 240-5 collective agreement was renewed on January 1, 2009 and expires on June 30, 2013. YPG office employees based in Ontario are represented by the Communications, Energy and Paperworkers Union of Canada – Local 6006 ("CEP Local 6006"). The CEP Local 6006 collective agreement was entered into on October 1, 2010 and expires on December 31, 2013. YPG media consultants and office employees based in Québec are represented by the Syndicat des employées et employés professionnels(les) et de bureau ("SEPB"). The SEPB Local 574 collective agreement for office employees was entered into on October 1, 2008 and expired on December 31, 2011. Negotiations are currently ongoing. The SEPB Local 574 collective agreement for the sales representatives was entered into on July 1, 2010 and expires on December 31, 2013. YPG media consultants and office employees based in Alberta are represented by the International Brotherhood of Electrical Workers ("Alberta IBEW"). The Alberta IBEW Local 2228 collective agreement for media consultants was entered into on April 1, 2010 and expires on March 31, 2012. Negotiations are currently ongoing. The Alberta IBEW Local 2228 collective agreement for clerical employees was entered into on December 1, 2010 and expires on March 31, 2013. YPG media consultants and office employees based in Manitoba are represented by the Communications, Energy and Paperworkers Union of Canada ("Manitoba CEP"). The Manitoba CEP Local 7 collective agreement was entered into on January 1, 2010 and expires on December 31, 2012. YPG media consultants based in British Columbia are represented by the Canadian Office and Professional Employees Union ("COPE Local 378"). The COPE Local 378 collective agreement was entered into on December 1, 2010 and expires on June 30, 2012. Certain employees of W2W in Québec (13 employees) and in British Columbia (9 employees) are unionized. The W2W Québec employees are represented by the SEPB Local 574. The SEPB Local 574 collective agreement was entered into on October 14, 2009 and expires on July 31, 2012. The W2W British Columbia employees are represented by the International Brotherhood of Electrical Workers ("IBEW"). The IBEW, Local 213 was entered into on January 1, 2010 and expires on December 31, 2012.

The Corporation considers its relations with its employees to be generally good and the Corporation strives to maintain a positive relationship with the unions.

Facilities

The Corporation's headquarters are located in leased premises at 16 Place du Commerce, Nuns' Island, Verdun (Québec). The lease runs for a period of 14 years commencing on January 1, 2004. The Corporation also maintains offices in most of the provinces of Canada as well as two facilities in the

United States, the most important of which are located in Burnaby (British Columbia), Calgary (Alberta), Winnipeg (Manitoba), Toronto (Ontario), Scarborough (Ontario), Saint John (New Brunswick), Blue Bell (Pennsylvania) and Indianapolis (Indiana).

Environment and Corporate Social Responsibility

The Corporation has reported no existing or potential environmental hazards at any of its leased facilities, nor has it received any inquiry or notice that has resulted, or may reasonably be expected to result in, actual or potential proceedings, claims, lawsuits or losses related to environmental liabilities. YPG has implemented a corporate social responsibility program, delivered in a number of strategic areas: environment, community relations, employee relations and corporate governance.

Environment

For the past two years, the Corporation has been implementing the "Changing the World, Once Step at a Time" program developed in collaboration with Équiterre, a leading environmental organization in Québec. At the end of 2011, the Corporation had completed 25 of the 31 initiatives in the Équiterre plan.

YPG reduced its paper consumption by 22% from 2010 to 2011 and 44% over the past three years. This reduction results mostly from on-demand distribution of residential directories in large cities and modifying the territory covered by the residential section of directories in Québec and Ontario to reflect evolving consumer habits. YPG also continues to support its custom delivery program, enabling Canadians to remove their address from the Yellow Pages print delivery list by completing the form located at www.ypg.com/delivery. In 2011, the Corporation promoted the program by adding a clear opt-out telephone number on the cover of each directory, launching social media campaigns and seeking the collaboration of recycling and environmental organizations in Canada.

The print directories produced for YPG are made from waste wood chips from Canadian suppliers and include vegetable-based inks as well as hot-melt glue, rendering them entirely recyclable. Outdated print directories have a high material recycling rates, compared to other materials.

YPG evaluated the environmental impact of its printed directories and business activities. In addition, an assessment established that the average Yellow Pages™ directory had a lesser carbon footprint than many other household items. YPG reduced its carbon footprint by 17% between 2009 and 2010.

Internally, YPG continues to maintain systems for recycling waste, paper, plastic, glass, ink cartridges and batteries. Paper usage in YPG's offices across Canada has also decreased significantly due to double-sided printing policies and paperless workflows for many operations such as client advertising, creation and management. YPG also purchases 100% recycled and Forest Stewardship Council certified office paper for all its offices across Canada.

Community Relations

The Canadian Cancer Society has been selected by employees as YPG's national charity of choice. In 2011, YPG offered a matching donations program and supported employees in fundraising activities.

Recently, the Corporation launched a number of initiatives to empower employees in making more sustainable lifestyle choices. For instance, in the four larger offices in Canada employees have access to an online platform which facilitates the creation of carpooling teams for their work commute. In Montreal, carpooling teams have reserved parking spaces near the entrance of the office.

In Montreal, employees can participate in an innovative environmental project called Community Supported Agriculture (often referred to as organic food baskets), which puts consumers in contact with a local organic farm. Employees become "partners" of the farm by pre-purchasing a share of the season's harvest. They benefit from organic local vegetables at an affordable price. Moreover, participation in the project encourages local organic food production which promotes, among other things, human health and environmental protection. Participants are invited to visit the farm with their families anytime during the summer to better understand organic agriculture. A family "get together" takes place at the end of the summer.

Corporate Governance

The Corporation is committed to high ethical standards in all operations and business practices. The Corporation has a code of ethics and business conduct which is reviewed yearly. Each Director and employee of the Corporation must confirm annually that they have both read and complied with the requirements of the code of ethics and business conduct. The Corporation has advertising terms and conditions for customers which are available on the Corporation's website. Corporate governance practices are monitored and reviewed by the Corporate Governance and Nominating Committee of the Corporation.

Legal Proceedings

The Corporation is involved in various non-material, ordinary course legal proceedings, none of which are believed by Management to have any material adverse effect on the financial and operating performance of the Corporation.

DESCRIPTION OF YELLOW MEDIA INC.

Conversion of the Fund into the Corporation

During the first quarter of 2010, the Fund announced the details of the Plan of Arrangement which was intended to lead to the conversion of the Fund from an income trust structure to a corporate structure. As part of this Plan of Arrangement, the Fund obtained an interim order on March 24, 2010 from the Superior Court of Québec. The interim order of the Court confirmed the calling of an annual and special meeting of the Fund's unitholders on Thursday, May 6, 2010 for the purpose of considering the Plan of Arrangement and approving the arrangement agreement dated March 23, 2010 (as amended and restated on September 30, 2010).

In order to become effective, the Plan of Arrangement required the receipt of all necessary court, regulatory and TSX approvals and other customary conditions, along with the approval by at least 66 2/3% of the votes cast by the Fund's unitholders voting in person or by proxy at the annual and special meeting of the Fund held on May 6, 2010. This approval was obtained on May 6, 2010, when the Fund's unitholders adopted the Plan of Arrangement by a vote of 99.8%. On October 1, 2010, the Superior Court of Québec issued a final order approving the Plan of Arrangement.

On November 1, 2010, the Plan of Arrangement became effective resulting in the conversion of the Fund's income trust structure into a publicly traded corporation named Yellow Media Inc. Unitholders of the Fund received, for each unit of the Fund held, one common share of Yellow Media Inc. On the same date, units of the Fund were delisted from the TSX and trading of the common shares of Yellow Media Inc. on the TSX commenced under the symbol "YLO".

As part of the conversion, YPG LP was liquidated and dissolved and its assets and liabilities were distributed to and assumed by the Trust and YPG GP in indivision on a prorata basis. The Trust was then liquidated and dissolved and its assets and liabilities were distributed to and assumed by the Fund. The Fund was then liquidated and dissolved and its assets and liabilities were distributed to and assumed by 7341261 Canada Inc. (a corporation incorporated under the CBCA for purposes of the Plan of Arrangement). Such corporation was then amalgamated with the predecessor entity named Yellow Media Inc., YPG GP, Canadian Phone Directories Holdings Inc. and 7341296 Canada Inc. (a corporation incorporated under the CBCA for purposes of the Plan of Arrangement) to form the Corporation.

CAPITAL STRUCTURE

Description of Common Shares

Yellow Media Inc. is authorized to issue an unlimited number of common shares. As of March 23, 2012, there were 520,402,094 common shares of the Corporation issued and outstanding. The rights, privileges, restrictions and conditions attaching to the common shares of the Corporation are described below.

Voting Rights

The holders of the common shares of Yellow Media Inc. are entitled to one vote per common share at all meetings of shareholders of the Corporation, other than meetings at which only the holders of another class or series of shares of the Corporation are entitled to vote separately as a class or series.

Dividends

The holders of common shares of Yellow Media Inc. are entitled to receive, subject to the rights, privileges, restrictions and conditions attached to any other classes of shares of the Corporation, any dividend declared by the Board of Directors of the Corporation on the common shares. See "Dividends and Distributions – Dividend Policy".

Rights upon Dissolution

In the event of the liquidation, dissolution or winding-up of Yellow Media Inc., whether voluntary or involuntary, the holders of the common shares of Yellow Media Inc. are entitled to receive, after payment of all liabilities of Yellow Media Inc. and subject to the preferential rights of any class of shares of Yellow Media Inc. ranking in priority to the common shares of Yellow Media Inc., the remaining assets and property of Yellow Media Inc.

Option Plan

On November 11, 2010, the Board of Directors of Yellow Media Inc. adopted a new stock option plan (the "2010 Plan"). The 2010 Plan was approved by shareholders on May 5, 2011. The 2010 Plan allows the Board of Directors to issue a maximum of 25 million options to eligible employees. As at December 31, 2011, 12,100,000 options were outstanding with the following terms and conditions:

- The options have an exercise price of $6.35, which is equal to the volume weighted-average trading prices of the common shares on the TSX during the five trading days preceding the date on which the options were granted.
- The options vest on the third anniversary of the grant date.
- The options expire on the fifth anniversary of the grant date.

Description of Preferred Shares

Yellow Media Inc. is authorized to issue an unlimited number of cumulative redeemable first preferred shares, issuable in series. Each series of preferred shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board of Directors of the Corporation prior to the issuance thereof. Holders of preferred shares, except as otherwise provided in the terms specific to a series of preferred shares or as required by law, will not be entitled to vote at meetings of holders of common shares of the Corporation. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of Yellow Media Inc., whether voluntary or involuntary, the preferred shares are entitled to preference over the common shares of the Corporation and any other shares ranking junior to the preferred shares from time to time and may also be given such other preferences over common shares of the Corporation and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series. As of March 23, 2012, the only series of preferred shares outstanding of Yellow Media Inc. are the Preferred Shares Series 1, Preferred Shares Series 2, Preferred Shares Series 3, Preferred Shares Series 5 and the Preferred Shares Series 7 of which there are 10,045,872 Preferred Shares Series 1, 6,062,128 Preferred Shares Series 2, 8,120,900 Preferred Shares Series 3, 4,919,920 Preferred Shares Series 5 and 383,333 Preferred Shares Series 7 issued and outstanding. Yellow Media Inc. has previously disclosed that the number of new preferred shares that Yellow Media Inc. could issue after November 1, 2010 (the date the Plan of Arrangement for the conversion of the Fund's income trust structure into a corporation became effective) will be limited to a maximum of 175,000,000 and that such preferred shares are not intended to be used to block any takeover.

DIVIDENDS AND DISTRIBUTIONS

Dividend Policy

On November 1, 2010, the Fund's income trust structure was converted into a publicly-traded corporation named Yellow Media Inc. See "Description of Yellow Media Inc. – Conversion of the Fund into the Corporation". Unitholders of the Fund received one common share of Yellow Media Inc. for each unit of the Fund held. On the same day, units of the Fund were delisted from the TSX and trading of common shares of Yellow Media Inc. on the TSX commenced, under the symbol "YLO".

The monthly dividend for the months of November and December 2010 was maintained at $0.0667 ($0.80 annually) per common share of Yellow Media Inc. November and December 2010 dividends were payable to holders of record of common shares on November 30, 2010 and December 31, 2010, respectively, and were paid on December 15, 2010 and January 17, 2011, respectively.

Starting January 2011, the Corporation began paying a monthly dividend of $0.0542 ($0.65 annually) per common share of Yellow Media Inc. The first monthly dividend was declared in January for the holders of record as of January 31, 2011 and was paid on February 15, 2011.

On August 4, 2011, the Board of Directors of the Corporation reduced the cash dividends to common shareholders from $0.65 to $0.15 annually. A dividend of $0.025 was paid on October 17, 2011 to shareholders of record on September 30, 2011. On September 28, 2011, the Board of Directors determined that it was in the best interest of the Corporation to eliminate future dividends on its common shares. This decision was made so as to comply with the terms of the Corporation's Amended Credit Facility which was entered into and announced on such same date.

Distributions History

Yellow Pages Income Fund Units (August 7, 2008 to November 1, 2010)

Date of Announcement of Increase/Decrease	Effective Payment Date (Date of First Distribution)	Amount of Distribution per Unit of the Fund (per month)
August 7, 2008	September 15, 2008	$0.0975[1]
May 7, 2009	June 15, 2009	$0.0667

(1) From January 1, 2008 to September 15, 2008, the amount of distribution per unit of the Fund was $0.09417 per month.

Yellow Media Inc. Common Shares (as of November 1, 2010)

Date of Announcement of Increase/Decrease	Effective Payment Date (Date of First Dividend)	Amount of Dividend per Common Share (per Month)
February 11, 2010	February 15, 2011	$0.0542
August 4, 2011	October 17, 2011	$0.0125
September 29, 2011	n/a	nil

Preferred Share Dividends

The Preferred Shares Series 1 and the Preferred Shares Series 2 were issued by one of Yellow Media Inc.'s predecessors on March 6, 2007 and June 8, 2007, respectively. Since their respective issuance dates, the Corporation has declared and paid the following quarterly dividends per Preferred Shares Series 1 and Preferred Shares Series 2, respectively, in accordance with the terms and fixed dividend rates of such preferred shares:

	Q1 ($)		Q2 ($)		Q3 ($)		Q4 ($)	
	Series 1	Series 2	Series 1	Series 2	Series 1	Series 2	Series 1	Series 2
2011	0.26563	0.31250	0.26563	0.31250	0.26563	0.31250	0.26563	0.31250
2010	0.26563	0.31250	0.26563	0.31250	0.26563	0.31250	0.26563	0.31250
2009	0.26563	0.31250	0.26563	0.31250	0.26563	0.31250	0.26563	0.31250

The Preferred Shares Series 3 and the Preferred Shares Series 5 were issued by one of Yellow Media Inc.'s predecessors on September 23 and December 22, 2009, respectively. Since their respective issuance dates, the Corporation has declared and paid the following quarterly dividends per Preferred Shares Series 3 and Preferred Shares Series 5, respectively, in accordance with the terms and fixed dividend rates of such preferred shares:

	Q1 ($)		Q2 ($)		Q3 ($)		Q4 ($)	
	Series 3	Series 5	Series 3	Series 5	Series 3	Series 5	Series 3	Series 5
2011	0.42188	0.43125	0.42188	0.43125	0.42188	0.43125	0.42188	0.43125
2010	0.42188	0.45842	0.42188	0.43125	0.42188	0.43125	0.42188	0.43125
2009	n/a	n/a	n/a	n/a	n/a	n/a	0.44846	n/a

The Preferred Shares Series 7 were issued by one of Yellow Media Inc.'s predecessors on February 9, 2010, respectively. Since their respective issuance dates, the Corporation has declared and paid the following quarterly dividends per Preferred Shares Series 7, in accordance with the terms and fixed dividend rates of such preferred shares:

	Q1 ($)	**Q2 ($)**	**Q3 ($)**	**Q4 ($)**
	Series 7	**Series 7**	**Series 7**	**Series 7**
2011	0.09375	0.09375	0.09375	0.09375
2010	0.04945 [1]	0.09375	0.09375	0.09375

(1) The Preferred Shares Series 7, were issued on February 9, 2010 and as a result the $0.09375 dividend was pro-rated for the first quarter of 2010.

After careful consideration, the Board of Directors of the Corporation decided on February 9, 2012 to suspend dividends on the outstanding Preferred Shares Series 1, Preferred Shares Series 2, Preferred Shares Series 3, Preferred Shares Series 5 and Preferred Shares Series 7.

Dividend Reinvestment Plan

On October 21, 2010, Yellow Media Inc. announced the adoption of a Dividend Reinvestment Plan (the "DRIP"). The DRIP came into effect concurrently with the Corporation's conversion from an income trust to a corporate structure which was completed on November 1, 2010. Under the DRIP, holders of common shares of the Corporation who were residents of Canada could elect to have cash dividends paid on their common shares reinvested into additional common shares of Yellow Media Inc.

The DRIP allowed Yellow Media Inc. to elect to have the common shares purchased on the open market or issued from treasury. The DRIP allowed the Corporation to issue common shares from treasury with or without a discount of up to 5% of the applicable average market price (as defined under the DRIP).

On September 28, 2011, the Board of Directors of Yellow Media Inc. determined that it was in the best interest of the Corporation to eliminate future dividends on its common shares and, consequently, the DRIP was suspended.

MARKET FOR SECURITIES

Yellow Media Inc.'s common shares, Preferred Shares Series 1, Preferred Shares Series 2, Preferred Shares Series 3, Preferred Shares Series 5 and Convertible Debentures are listed for trading on the TSX under the symbols "YLO", "YLO.PR.A", "YLO.PR.B", "YLO.PR.C", "YLO.PR.D" and "YLO.DB.A", respectively.

Trading Price and Volume

The following tables show the monthly range of high and low prices per common share, Preferred Shares Series 1, Preferred Shares Series 2, Preferred Shares Series 3, Preferred Shares Series 5 and Convertible Debentures at the close of market (TSX), as well as total monthly volumes and average daily volumes of common shares, Preferred Shares Series 1, Preferred Shares Series 2, Preferred Shares Series 3, Preferred Shares Series 5 and Convertible Debentures traded on the TSX during the year ended December 31, 2011.

Common Shares

2011 Month	Price per Common Share ($) Monthly High	Price per Common Share ($) Monthly Low	Common Shares Total Monthly Volume	Common Shares Average Daily Volume
January	6.260	6.060	76,312,427	3,815,621
February	6.110	5.570	118,042,278	6,212,751
March	5.590	5.080	199,045,500	8,654,152
April	5.490	4.740	138,819,979	6,940,999
May	4.730	3.780	184,932,331	8,806,301
June	3.900	2.280	293,845,669	13,356,621
July	2.690	2.080	142,379,284	7,118,964
August	2.000	0.740	388,564,310	17,662,014
September	0.900	0.135	446,761,397	21,274,352
October	0.495	0.145	368,032,865	18,401,643
November	0.440	0.195	254,319,463	11,559,976
December	0.240	0.170	195,003,192	9,750,160

Preferred Shares Series 1

2011 Month	Price per Share ($) Monthly High	Price per Share ($) Monthly Low	Shares Total Monthly Volume	Shares Average Daily Volume
January	25.130	25.000	359,408	17,970
February	25.150	25.020	165,952	8,734
March	25.060	24.720	959,280	41,708
April	24.890	24.160	238,682	11,934
May	24.590	22.850	1,019,026	48,525
June	23.600	20.750	2,330,766	105,944
July	23.400	19.810	1,302,570	65,129
August	20.750	14.510	3,383,124	153,778
September	17.070	1.540	2,803,804	133,514
October	3.990	1.210	3,124,691	156,235
November	4.150	2.500	1,453,970	66,090
December	2.550	1.600	1,928,156	96,408

Preferred Shares Series 2

2011 Month	Price per Share ($) Monthly High	Price per Share ($) Monthly Low	Shares Total Monthly Volume	Shares Average Daily Volume
January	21.400	21.110	257,789	12,889
February	21.470	20.900	209,427	11,022
March	20.900	19.800	219,176	9,529
April	20.100	18.210	279,893	13,995
May	19.200	15.700	640,898	30,519
June	16.700	13.600	1,158,699	52,668
July	15.990	12.840	322,806	16,140
August	13.250	7.040	1,015,089	46,140
September	9.740	1.320	1,655,907	78,853
October	3.960	1.320	1,410,058	70,503
November	4.250	2.580	643,387	29,245
December	2.930	1.690	522,076	26,104

Preferred Shares Series 3

2011 Month	Price per Share ($) Monthly High	Price per Share ($) Monthly Low	Shares Total Monthly Volume	Shares Average Daily Volume
January	24.570	23.900	199,768	9,988
February	24.390	23.990	266,635	14,033
March	24.450	23.330	305,969	13,303
April	23.900	22.010	242,407	12,120
May	22.860	16.570	603,140	28,721
June	18.390	13.070	745,963	33,907
July	15.780	12.540	386,653	19,333
August	13.290	7.300	666,411	30,291
September	12.500	1.880	1,760,582	83,837
October	4.750	1.910	1,490,999	74,550
November	5.490	3.740	635,334	28,879
December	4.050	2.300	827,986	41,399

Preferred Shares Series 5

2011 Month	Price per Share ($) Monthly High	Price per Share ($) Monthly Low	Shares Total Monthly Volume	Shares Average Daily Volume
January	24.900	24.500	84,790	4,420
February	25.050	24.640	102,349	5,387
March	25.000	24.040	116,261	5,055
April	24.380	22.400	134,933	6,747
May	22.950	17.600	315,967	15,046
June	18.850	13.060	465,857	21,175
July	15.850	12.900	198,271	9,914
August	13.490	7.500	562,907	25,587
September	12.750	1.990	1,151,950	54,855
October	5.230	1.810	1,091,887	54,594
November	5.600	3.780	363,065	16,503
December	4.240	2.400	621,651	31,083

Convertible Debentures

2011 Month	Price per Debenture ($) Monthly High	Price per Debenture ($) Monthly Low	Debentures Total Monthly Volume	Debentures Average Daily Volume
January	98.130	97.810	7,126,000	356,300
February	98.000	97.000	8,687,000	457,210
March	97.990	96.250	15,265,000	663,696
April	97.790	93.000	3,153,000	157,650
May	92.700	76.500	10,549,000	502,333
June	82.000	66.000	16,826,000	764,818
July	71.500	66.500	5,955,500	297,775
August	72.250	51.500	5,146,000	233,909
September	54.000	16.000	31,307,000	1,490,810
October	37.000	15.000	11,268,000	563,400
November	31.010	23.000	3,229,000	146,773
December	25.000	21.510	3,697,000	184,850

RISKS AND UNCERTAINTIES

Careful consideration should be given to the following risk factors:

Competition

The Corporation competes with other directory, advertising media and classified advertising businesses and across various media and platforms. This includes the Internet, newspapers, television, radio, mobile telecommunication devices, magazines, billboards and direct mail advertising. In particular, the directories business faces substantial competition due to increased online penetration, through the use of online search engines and social networking organizations. The Corporation may not be able to compete effectively with these online competitors, some of which may have greater resources. The Corporation's Internet strategy and its directories business may be adversely affected if major search engines build local sales forces or otherwise begin to more effectively reach local businesses for local commercial search services. These competitors may reduce their prices to increase their market share or may be able to offer their services at lower costs than the Corporation can.

The Corporation may be forced to reduce its prices or offer and perform other services in order to remain competitive. The Corporation's failure to compete effectively with its current or future competitors could have a number of impacts such as a reduction in its advertiser base, lower rates and increased costs. This could have a material adverse effect on the Corporation, its business, results of operations and financial condition.

Decline in Print Revenue

The Corporation could be materially adversely affected if the usage of printed telephone directories declines at a rate higher than anticipated. The development of new technologies and the widespread use of Internet is causing changes in preferences and consumer habits. In particular, this has a significant influence on printed products, and the decrease in usage gradually leads to lower advertising revenues.

The transition from print to online causes uncertainties surrounding whether and when new product introductions will compensate for the declining trend in print revenues. If revenue from the Corporation's online products does not increase significantly, the Corporation's cash flow, results of operations and financial condition will be materially adversely affected.

The availability of capital is dependent on the future operating performance of the Corporation's business and the Corporation's ability to refinance its indebtedness

The ability of the Corporation to make scheduled payments under its indebtedness will depend on, among other things, its future operating performance. There can be no assurance that the Corporation will be able to generate sufficient cash from its operations to pay its debt obligations. Each of these factors is, to a large extent, subject to economic, financial, competitive, operational and other factors, many of which are beyond the Corporation's control.

There can be no assurance that the Corporation will continue to be able to obtain on a timely basis sufficient funds on terms acceptable to the Corporation to provide adequate liquidity and to finance the operating and capital expenditures necessary to overcome the challenges associated with the transformation of its business and support its business strategy if cash flows from operations and cash on hand are insufficient.

The Corporation may need to refinance its available credit facilities or other debt and there can be no assurance that it will be able to do so or be able to do so on terms as favourable as those presently in place. If the Corporation is unable to refinance these credit facilities or other debt, or is only able to refinance these credit facilities or other debt on less favourable or more restrictive terms, this may have a material adverse effect on the Corporation, its business, results from operations and financial condition.

Failure to generate sufficient funds, whether from operations or debt or equity financings or refinancing transactions, could require the Corporation to delay or abandon some of its anticipated expenditures or to modify its business strategy and could have a material adverse effect on the Corporation, its business, results from operations and financial condition. Furthermore, competitors with greater liquidity or their ability to raise money more easily and on less onerous terms could create a competitive disadvantage for the Corporation.

There can be no assurance that the Corporation's credit ratings will not be further downgraded, which would add to the Corporation's borrowing costs, hamper its ability to attract capital, adversely impact its liquidity, and limit its ability to operate its business, all of which could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The Corporation's substantial indebtedness could adversely affect its financial health and the Corporation's efforts to refinance or reduce its indebtedness may not be successful

The Corporation's substantial amount of debt could have material adverse effects on the Corporation, its business, results from operations and financial condition. For example, it could:

- limit the Corporation's ability to obtain additional financing, if needed, for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;
- increase the Corporation's vulnerability to adverse economic and industry conditions;
- require the Corporation to dedicate a substantial portion of its cash flows from operations to make payments on its debt, thereby reducing funds available for operations, future business opportunities or other purposes;
- limit the Corporation's flexibility in planning for, or reacting to, changes in its business and its industry; and
- place the Corporation at a competitive disadvantage compared to its competitors that have less debt.

In addition, the Corporation's credit facilities and other debt contain a number of financial and other restrictive covenants that require the Corporation to meet certain financial ratios and financial condition tests and limit the ability to enter into certain transactions. A failure to comply with the obligations in the credit facilities and other debt could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities or other debt were to be accelerated, there can be no assurance that the Corporation would have sufficient liquidity to repay in full that indebtedness.

The Corporation has begun evaluating alternatives to refinance maturities in 2012 and beyond. A broad range of alternatives will be considered and may involve the issuance of secured or unsecured debt, equity or other securities or other transactions or the exercise of its exchange rights in respect of the Preferred Shares Series 1 in accordance with their terms prior to December 31, 2012. See "General Development of the Business – Business of the Corporation – Cumulative Redeemable Preferred Shares". The Financing Committee of the Board of Directors will oversee this process with the objective of completing any transactions during the current fiscal year. The Corporation can provide no assurance that it will be able to complete any such refinancing transactions, or sell assets or complete any other debt reduction initiative that would enable it to reduce its outstanding debt.

The recent downgrades in the Corporation's credit ratings may increase its borrowing costs

On February 13, 2012, DBRS lowered the Corporation's Issuer Rating to "B (high)" negative trend, the senior unsecured credit rating to "B (high)" negative trend, the Convertible Debentures rating to "B (low)" negative trend and the preferred shares rating to "Pfd-5 (low)" negative trend.

On February 15, 2012, S&P lowered the Corporation's corporate credit and senior unsecured debt ratings to "B-" placed under CreditWatch with negative implications, the convertible subordinated debentures rating to "CCC" and the cumulative preferred shares rating to "C". Because the Corporation could potentially rely on external sources of financing to refinance its existing debt or enter into other debt transactions related to its capital structure, the recent downgrades of its debt ratings could increase its borrowing costs or potentially reduce its liquidity and, therefore, materially adversely affect the Corporation, its results of operations and financial condition.

No Dividends for the Foreseeable Future

The Corporation does not anticipate that cash dividends or other distributions will be paid with respect to its common shares or preferred shares in the foreseeable future. In addition, restrictive covenants in its Amended Credit Facility prohibit the Corporation from paying dividends to its common shareholders.

Interest Rate Fluctuations

The Corporation is exposed to fluctuations in short-term interest rates on some of its financial obligations bearing variable interest rates. The Corporation is also exposed to fluctuations in long term interest rates and credit spreads relative to the refinancing of its debt obligations. The interest rate on any new long term debt issuances will be based on the prevailing market rates at the time of the refinancing and will depend on the tenor of the new debt issued and the Corporation's credit profile and its credit ratings. Increases in short term interest rates and increases in interest rates on any new debt issuances may have a material adverse effect on the Corporation, its results of operations and financial condition.

Pension Contributions

The Corporation may be required to make incremental contributions to its pension plans in the future depending on various factors including future returns on pension plan assets, long-term interest rates and changes in pension regulations, which may have a negative effect on the Corporation's liquidity and results of operations.

The funding requirements of the Corporation's pension plans, resulting from valuations of its pension plan assets and liabilities, depend on a number of factors, including actual returns on pension plan assets, long-term interest rates, plan demographic and pension regulations. Changes in these factors could cause actual future contributions to significantly differ from the Corporation's current estimates and could require the Corporation to make incremental contributions to its pension plans in the future and, therefore, could have a negative effect on the Corporation's liquidity and results of operations.

There is no assurance that the Corporation's pension plans will be able to earn their assumed rate of return. A material portion of the Corporation's pension plans' assets is invested in public equity securities. As a result, the ability of the Corporation's pension plans to earn the rate of return that Management has assumed depends significantly on the performance of capital markets. The market conditions also impact the discount rate used to calculate the Corporation's solvency obligations and thereby could also significantly affect the Corporation's cash funding requirements.

Reliance on Telco Partners and Other Suppliers

YPG has a Billing and Collection Services Agreement with Bell Canada (up to 2016), with Telus (up to 2031), with MTS Allstream (up to 2036) and with Bell Aliant (up to 2037). Through these agreements, YPG's billing is included as a separate line item on the telephone bills of Bell, Telus, MTS Allstream and Bell Aliant customers who use the Corporation's services, respectively. Additionally, YPG has entered into publishing agreements with each Telco Partner. If YPG fails to perform its obligations under these agreements and the agreements are consequently terminated by such Telco Partner, other agreements with such Telco Partners may also be terminated, including the Bell Canada Trade-Mark License Agreement, the Telus Trade-Mark License Agreement, the MTS Allstream Branding and Trade-Mark Agreement and the Bell Aliant Branding and Trade-Mark Agreement, as well as non-competition covenants benefitting YPG from each such Telco Partner. The Corporation and its affiliates also have agreements with outside service suppliers to print and distribute their directories and publications. These agreements are for services that are integral to the business of the Corporation.

The failure of the Telco Partners or any of the other suppliers to fulfill their contractual obligations under these agreements (including in the event that any of them seek protection under Canadian bankruptcy laws), could result in a material adverse effect on the business of the Corporation unless and until the Corporation is able to secure a replacement supplier for those services. See “Business of the Corporation – Long-Term Relationships with Telecommunication Companies”.

Reliance on Key Brands and Trade-Marks and Failure to Protect Intellectual Property Rights

The Corporation relies heavily on its existing brands and trade-marks for a significant portion of its revenues. Failure to adequately maintain the strength and integrity of these brands and trade-marks, or to develop new brands and trade-marks, could adversely affect the results from operations and the financial condition of the Corporation.

It is possible that third parties could infringe upon, misappropriate or challenge the validity of the Corporation’s trade-marks or its other intellectual property rights. This could have a material adverse effect on the business of the Corporation, its financial condition and its operating results. The actions that the Corporation takes to protect its trade-marks and other proprietary rights may not be adequate. Litigation may be necessary to enforce or protect the Corporation’s intellectual property rights, its trade secrets or to determine the validity and scope of the proprietary rights of others. The Corporation cannot ensure that it will be able to prevent infringement of its intellectual property rights or the misappropriation of the Corporation’s proprietary information.

Any such infringement or misappropriation could harm any competitive advantage the Corporation currently derives, or may derive, from its proprietary rights. Third parties may assert infringement claims against the Corporation. Any such claims and any resulting litigation could subject the Corporation to significant liability for damages. An adverse judgment arising from any infringement litigation could require the Corporation to design around a third party’s patent or to license alternative technology from another party. In addition, litigation may be time-consuming and expensive to defend against and could result in the diversion of the Corporation’s time and resources. Any claims from third parties may also result in limitations on the Corporation’s ability to use the intellectual property subject to these claims.

Labour Relations

Certain non-management employees of the Corporation are unionized. Current union agreements range between approximately two to five years in duration and are subject to expiration at various dates in the future. If the Corporation is unable to renew these agreements as they become due for renegotiation from time to time, it could result in work stoppages and other labour disturbances which could have a material adverse effect on the business of the Corporation.

Income Tax Matters

In the normal course of the Corporation’s activities, tax authorities carry out ongoing reviews. In that respect, the Corporation is of the view that all expenses claimed by the different entities of the group are reasonable and deductible and that the cost amount and capital cost allowance claims of such entities’ depreciable properties have been correctly determined. There is no assurance that the tax authorities may not challenge these positions. Such challenge, if successful, may have an adverse effect on the Corporation, its results of operations and financial condition.

Impairment Losses

In the third quarter of 2011, the Corporation recorded a $2.9 billion goodwill and intangible assets impairment charge. The Corporation may be subject to another impairment loss that would reduce its reported assets and earnings. Goodwill and identifiable intangible assets comprise a substantial portion of the Corporation's total assets. Economic, legal, regulatory, competitive, contractual and other factors may affect the value of goodwill and identifiable intangible assets. If any of these factors impair the value of these assets, accounting rules would require the Corporation to reduce their carrying value and recognize an additional charge, which would reduce the reported assets and earnings of the Corporation in the year the impairment charge is recognized.

Acquisitions of New Businesses

Acquisitions of new businesses have been part of the Corporation's growth strategy and could expose the Corporation to business risks, including difficulties in integrating administrative, financial reporting, and operational systems, difficulties in managing newly acquired operations and improving their operating efficiency, and difficulties in retaining key employees of the acquired operations and diversions of management time and resources.

Advances in Communications Technologies

Advances in communications technologies such as wireless devices and voice over Internet protocol and demographic factors (such as potential shifts in younger generations away from wireline telephone communications towards wireless or other communications technologies) may further erode the market position of telephone utilities, including Telco Partners. As a result, it is possible that Telco Partners will not remain the primary local telephone service provider in any particular local service area, that the Corporation's licenses to be the exclusive publisher in those markets and to use their brand names on its directories in those markets may not be as valuable as presently anticipated, and that the Corporation may not realize some of the existing benefits under its commercial arrangements with Telco Partners.

Reliance on Key Personnel

The success of the Corporation depends on the abilities, experience and personal efforts of senior Management of the Corporation, including their ability to retain and attract skilled employees. The Corporation is also dependent on the number and experience of its sales representatives. The loss of the services of such key personnel could have a material adverse effect on the Corporation, its results of operations and financial condition.

Pricing

From time to time, the Corporation increases prices for its products and services. There can be no assurance that the Corporation will continue to be able to increase prices in the future. The failure to increase prices may have an adverse effect on the Corporation, its results of operation and financial condition.

Prolonged Economic Downturn in Principal Markets

The Corporation derives revenues principally from the sale of advertising in Yellow Pages™ print and online directories across Canada. The Corporation's advertising revenues, as well as those of directories publishers in general, typically do not fluctuate widely with economic cycles. However, a prolonged recession that affects the Corporation's markets, including the current global economic slowdown if prolonged, could have a material adverse effect on the Corporation's business. The adverse effects of a recession on the Corporation, including the current global economic slowdown, could be compounded by the fact that the majority of the Corporation's customers are SMEs. Such businesses have fewer financial resources and higher rates of failure than larger businesses, and may be more vulnerable to prolonged economic downturns. Therefore, these SMEs may be more likely to reduce or discontinue advertising in the Corporation's directories, which could have a material adverse effect on the Corporation, its results of operations and financial condition.

Restrictive Covenants in Indebtedness of the Corporation

The ability of the Corporation to pay dividends or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing the Corporation's and its subsidiaries indebtedness, including the Amended Credit Facility.

The Amended Credit Facility and the trust indentures pertaining to the MTN Program and the Exchangeable Debentures contain restrictive covenants that limit the discretion of the Corporation's Management with respect to certain business matters. Pursuant to the Amended Credit Facility, the Corporation has agreed to certain restrictions on the repurchase or redemption of shares and the repurchase or repayment of debt prior to their stipulated maturity dates, subject to certain exceptions, which include the refinancing of such instruments subject to specified conditions. The Amended Credit Facility also includes restrictions with respect to the incurrence or assumption of indebtedness and liens and the transfer of assets as well as acquisitions and investments. In addition, the Amended Credit Facility restricts the declaration and payment of common share dividends. These covenants place significant restrictions on, among other things, the ability of the Corporation to incur or assume indebtedness, create liens or other encumbrances, to pay dividends on its common shares or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the Amended Credit Facility contains a number of financial covenants that require the Corporation to meet certain financial ratios and financial condition tests. See "Business of the Corporation — Debt Financing — Credit Facilities and Commercial Paper Program". The Medium Term Notes Series 7, 8, 9 and 10 also contain financial covenants whereby the Corporation remains subject to a maximum ratio of Consolidated Total Funded Debt to Consolidated EBITDA Ratio (as such terms are defined in each of the Medium Term Notes Series 7, 8, 9 and 10) of 4.25 times upon the incurrence of additional debt. A failure to comply with the obligations in the Amended Credit Facility, or under the MTN Program or the Convertible Debentures could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Amended Credit Facility or the MTN Program or the Convertible Debentures, including any possible hedge contracts with the lenders, were to be accelerated, there can be no assurance that the assets of the Corporation would be sufficient to repay in full that indebtedness. See "Business of the Corporation – Debt Financing".

Sales of Advertising to National Accounts

Approximately 8% of the Corporation's directories revenues for 2011 were derived from the sale of advertising to national or large regional chains that purchase advertising in several of the directories that the Corporation publishes. In order to sell advertising to these accounts, the Corporation contracts with CMRs which are independent third parties that act as agents for national advertisers and design their advertisements, arrange for the placement of those advertisements in directories and provide billing services. As a result, the Corporation's relationships with these national advertisers depend significantly on the performance of these third party CMRs which the Corporation does not control. In particular, the Corporation relies heavily on five of its CMRs which accounted for approximately 5% of the Corporation's directories revenues for 2011. Although the Corporation believes that its relationship with such CMRs is mutually beneficial and that other CMRs with whom the Corporation has existing relationships or other third parties could service the Corporation's needs if certain CMRs were unable or unwilling to provide their services to the Corporation on acceptable terms or at all, such inability or unwillingness could materially adversely affect the Corporation's business. In addition, any decline in the performance of such CMRs could harm the Corporation's ability to generate revenue from its national accounts and could materially adversely affect the Corporation's business.

Reliance on Search Engines and Portals

The Corporation has entered into agreements with several Internet portals, search engines and individual websites to promote its online directories. These agreements make the Corporation's content and customer advertising more easily accessible by these portals, search engines and individual websites. These agreements allow the Corporation to generate a higher volume of traffic than it would on its own as well as generate business leads for its advertisers, while retaining the client relationship. In return, the portals, search engines and individual websites obtain business through the Corporation from advertisers who would not otherwise transact with them. Termination of any of these agreements could adversely affect the Corporation's business.

Reliance on Technology

The Corporation's business activities rely significantly on the efficient and uninterrupted operation of computers and communications systems as well as those of third parties. The Corporation's sales and advertising processing, data storage, production, billing, collection and day-to-day operations could be adversely impaired by the failure of such technology, which could in turn have a material adverse effect on the Corporation's business.

In addition, the Corporation's computer and IT systems are vulnerable to damage or interruption from a variety of sources and its disaster recovery systems may be deemed ineffective. Any failure of these systems could impair the Corporation's business. This could have a material adverse effect on the Corporation's business.

Regulatory

The Corporation's business operations are not currently regulated by any regulatory authority. However, the Corporation provides services to telephone companies which operate in a highly regulated industry. The Corporation may be adversely affected if it, or the directories publishing business in general, becomes subject to regulation.

Environmental Compliance

The Corporation is subject to laws and regulations relating to environmental protection. The imposition of new environmental laws, including in relation to waste disposal, or new interpretations of existing laws and regulations or enforcement by governmental agencies, could result in increased unforeseen expenditures, which in turn could have a material adverse effect on the Corporation's business.

TRANSFER AGENT AND REGISTRAR

Canadian Stock Transfer Company Inc., as administrative agent for CIBC Mellon Trust Company, acts as transfer agent and registrar of the Corporation. The register of transfers of the securities of the Corporation is located at the principal transfer office in Montreal of Canadian Stock Transfer Company Inc., as administrative agent for CIBC Mellon Trust Company.

DIRECTORS AND OFFICERS OF YELLOW MEDIA INC.

Directors

The following table sets out, for each of the current directors of Yellow Media Inc., the person's name, province or state, and country of residence, positions with Yellow Media Inc., membership to various board committees as applicable, principal occupation, period of service as a director of Yellow Media Inc. or its predecessor entities, number of common shares and restricted shares of Yellow Media Inc. beneficially owned, or controlled or directed, directly or indirectly, by him as of December 31, 2011. The term of office for each of the directors will expire at the time of the next annual meeting of shareholders of Yellow Media Inc. or at such time as his successor is otherwise elected.

Name and Province or State of Residence	Principal Occupation	Director Since	Number of Common Shares Beneficially Owned	Number of Restricted Shares Beneficially Owned
Marc L. Reisch [1][3] New York, USA	Chairman, President and Chief Executive Officer of Visant Corporation	November 2002	364,042	7,000
Marc P. Tellier Québec, Canada	President and Chief Executive Officer of Yellow Media Inc.	November 2002	612,022	682,894
Michael T. Boychuk, FCA[2][4][5] Québec, Canada	President of Bimcor Inc.	September 2003	49,674	3,500
Craig Forman[4][7] California, USA	Executive Chairman of the Board of Appia, Inc.	January 2012	Nil	Nil
John R. Gaulding[3][4][5] California, USA	Chairman of Gaulding & Co.	August 2003	71,674	3,500
Paul Gobeil, FCA[2][4][6] Ontario, Canada	Vice-Chairman of the Board of Metro Inc.	April 2004	108,674	3,500
Michael R. Lambert, CA[2][3] Alberta, Canada	Senior Vice President and Chief Financial Officer of Parkland Fuel Corporation	April 2004	246,674	3,500
David G. Leith[2][7] Ontario, Canada	Corporate Director	February 2012	Nil	Nil
Anthony G. Miller[2][4][5] Ontario, Canada	Corporate Director	June 2003	36,774	3,500
Martin Nisenholtz[2][3][4] New York, USA	Senior Advisor of The New York Times Company	May 2006	46,674	3,500
Michael E. Roach[3] Québec, Canada	President and Chief Executive Officer of CGI Group Inc.	February 2011	103,000	Nil
Bruce K. Robertson, CA[2][5][7] Ontario, Canada	Principal, Grandview Capital	January 2012	Nil	Nil

(1) Chairman of the Board.
(2) Member of Audit Committee.
(3) Member of Human Resources and Compensation Committee.
(4) Member of Corporate Governance and Nominating Committee.
(5) Member of Financing Committee.
(6) Mr. Gobeil is not standing for re-election at the Corporation's next annual meeting to be held on May 8, 2012.
(7) Messrs. Forman and Robertson were appointed to the Board in January 2012 and Mr. Leith in February 2012.

Biographies

The following are brief profiles of the current directors of Yellow Media Inc.

Marc L. Reisch has been Chairman, President and Chief Executive Officer of Visant Corporation since October 2004. Prior to that, and since September 2002, Mr. Reisch was a Senior Advisor to Kohlberg, Kravis, Roberts & Co., an investment firm. Mr. Reisch was also Chairman and Chief Executive Officer of Quebecor World North America, a printing company, between August 1999 and September 2002. Mr. Reisch holds a Bachelor of Science degree and a Master of Business Administration degree from Cornell University. Mr. Reisch is Chairman of the Board of Directors.

Marc P. Tellier has been President and Chief Executive Officer of the Corporation and its predecessors since October 2001. Prior to joining the Corporation, Mr. Tellier was an officer of Bell Canada, a communications company and served as Senior Vice President — Partnership Development. Mr. Tellier also served as President and Chief Executive Officer of Sympatico Lycos Inc., a web communications and media company. Mr. Tellier is a year 2000 alumnus of Canada's Top 40 under 40™. Mr. Tellier serves on the Board of Directors of the Local Search Association. Mr. Tellier holds a Bachelor of Economics degree from the University of Ottawa.

Michael T. Boychuk, FCA, has been President of Bimcor Inc. since July 2009. Between November 1999 and July 2009, Mr. Boychuk was Senior Vice President and Treasurer of BCE Inc. and Bell Canada, both communications companies. He is a director of Bimcor Inc. and a member of the advisory board of Centennial Ventures, a U.S. private equity firm. Mr. Boychuk is a member of the Board of Governors of McGill University, Chairman of the Audit Committee of McGill University and a member of the International advisory board of the Faculty of Management of McGill University. Mr. Boychuk is a Fellow Chartered Accountant and holds a Bachelor of Commerce degree from McGill University as well as a graduate diploma in public accountancy. Mr. Boychuk is Chairman of the Audit Committee of the Corporation.

Craig Forman has been Executive Chairman of the Board of Appia, Inc. since August 2011 after serving as executive chairman of WHERE, Inc. during 2010 and 2011, a location-based media company, which was acquired by eBay. Previously, from 2006 to 2009, he served as Executive Vice President and President, Access and Audience and Chief Product Officer at EarthLink, Inc., an Atlanta-based Internet services provider. Mr. Forman is a technology executive with over 20 years of experience in the internet, media and communications industries. He has served as a senior executive at Yahoo! Inc., Time Warner Inc. and Dow Jones & Co. Mr. Forman has an undergraduate degree in Public and International Economics from the Woodrow Wilson School of Public and International Affairs of Princeton University and a Master's degree in law from Yale Law School.

John R. Gaulding is a private investor and business consultant in the fields of strategy and organization. Mr. Gaulding also held senior management positions with various companies in the financial services industries, was a senior partner with a global strategy consulting firm and was President and Chief Executive Officer of Pacific Bell Directory, Inc., a telephone directory publisher from 1985 to 1990. From 1987 to 1990, Mr. Gaulding was also Co-Chairman of the Yellow Pages Publishers Association. Mr. Gaulding currently serves on the Board of Directors of Monster Worldwide, Inc. and is Chairman of the Board of Trustees of the Dominican University of California. Mr. Gaulding holds a Bachelor of Science degree in Engineering from the University of California at Los Angeles and a Master of Business Administration degree with honours from the University of Southern California. Mr. Gaulding is Chairman of the Human Resources and Compensation Committee of the Corporation.

Paul Gobeil, FCA, has been Vice-Chairman of the Board of Directors of Metro Inc. since 1990. Mr. Gobeil has held senior management positions in various companies in the food sector as well as with the Government of Québec where he was, *inter alia*, Minister responsible for Administration, President of the Treasury Board and Minister of International Affairs. From 2002 to 2007, he was Chairman of the Board of Directors of Export Development Canada. Mr. Gobeil currently serves as a director of Metro Inc., National Bank of Canada, DiagnoCure Inc. and MDN Inc. Mr. Gobeil has been a member of the *Ordre des comptables agréés du Québec* since 1965 and a Fellow since 1986. Mr. Gobeil holds a Master of Commerce degree and a Master of Accounting degree from Université de Sherbrooke. Mr. Gobeil also completed the Senior Management Program at Harvard Business School.

Michael R. Lambert, CA, has been Senior Vice President and Chief Financial Officer of Parkland Fuel Corporation since September 2011. Prior to that, and since November 2008, Mr. Lambert was

Chief Financial Officer of The Forzani Group Ltd., a sporting goods retail company. From October 2006 to November 2008, Mr. Lambert was Executive Vice President and Chief Financial Officer of Canadian Pacific Railway. Mr. Lambert is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Windsor. Mr. Lambert has completed courses of the Director's Education Program of the Institute of Corporate Directors.

David G. Leith is Chair of Manitoba Telecom Services Inc. and certain of its subsidiaries. Prior to this, Mr. Leith acquired over 25 years of equity, debt, government finance and mergers and acquisition experience with CIBC World Markets and its predecessors and last served until February 2009 as Deputy Chairman of CIBC World Markets and Managing Director and Head of CIBC World Markets' Investment, Corporate and Merchant Banking activities. Mr. Leith is a member of the Economic Advisory Panel of the Government of Ontario, a Trustee of TransGlobe Apartment REIT and a director of Bridgepoint Health Foundation. Mr. Leith holds a Bachelor of Arts degree from the University of Toronto and a Master of Arts degree from Cambridge University.

Anthony G. Miller has held a number of senior positions in advertising agencies in both the United States and Canada for over 30 years. Until January 2007, he was Chairman Emeritus of MacLaren McCann, a marketing communications company. Prior to that, and until 2003, he was Vice Chairman, McCann Ericson, World Group, a global marketing communications company. Mr. Miller is a former Chairman of the Canadian Institute of Communication and Advertising and past Chairman of the Young Presidents Organization (Ontario). Mr. Miller currently serves on the Board of Directors of Care Canada. Mr. Miller has completed the Director's Education Program of the Institute of Corporate Directors. Mr. Miller is Chairman of the Corporate Governance and Nominating Committee.

Martin Nisenholtz is Senior Advisor to The New York Times Company. He retired in 2011 from The New York Times Company where he had served since February 2005 as Senior Vice President, Digital Operations and was responsible for the strategy development, operations and management of its digital properties, including About.com. Prior to that, and since 1999, Mr. Nisenholtz was Chief Executive Officer of New York Times Digital. In June 2001, Mr. Nisenholtz founded the Online Publishers Association (OPA), an industry trade organization that represents the interests of high-quality online publishers. Mr. Nisenholtz currently serves on the Board of Directors of the Ad Council, the Leukemia & Lymphoma Society and the Interactive Advertising Bureau (IAB). Mr. Nisenholtz holds a Bachelor in Psychology degree from the University of Pennsylvania and a graduate degree from the University of Pennsylvania Annenberg School of Communication.

Michael E. Roach has been President and Chief Executive Officer of CGI Group Inc. ("CGI") since January 2006. Prior to his appointment as President and Chief Executive Officer, he was President and Chief Operating Officer of CGI. Mr. Roach joined CGI in July 1998 as Executive Vice President and General Manager, Telecommunications Information Systems and Services, after a distinguished career at Bell Sygma and Bell Canada where he held a number of leadership positions. He is also a director of the Conference Board of Canada and the U.S. Conference Board, and is a member of the Canadian Council of Chief Executives. Mr. Roach holds a Bachelor of Arts degree in Economics and Political Science, as well as an Honorary Doctorate in Business Administration from Laurentian University.

Bruce K. Robertson, CA, has been Principal of Grandview Capital since 2011. Prior to this, Mr. Robertson was a senior officer of AbitibiBowater Inc., a newsprint, specialty paper, market pulp and lumber producer, from May 2009 to December 2010. From 1996 to 2009, Mr. Robertson was Senior Managing Partner of Brookfield Asset Management Inc., an investment and asset management firm. From

1988 to 1995, he was Vice President of Deloitte & Touche. He is also a director of Morguard Corp. Mr. Robertson holds a Bachelor of Commerce degree with Honours from Queen's University and is a Chartered Accountant. Mr. Robertson is Chairman of the Financing Committee.

Committees

The Board of Directors of Yellow Media Inc. has three standing committees, the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee, as well as one ad hoc committee, the Financing Committee.

Officers

The following table sets out, for each of the current officers of Yellow Media Inc., the person's name, province or state, and country of residence, position with the Corporation, number of common shares and restricted shares of Yellow Media Inc. beneficially owned or controlled or directed, directly or indirectly, by him or her as of December 31, 2011.

Name and Province of Residence	Position and Principal Occupation	Number of Common Shares Beneficially Owned	Number of Restricted Shares Beneficially Owned
Marc P. Tellier Québec, Canada	President and Chief Executive Officer	612,022	682,894
Ginette Maillé Québec, Canada	Interim Chief Financial Officer	47,501	81,119
Douglas A. Clarke Ontario, Canada	Senior Vice President, Sales	10,753	99,330
François D. Ramsay Québec, Canada	Senior Vice President, General Counsel and Secretary	116,011	105,676
Catherine Caplice Ontario, Canada	Vice President, Customer Experience	Nil	79,555
Suzanne Daneau Québec, Canada	Interim Vice President, Human Resources	36,600	53,573
Nicolas Gaudreau Québec, Canada	Vice President, Digital Media	25,780	116,076
Jacky Hill Ontario, Canada	Vice President, Wall2Wall Media	18,149	Nil
Jeff Knisley Ontario, Canada	Vice President, Sales, Western Region	Nil	108,203
Patrick Lauzon Québec, Canada	Vice President and General Manager, National Markets	44,582	62,355
Lise Lavoie Québec, Canada	Vice President, Sales, Québec and Atlantic Canada	11,811	93,379
Chris Long Ontario, Canada	Vice President, Sales, Central Canada	Nil	58,458
René Poirier Québec, Canada	Chief Information Officer	Nil	Nil

Name and Province of Residence	Position and Principal Occupation	Number of Common Shares Beneficially Owned	Number of Restricted Shares Beneficially Owned
Stephen Port Québec, Canada	Vice President, Corporate Performance	11,715	68,979
D. Lorne Richmond Ontario, Canada	Vice President, Operations, Supply Chain & Logistics	116,421	62,081
Anne-Sophie Roy Québec, Canada	Treasurer	13,843	36,040
Paul Ryan Québec, Canada	Chief Technology Officer	Nil	Nil
Greg Shearer Pennsylvania, USA	Vice President, Business Solutions Yellow Pages Group, LLC	Nil	108,444
Tracy Smith Québec, Canada	Vice President, Performance Marketing	35,002	85,911
Dominique Vallée Québec, Canada	Vice President, Sales, Advantage and Acquisition	22,754	64,620
Daniel Verret Québec, Canada	Vice President and Corporate Controller	34,355	96,474

Past Occupation

All of the officers of the Corporation have held their present positions or other executive positions with the Corporation or its affiliates during the past five years or more, except for:

Catherine Caplice was Vice President, Advertising Solutions for YPG from 2010 to 2012, Director Marketing, Advertising Solutions of YPG from 2009 to June 2010, Director, Corporate Development of YPG from 2008 to 2009 and Director, Marketing of YPG from 2005 to 2006.

Douglas A. Clarke was President of Trader Corporation from 2006 to 2011.

Suzanne Daneau was Director, Human Resources from 2008 to 2012 and Human Resources Business Partner from 2006 to 2008.

Nicolas Gaudreau was Vice President, General Manager of Nurun from 2008 to 2009, Vice President, Interactive Marketing of Bell Canada from 2007 to 2008, Vice President, Marketing, Québec of Bell Canada from 2006 to 2007 and Vice President, Marketing Product Management of Bell Canada before 2006.

Jeff Knisley was General Manager Sales, Central Canada & U.S. of Trader from 2007 to January 2010 and Vice President of Sales, Business Development, Freight Services and Northern Border Solutions at UPS Supply Chain Solutions before 2006.

Jacky Hill was Publisher Real Estate Group of Trader Media Corporation from 1990 to 2007.

Patrick Lauzon was Executive Vice President, Online and New Business Initiatives of Sun Media from 2008 to January 2010, Executive Vice President of Canoe Inc. from 2006 to January 2010 and Vice President Sales and Business Development at Sympatico/MSN before 2006.

Lise Lavoie was General Manager, Signature of YPG from 2002 to 2009.

Chris Long was Senior Executive of METCO Networks from 2009 to 2010 and Vice President Sales, Central Canada at MTS Allstream from 2004 to 2009.

Ginette Maillé was Chief Accounting Officer of YPG from 2003 to 2011.

René Poirier was Senior Vice President, Technology of Transcontinental Inc. from 2010 to 2011 and Senior Vice President and General Manager of Tecsys from 2004 to 2010.

Stephen Port was Director, Corporate Planning of YPG from 2002 to 2007.

Anne-Sophie Roy was Director, Corporate Finance and Investor Relations of YPG from 2008 to 2011 and Senior Manager, Corporate Planning of YPG from 2005 to 2008.

Paul Ryan was Chief Technology Officer of Leads 360 from 2011 to 2012, Chief Technology Officer of OCP, LLC from 2009 to 2011 and Chief Executive Officer of DoneRight! from 2004 to 2009.

Tracy Smith was Senior partner of IDEO Consulting from 2004 to 2009.

Dominique Vallée was Director, Operations of YPG from 2005 to June 2010.

Daniel Verret was Director of Finance and Corporate Controller of YPG from 2003 to 2009.

Ownership in the Corporation

As of December 31, 2011, the directors and officers of the Corporation, as a group, beneficially owned or exercised control or direction over, directly or indirectly, 2,183,485 common shares of the Corporation, which represents approximately 0.42% of the outstanding common shares of the Corporation.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, (a) no director or executive officer of the Corporation is, at the date of this Annual Information Form, or has been, in the ten (10) years prior to the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company, that while the director or executive officer was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, or (ii) after the director or executive officer ceased to act in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days because of an event which occurred while the director or executive officer was acting in that capacity, or (b) no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, at the date of this Annual Information Form, or has been, in the ten (10) years prior to the date of this Annual Information Form, a director or an executive officer of any company, that while that person was acting in that capacity, or in the year after that person ceased to act in that capacity, became bankrupt, made a proposal under any bankruptcy or insolvency legislation, was subject to any proceedings, arrangement or compromise with creditors or instituted any proceedings against the same, or had a receiver, receiver-manager or trustee appointed to hold its assets, or (c) no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, in the ten (10) years prior to the date of this Annual Information Form, became bankrupt, made a proposal under any bankruptcy or insolvency legislation, was subject to any proceedings, arrangement or compromise with creditors or instituted any proceedings against the same, or had a receiver, receiver-manager or trustee appointed to hold his or her assets, except for:

• Michael T. Boychuk, who, until April 23, 2002, was Chief Financial Officer of Teleglobe Inc. and director or executive officer of various wholly-owned subsidiaries of Teleglobe Inc. Teleglobe Inc. filed for court protection under insolvency statutes on May 15, 2002 while certain of its various wholly-owned subsidiaries filed for court protection under insolvency statutes on May 28, 2002.

Conflicts of Interests

No director or senior officer of Yellow Media Inc. or other insider of Yellow Media Inc., nor any associate or affiliate of the foregoing persons has any existing or potential material conflict of interest with the Corporation or any of its subsidiaries.

AUDIT COMMITTEE INFORMATION

The following information is provided in accordance with Form 52-110F1 under National Instrument 52-110 – *Audit Committees* ("NI 52-110").

Audit Committee Charter

The Audit Committee Charter is attached as Schedule A to this Annual Information Form.

Composition of the Audit Committee

In fiscal year 2011, the Audit Committee was composed of: Stuart H.B. Smith (Chairman) who resigned on December 31, 2011, Michael Boychuk, Paul Gobeil, Anthony Miller and Martin Nisenholtz. Mr. Gobeil was replaced by David G. Leith in February 2012. As of the date hereof, the Audit Committee is composed of Michael T. Boychuk (Chairman), Michael R. Lambert, David G. Leith, Anthony G. Miller, Martin Nisenholtz and Bruce K. Robertson.

Relevant Education and Experience

Each member of the committee is considered "independent" and "financially literate" as such terms are defined in NI 52-110, which means that they have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity that can reasonably be expected to be raised by the Corporation's financial statements. The Board believes that the Audit Committee has the knowledge and background required to oversee the financial reporting and disclosure controls and procedures, accounting systems and internal controls over financial reporting of the Corporation. The table below sets out the Audit Committee members' experience.

Committee Member	Financial Literacy	Experience Acquired through Role
Michael T. Boychuk, FCA	Yes	CEO of Bimcor Inc., SVP and Treasurer of BCE Inc. and Bell Canada, member of advisory board of Centennial Ventures, Chairman of the Audit Committee of McGill University. Served as director of Bell Nordiq Income Fund. Fellow Chartered Accountant, Bachelor of Commerce degree and Graduate diploma in public accountancy.
Paul Gobeil, FCA[1]	Yes	Vice-Chairman of the Board of Directors, Metro Inc., Fellow Chartered Accountant, Master of Commerce degree, Master of Accounting degree and Senior Management Program at Harvard Business School.

Michael R. Lambert, CA	Yes	SVP and CFO of Parkland Fuel Corporation, CFO of The Forzani Group Ltd., EVP and CFO of Canadian Pacific Railway, EVP of Canadian Tire Corporation Ltd. and President and CFO of Mark's Work Warehouse Ltd. Chartered Accountant, holds a Bachelor of Commerce degree and completed modules of the Director's Education Program of the Institute of Corporate Directors, including the modules on finance, strategy and compensation.
David G. Leith	Yes	Over 25 years of equity, debt, government finance and mergers and acquisition experience with CIBC World Markets and its predecessors and last served as Deputy Chairman of CIBC World Markets and Managing Director and Head of CIBC World Markets' Investment, Corporate and Merchant Banking activities. Chairman of the Board of Directors of Manitoba Telecom Services Inc. and trustee of TransGlobe Appartment REIT. Holds a Bachelor of Arts degree and a Master of Arts degree.
Anthony G. Miller	Yes	Chairman Emeritus of MacLaren McCann, Vice Chairman of McCann Ericson, World Group, former Chairman of the Canadian Institute of Communication and Advertising and past Chairman of the Young Presidents Organization (Ontario). 30 years of experience in senior management roles in the United States and Canada during which he analysed, evaluated and approved financial statements. Completed the Director's Education Program of the Institute of Corporate Directors including a module on finance. Director of Yangaroo Inc., Care Canada and former director of Cossette Communications Group Inc. and Spinrite Income Fund.
Martin Nisenholtz	Yes	SVP, Digital Operations of The New York Times Company and CEO of New York Times Digital, was responsible for the strategy development, operations and management of its digital properties, including About.com. In that role, was responsible for analysing financial information and establishing and maintaining internal controls and procedures over financial reporting. Founded the Online Publishers Association. Possesses over 25 years of experience as an executive and director of companies and has acquired a vast experience in the reading and understanding of financial statements. Serves on the Board of Directors of the Ad Council, the Leukemia and Lymphoma Society and the Interactive Advertising Bureau (IAB). Holds a Bachelor in Psychology degree and a graduate degree in communications.
Bruce K. Robertson	Yes	Senior Officer of AbitibiBowater Inc., Senior Managing Partner of Brookfield Asset Management Inc., VP of Deloitte & Touche, Director of Morguard Corp. and former director of ClubLink Corporation, Crystal River Capital Inc., NBS Technologies Inc., BAM Split Corp. and Diversified Canadian Financial II Corp. Chartered Accountant and holds a Bachelor of Commerce degree.

(1) Mr. Gobeil is not standing for re-election and served on the Audit Committee until February 2012.

In addition to each member's general business experience as detailed in the above table, the education and past experience of each Audit Committee member relevant to the performance of his responsibilities as an Audit Committee member is set forth in the biography of the respective director. See "Directors and Officers of Yellow Media Inc. – Directors – Biographies".

Audit Committee Oversight

At no time since the commencement of the financial year ended December 31, 2011 has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board of Directors of the Corporation.

Principal Auditor

During the 2011 and 2010 fiscal years, the Corporation retained Deloitte & Touche LLP ("D&T") as its principal auditor.

Approval Policies

The Audit Committee of Yellow Media Inc. has adopted a policy regarding the engagement of D&T for non-audit services. D&T provides audit services to Yellow Media Inc. and is also authorized to provide specific audit-related services as well as tax services. D&T may also provide other services provided, however, that all such services are pre-approved by the Chairman of the Audit Committee and that such engagement is confirmed by the Audit Committee at its following meeting. The policy also specifically prohibits the provision of certain services by D&T in order to maintain its independence.

External Auditor Service Fees

A summary of the fees paid to D&T to provide services in the categories and for the approximate amounts for the years ended 2011 and 2010 is included below:

Category of Fees	**2011 ($)**	**2010 ($)**
Audit fees	1,087,000	2,260,000
Audit-related fees	815,000	440,000
Tax fees	521,000	1,332,000
All other fees	-	-
TOTAL	2,423,000	4,032,000

Audit fees. These amounts represent fees paid for the audit of the Corporation's annual consolidated financial statements and the review of its quarterly financial statements. These consist of fees also related to services that an independent auditor would customarily provide in connection with statutory requirements, regulatory filings, and similar engagements for the fiscal year, such as comfort letters, consents, and assistance with review of documents filed with securities regulatory authorities.

Audit-related fees. Audit-related fees were paid for assurance and related services that are performed by D&T and are not reported under the audit fee item above. They attest services not required by statute or regulations. These services consisted primarily of consulting services with respect to accounting and financial disclosure standards, employee pension plan audits and other special purpose mandates approved by the Audit Committee.

Tax fees. These fees consist generally of (i) tax compliance, and (ii) tax planning and advice. They include the review of tax returns, assistance with tax audits, capital structure, corporate transactions, due diligence related to acquisitions and other special purpose mandates approved by the Audit Committee.

The Audit Committee has determined that D&T's provision of non-audit services was compatible with maintaining D&T's independence.

INTEREST OF EXPERTS

D&T are the independent auditors of Yellow Media Inc. We are advised that, as at the date hereof, the members of D&T are independent in accordance with the Rules of the Code of Ethics of the *Ordre des comptables agréés du Québec*.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Corporation, none of the directors or executive officers of the Corporation, nor any of their associates or affiliates, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation, or any of its subsidiaries.

MATERIAL CONTRACTS

Except for those contracts entered into in the ordinary course of business of Yellow Media Inc., Yellow Media Inc., as the case may be, has entered into the following material contracts within the year ended December 31, 2011 or before such year but which are still in effect:

- the credit agreement entered into in connection with the Amended Credit Facility (see "Business of the Corporation – Debt Financing – Credit Facilities and Commercial Paper Program");
- the trust indenture and first supplemental trust indenture pertaining to the MTN Program (see "Business of the Corporation – Debt Financing – MTN Program"); and
- the trust indenture and first supplemental trust indenture pertaining to the Convertible Debentures (see "Business of the Corporation – Debt Financing – Convertible Unsecured Subordinated Debentures").

ADDITIONAL INFORMATION

Additional information relating to Yellow Media Inc. may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Yellow Media Inc.'s securities and securities authorized for issuance under equity compensation plans is contained in the Corporation's information circular for its most recent annual meeting of shareholders of Yellow Media Inc. Additional financial information is provided in the Corporation's financial statements and management's discussion and analysis for the year ended December 31, 2011.

Yellow Media Inc. will, upon request to the Secretary of the Corporation, 16 Place du Commerce, Nuns' Island, Verdun, Québec, H3E 2A5, provide to any person or company, the documents specified below:

(a) when the Corporation is in the course of a distribution of its securities under a short form prospectus, or has filed a preliminary short form prospectus in respect of a proposed distribution of its securities:

   i. one copy of its latest Annual Information Form, together with one copy of any document or the pertinent pages of any document, incorporated therein by reference;

   ii. one copy of its comparative Consolidated Financial Statements for the most recently completed financial year for which financial statements have been filed, together with the Auditors' Report thereon, and one copy of any interim financial statements of the Corporation for any period after its most recently completed financial year;

   iii. one copy of the information circular of the Corporation in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate; and

   iv. one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under subparagraphs (i) to (iv) ; or

(b) at any other time, the Corporation shall provide to any person or company one copy of any of the documents referred to in subparagraphs (a) (i), (ii) and (iii) above, provided that the Corporation may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of the Corporation's securities.

SCHEDULE A

CHARTER OF THE AUDIT COMMITTEE

(the "Committee")

of the BOARD OF DIRECTORS of YELLOW MEDIA INC.

AUTHORITY

The primary responsibility for the financial reporting and disclosure controls and procedures, accounting systems and internal controls over financial reporting of Yellow Media Inc. (the "Corporation") is vested in senior Management and is overseen by the Board of Directors (the "Board"). The Committee is a standing committee of the Board established to assist the Board in fulfilling its responsibilities in this regard.

The Committee shall have unrestricted access to the Corporation's personnel, documents and external auditors and will be provided with the resources necessary to carry out its responsibilities. In carrying out its mandate, the Committee's review of the various activities of the Corporation shall include such investigation, analysis and approval of such activities as it may consider necessary. The Committee may engage outside advisors at the expense of the Corporation in order to assist the Committee in the performance of its duties and set and pay the compensation for such advisors.

Nothing contained in this Charter is intended to expand applicable standards of liability under statutory or regulatory requirements for the directors of the Corporation or the members of the Committee. Even though the Committee has a specific mandate, it does not have the obligation to act as auditors or to perform audits, or to determine that the Corporation's financial statements are complete and accurate.

Members of the Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by Management as to the non-audit services provided to the Corporation by the external auditors. The Committee's oversight responsibilities are not established to provide an independent basis to determine that (i) Management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures, or (ii) the Corporation's financial statements have been prepared in accordance with generally accepted accounting principles and, if applicable, audited in accordance with generally accepted accounting standards.

STRUCTURE

1. The Committee shall be composed, as required under National Instrument 52-110 – Audit Committees, as it may be amended or replaced from time to time ("NI 52-110"), of at least three directors of the Corporation, all of whom (except to the extent permitted by NI 52-110) are independent (as defined by NI 52-110). Membership on the Committee shall be automatically terminated as such time as a member ceases to be independent.

2. Each member must (except to the extent permitted by NI 52-110) be financially literate (which is defined in NI 52-110 as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements).

3. No member of the Committee may serve on the Audit Committee of more than three public companies, including the Corporation, unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve on the Committee.

4. No member of the Committee shall receive compensation in his or her personal capacity other than director’s fees for service as a director of the Corporation, including reasonable compensation for serving on the Committee and regular benefits that other directors receive in that capacity.

5. The chairperson of the Committee (the “Chairperson”) and the members of the Committee shall be appointed and removed by resolution of the Board, having considered the recommendation of the Corporate Governance and Nominating Committee, to hold office from the time of their appointment until the next annual general meeting of shareholders or until their successors are so appointed. The Chairperson must be appointed among the members of the Committee. The Secretary of the Corporation shall be the Secretary of the Committee. Members of the Committee may be reappointed to serve consecutive terms.

6. Vacancies at any time occurring in a Committee shall be filled by resolution of the Board, having considered the recommendation of the Corporate Governance and Nominating Committee, in accordance with the terms of its mandate.

7. The Chairperson of the Committee has the following responsibilities

   7.1 presiding at meetings of the Committee;

   7.2 ensuring the efficiency of the Committee and that members work as a team, in an effective and productive manner;

   7.3 ensuring that the Committee has the administrative support necessary to perform its work and carry out its duties; and

   7.4 acting as liaison between the Committee and the Board.

8. If the Chairperson and/or the Secretary of the Committee, as the case may be, is unable to act as such at a meeting, the Committee shall select one of the members to act as Chairperson and/or as Secretary, as the case may be, for that meeting only.

9. The Committee shall meet not less than once each quarter and may meet more often if required. Meetings of the Committee may be convened at the request of any member of the Committee, the Chairperson, Chief Executive Officer or Chief Financial Officer of the Corporation. Such meetings can be held by telephone or by any other means which enables all participants to communicate with each other simultaneously.

10. At each quarterly meeting, the Committee shall meet privately and in separate, in camera sessions with (i) the Management, (ii) the internal auditor; (iii) the external auditors; and (iv) with any other internal personnel or outside advisors, as needed or appropriate. At every other meeting, the Committee shall hold an in camera session.

11. Officers may attend meetings of the Committee upon invitation to assist in the discussion and examination of the matters under consideration by the Committee.

12. A quorum at meetings of the Committee shall consist of a majority of its members. All decisions and recommendations made by the Committee shall be made by a majority vote of the members present at the meeting. Each member, including the Chairperson, shall only be entitled to one vote. The Chairperson shall not have a casting vote.

13. The provision of the Articles and By-laws of the Corporation that regulate meetings and proceedings shall govern Committees meetings.

14. The Chairperson shall approve the agenda for the meetings and ensure that supporting materials are properly prepared and circulated to members with sufficient time for study by Committee members prior to the meeting.

15. The minutes of the Committee meetings shall accurately record the significant discussions of and decisions made by the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to Committee members as well as to all Directors of the Corporation, with copies to the Chief Executive Officer, the Chief Financial Officer of the Corporation and the external auditors.

RESPONSIBILITIES

The Committee shall perform the duties set out in this Charter and shall perform such other duties as may be necessary or appropriate under applicable law or stock exchange rules, or as may be delegated to the Committee by the Board from time to time.

Annual Financial Information

1. Review the Corporation’s annual audited and consolidated financial statements and accompanying notes, the external auditor’s report thereon as well as related MD&A and press release and recommend their approval to the Board before they are publicly disclosed, after discussing and making inquiries into matters such as the selection of accounting policies, major accounting judgments, accruals and estimates with Management and the external auditors. The Committee shall seek confirmation from Management that such financial statements or financial information, together with the other financial information included in the Corporations’ annual filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation as of the relevant date and for the relevant periods.

2. Review with management and the external auditors the Corporation's accounting policies, proposed material changes in securities policies or regulations, along with any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with Management, the ramification of their use and the external auditors' preferred treatment and any other material communications with Management with respect thereto, and the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

3. Review the planning and results of the external audit including:

   3.1 the auditor's engagement letter;

   3.2 the scope of the audit, including materiality, audit reports required, areas of audit risk, timetable and deadlines;

   3.3 the post-audit management letter, if any, together with Management's response thereto; and

   3.4 the form of the audit report.

Interim Financial Statements

In conjunction with regular Board meetings:

1. Review the Corporation’s quarterly consolidated financial statements and accompanying notes and related MD&A and press release and recommend their approval to the Board before they are publicly disclosed, after discussing and making inquiries to Management and the external auditors on the preparation of such statements. The Committee shall seek confirmation from Management that such financial statements or financial information, together with the other financial information included in the Corporations’ interim filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation as of the relevant date and for the relevant periods.

2. Review the selection of new accounting policies and major accounting judgements that arise during the quarter.

External Auditors

1. Approve all audit services provided by the external auditors engaged for the purpose of preparing or issuing an auditor's report or related work.

2. The Committee has the authority to communicate directly with the external auditors.

3. Directly overseeing the external auditors and discussing with them the quality and not just the acceptability of the Corporation's accounting principles, including (i) all critical accounting policies and practices used, (ii) any alternative treatments of financial information that have been discussed with management, the ramification of their use and the treatment preferred by the external auditors, as well as (iii) any other material written communications between the Corporation and the external auditors (including any disagreement between the external auditors and management regarding financial reporting and the resolution thereof).

4. Recommend the auditors for appointment by the Corporation and review their qualifications, performance and independence.

5. Establish the list of non-audit services that the external auditor can provide and the list of non-audit services that the external auditors are prohibited from performing. All non-audit services must be pre-approved by the Committee or, when it is not possible or practical, by the Chairman of the Committee, and the mandates entrusted are confirmed by the Committee at its first scheduled meeting thereafter.

6. Approve the basis and amount of external auditors' compensation and recommend same to the Board.

7. Ensure that the external auditors are always accountable directly to the Committee and the Board.

8. Review, at least annually, the qualifications, performance and independence of the external auditors. In conducting its review and evaluation, the Committee should:

   8.1 obtain and review (subject to client confidentiality guidelines) a report by the Corporation's external auditors describing (i) the external auditors' internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues; and (iii) any information allowing to assess the auditor's independence, and all relationships between the external auditor and the Corporation's management or employees;

   8.2 ensure the rotation of the lead audit partner in accordance with rules of practice and other requirements applicable to the external auditors; and

   8.3 confirm with any independent external auditor retained to provide audit services for any fiscal year that the lead (or coordinating) audit partner (having primary responsibility for the audit), or the audit partner responsible for reviewing the audit, has not performed audit services for the Corporation for more than the five previous fiscal years of the Corporation.

9. Set clear hiring policies for partners, employees and former partners and employees of the external auditors of the Corporation and review. No registered public accounting firm may provide audit services to the Corporation if the Chief Executive Officer, Chief Financial Officer, chief accounting

officer, controller or equivalent officer was employed by the registered public accounting firm and participated in the audit of the Corporation within one year of the initiation of the current audit.

10. Review with the external auditors any audit problems or difficulties and Management's response thereto and resolve any disagreement between Management and the external auditors regarding financial reporting.

Other Public Financial Information

1. Review the financial information contained in the Annual Information Form, Annual Report, Management Proxy Circular, prospectuses, press releases and other documents containing similar financial information and recommend their approval to the Board before their public disclosure or filing with Canadian or other applicable securities regulatory authorities.

2. From discussions with management, satisfy themselves as to the process for ensuring the reliability of other public disclosure documents that contain audited and unaudited financial information.
3. Implement adequate procedures for the review of the Corporation’s public disclosure of financial information extracted or derived from the financial statements and periodically assess the adequacy of those procedures.

Management Information Systems and Internal Controls

1. From discussions with and/or reports from Management and reports from the internal and external auditors, review, monitor and evaluate the reliability, quality and integrity of the Corporation's management information systems and internal controls.

2. Review the process relative to the periodic certifications by the Chief Executive Officer and the Chief Financial Officer of the Corporation in respect of financial disclosures, the existence of any significant deficiencies in the design or operation of internal controls which could adversely affect the ability to record, process, summarize and report financial data and any significant changes in internal controls or changes to the environment in which the internal controls operate, including corrections of material deficiencies and weaknesses.

3. Request the undertaking of any specific audit or any special examinations (e.g., review compliance with conflict of interest policies).

4. Review, as required, the effect of regulatory and accounting pronouncements and any other transactions which could alter, impact or otherwise materially affect the Corporation’s financial or corporate structure, including off-balance sheet items.

5. Review control weaknesses identified by the external auditors, together with management's response thereto.

6. Review at least annually and ensure that reasonable measures are in place to ensure the monitoring of the Corporation’s risk assessment and management policies, including hedging policies through the use of financial derivative transactions.

7. Establish procedures for the receipt, retention and treatment of complaints or concerns received by the Corporation regarding accounting, internal accounting controls or auditing matters, including ensuring the confidential and anonymous submission by employees of concerns respecting questionable accounting or auditing matters.

Internal Auditor

1. Review and approve the appointment of the internal auditor and his/her status of independence.

2. Oversee the general functions, responsibilities and performance of the internal auditor.

3. Review and approve the budget, compensation and resources for the internal auditor.

4. Review reports prepared by the internal auditor and the internal audit plan.

5. Review and discuss with management any relevant significant recommendations that the internal auditor may have presented in its reports to the Committee and receive follow-up reports on action taken with respect to the recommendations.

6. The Committee has the authority to communicate directly with the internal auditor.

Compliance Reporting

1. Report to the Board at least annually regarding the oversight and receipt of certificates from management confirming compliance with:

   1.1 debt covenants;

   1.2 all required withholding, deductions and remittances;

   1.3 corporate business conduct standards;

   1.4 laws, regulations and rules of all Canadian securities commissions or other applicable similar regulatory authorities, as well as the laws, regulations and rules of all exchanges where the Corporation's securities are listed; and

   1.5 laws and regulations covering the operation of the Corporation.

Pension Matters

1. Oversee the general administration and operation of the Yellow Pages Group Co. Pension Plan (the "Pension Plan") and related fund (the "Fund") on behalf of the Board of Directors of Yellow Pages Group Co. (the "Company Board"), having regard to the recommendations of the Pension Committee as the case may be.

2. Appoint members to a management-level committee (the "Pension Committee") and delegate to such Pension Committee any responsibilities determined by the members of the Committee to be of an operational nature with respect to the administration and investment of the Pension Plan and the Fund, including the authority for all operational matters contemplated by the agreements related to the Pension Plan and the Fund.

3. Review changes and amendments to the Pension Plan and provide comments and/or make recommendations to the Company Board.

4. Annually review the Pension Plan' funding objectives and provide comments and/or make recommendations to the Company Board.

5. Review actuarial valuations prepared by the actuary in relation to the Pension Plan and Fund and provide comments and/or make recommendations to the Company Board.

6. Review reports prepared by the Pension Committee, including but not limited to reports regarding the day-to-day administration of the Pension Plan, the Fund and related supervision and monitoring procedures (the "Control System"), and the investment of the Fund and provide comments and/or make recommendations to the Company Board.

7. At least annually, review the Statement of Investment Policies and Procedures (the "Investment Policy") of the Fund and provide comments and/or make recommendations to the Company Board.

8. Review all financial statements of the Fund and make recommendations to the Company Board in this regard.

9. Review the governance structure of the Pension Plan and Fund from time to time and provide comments and/or make recommendations to the Company Board.

10. Provide comments on and/or recommend the appointment (including the terms thereof and any changes thereto) and removal of any person providing services relating to the Pension Plan and Fund, including, benefit administration agents, funding agents, the actuary, the auditor of the Fund, investment managers) (including a change to the allocation of assets managed by each such investment manager) and all other advisors.

11. On a periodic basis, as determined by the Committee, obtain assurance from the Pension Committee that (i) the Pension Plan and the Fund are administered and invested in compliance with the Pension Plan text, applicable contractual arrangements, the applicable Investment Policy and applicable law; and (ii) the Control System is adhered to and that no material non-compliance has been detected.

12. Report to the Company Board at least quarterly on the administration of the Pension Plan and Fund and the activities of the Pension Committee and the Committee relating to the Pension Plan and Fund.

Other Responsibilities

1. Review the adequacy of insurance coverage.

2. Review the adequacy of the Corporation's financing, including terms and conditions.

3. Oversee the investigation of fraud, illegal acts or conflicts of interest and the reporting of concerns mechanism provided in the Policy on Reporting of Concerns.

4. Discuss with corporate counsel the status of any material pending or threatened litigation, claim or other contingency and the appropriateness of the disclosure thereof.

5. Review any material related party transactions.

6. Prepare and review the public disclosure regarding the Committee required from time to time by NI 52-110.

Reporting

1. Report, through the Chairperson, to the Board following each meeting on the significant discussions of and decisions made by the Committee; in this respect, the minutes of the Committee shall be made available and distributed to the other members of the Board.

2. Review and assess the Committee's mandate annually and recommend changes to the Board as appropriate. The Committee shall ensure that processes are in place to annually evaluate the performance and effectiveness of the Committee in accordance with the process developed by the Board's Corporate Governance and Nominating Committee as approved by the Board.

Approved by the Board of the Corporation on November 3, 2011.