YellowMediaInc

Yellow Media Reaches Settlement with its Lenders and Amends Proposed Recapitalization

- Settlement with bank lenders clears the way for implementation of proposed recapitalization
- Recapitalization now expected to be implemented on December 20, 2012
- Alignment of balance sheet and business strategy to allow Yellow Media to fully focus on digital transformation

Montréal (Québec), December 10, 2012 — Yellow Media Inc. (TSX: YLO) announced today that it reached a settlement with the lenders under its senior unsecured credit facility who were opposing the Company's proposed recapitalization (the "Recapitalization"). Pursuant to the settlement, such lenders agreed to notify the Québec Superior Court (the "Court") that they do not object to the implementation of the Recapitalization and agreed to facilitate its implementation. The Company has agreed to propose to the Court that the terms of the Recapitalization be amended such that:

- upon implementation of the Recapitalization, the Company will pay to the lenders, the holders of its existing medium term notes and the holders of its existing convertible unsecured subordinated debentures all accrued and unpaid interest up to but excluding the date of implementation of the Recapitalization, and pay to the lenders the $25 million amortization payment on the outstanding balance of the non-revolving tranche of the credit facility originally due on October 1, 2012;

- the lenders will receive $25 million additional principal amount of new senior secured notes pursuant to the Recapitalization;

- in exchange for the payment of the additional $25 million amortization amount on the non-revolving tranche of the credit facility and the issuance of the additional $25 million principal amount of new senior secured notes to the lenders upon implementation of the Recapitalization, the principal amount of the outstanding credit facility debt will be reduced by $58 million, from $369 million to $311 million, for purposes of calculating the pro rata distribution of the consideration under the Recapitalization;

- the holders of the existing convertible unsecured subordinated debentures will receive $5 million additional principal amount of new senior subordinated exchangeable debentures pursuant to the Recapitalization;

- the annual interest rate on the new senior secured notes will be increased from 9.00% to 9.25%;

- the mandatory redemption provisions in respect of the new senior secured notes will be amended to provide, notably, that:

    - the Company will use an amount equivalent to 75% (up from 70%) of its consolidated excess cash flow (as determined pursuant to the indenture governing the new senior secured notes) for the immediately preceding two fiscal quarters, on a semi-annual basis on the last day of May and

November of each year, commencing on May 31, 2013, to redeem the new senior secured notes at par on a pro rata basis;

- o the Company will make minimum annual aggregate mandatory redemption payments thereunder of $100 million for the combined payments due on May 31, 2013 and November 30, 2013, $75 million for the combined payments due on May 31, 2014 and November 30, 2014, and $50 million for the combined payments due on May 31, 2015 and November 30, 2015; and

- o for purposes of determining consolidated excess cash flow, deductions for capital expenditures and information systems/information technology (IS/IT) expenses will each be subject to an annual deduction limit of $50 million;

- the Board of Directors of New Yellow Media will be comprised of ten directors (instead of nine) and the lenders will have the right to nominate one member of the initial Board of Directors of New Yellow Media, who will also be a member of the initial audit committee of New Yellow Media.

In connection with the settlement, the ad hoc committee of holders of existing convertible unsecured subordinated debentures, which agreed to support the Recapitalization on October 16, 2012, reaffirmed their support in respect of the Recapitalization, as amended.

BMO Capital Markets and Canaccord Genuity, Yellow Media's financial advisors, have confirmed that the Recapitalization described herein is fair, from a financial point of view, to the holders of securities subject to the CBCA plan of arrangement.

As a result of the settlement, the Recapitalization is now expected to be implemented and become effective on December 20, 2012, subject to a number of conditions, including the approval of the Toronto Stock Exchange and the receipt of the final approval from the Court in respect of the Recapitalization, which is no longer being contested by any party before the Court. The settlement is also subject to the parties thereto entering into a definitive termination agreement, setting forth the terms and conditions pursuant to which the parties' obligations under the senior unsecured credit facility will be terminated upon the implementation of the Recapitalization, by no later than December 13, 2012, and the implementation of the Recapitalization occurring on or before December 21, 2012. The Recapitalization as it affects the senior unsecured credit facility will be implemented through definitive agreements rather than through the Company’s CBCA plan of arrangement.

"We are pleased to announce this settlement which now clears the way for the implementation of the recapitalization, and we look forward to being able to fully focus on our digital transformation, the needs of our clients and delivering value to our stakeholders," said Marc P. Tellier, President and Chief Executive Officer of Yellow Media.

"We've made significant progress in our digital transformation and with the alignment of the Company's balance sheet with its business strategy, and we will be well positioned to seize market opportunities with our Yellow Pages 360° Solution suite of products and services. We plan to grow our digital tools and platforms, and will continue providing businesses across Canada with smarter, simpler ways to manage their digital marketing needs, delivering superior value for their dollar and helping them bring people through their doors," continued Tellier.

The following table presents the consideration to be received by the Company's existing holders of affected senior unsecured debt, convertible unsecured subordinated debentures, preferred shares and common shares pursuant to the Recapitalization, after giving effect to the settlement.

	Cash ($)	**New Senior Secured Notes ($)**	**New Senior Sub. Exch. Debentures ($)**	**New Common Shares (#)**	**Warrants (#)**
$1,000 face value of senior unsecured credit facility debt	190.502810	448.282290	49.100853	11.324104	—
$1,000 face value of medium term notes	145.644814	451.498923	58.257925	13.435995	—
$1,000 face value of convertible unsecured subordinated debentures	—	—	37.675190	2.500891	2.433753
100 preferred shares (other than preferred shares, series 7)	—	—	—	6.252229	3.572702
100 preferred shares, series 7	—	—	—	1.875669	1.071811
100 common shares	—	—	—	0.500178	0.285816

The exercise price of the warrants and the exchange price of the new senior subordinated exchangeable debentures will remain unchanged at $28.16 and $19.04, respectively.

The following table presents the approximate amount of cash, new senior secured notes and new senior subordinated exchangeable debentures, and the approximate number of new common shares and warrants to be received under the Recapitalization, after giving effect to the settlement, by the lenders and the holders of the Company's existing medium term notes, convertible unsecured subordinated debentures, preferred shares and common shares.

	Cash ($)	**New Senior secured notes ($)**	**New Senior sub. exch. debentures ($)**	**New common shares (#)**	**Warrants (#)**
Lenders	70,295,537	165,416,165	18,118,215	4,178,594	—
Noteholders	204,704,463	634,583,835	81,881,785	18,884,353	—
Debentureholders	—	—	7,500,000	497,852	484,487
Preferred shareholders	—	—	—	1,829,641	1,045,509
Common shareholders	—	—	—	2,564,647	1,465,513
Total	275,000,000	800,000,000	107,500,000	27,955,087	2,995,509

Yellow Media's Recapitalization will reduce the Company's debt, including preferred shares, series 1 and series 2, by approximately $1.5 billion and provide it with the financial flexibility necessary to advance its business transformation into a digital media and marketing solutions company and enhance long-term value for stakeholders. On September 6, 2012, a vast majority of debtholders and shareholders voted in favour of the Recapitalization at their respective meetings.

As a result of the Recapitalization becoming effective, the Company will not redeem any existing cumulative redeemable first preferred shares, series 1 that have been or may be tendered for redemption by holders in accordance with the terms of such preferred shares beginning as of December 31, 2012, and will therefore not pay any retraction price nor any accrued and unpaid dividends in respect thereof. Pursuant to the Recapitalization, the holders of all of Yellow Media's existing preferred shares, other than the preferred shares, series 7, will be entitled to receive the same consideration (as described above) in exchange for each preferred share and all related entitlements.

In the course of negotiations with the lenders in connection with the Recapitalization, the Company disclosed confidential information to the lenders pursuant to signed confidentiality agreements. The confidential information included forecasts for the 2012 to 2016 fiscal years that were prepared in early 2012 (the "5-Year Plan") and were based on certain assumptions which were believed to be reasonable in the circumstances at the time. However, forecasts for such a lengthy period of time are based on assumptions that invariably change over time and therefore the forecasted results are often not achieved. Accordingly, it is expected that actual results will vary from the forecasted results and such variations may be significant. According to the 5-Year Plan, forecasted earnings before interest, taxes, depreciation and amortization ("EBITDA") during the five-year period should be sufficient to enable the Company to meet its obligations and give effect to its announced business plan notwithstanding that those forecasts showed fiscal 2013 EBITDA being substantially lower than forecasted fiscal 2012 EBITDA. It is important to note that the 5-Year Plan was not prepared for purposes of public disclosure, may not be appropriate for purposes other than for what it was prepared, does not constitute guidance and should not be relied upon generally by securityholders of the Company. The Company will make no further comments with respect to this information unless required under applicable law.

Further information concerning the Recapitalization is available on SEDAR (www.sedar.com) and the Company's website (www.ypg.com).

About Yellow Media Inc.

Yellow Media Inc. (TSX: YLO) is a leading media and marketing solutions company in Canada. The Company owns and operates some of Canada's leading properties and publications including Yellow Pages™ print directories, YellowPages.ca™, Canada411.ca and RedFlagDeals.com™. Its online destinations reach over 9 million unique visitors monthly and its mobile applications for finding local businesses and deals have been downloaded over 4 million times. Yellow Media Inc. is also a leader in national digital advertising through Mediative, a digital advertising and marketing solutions provider to national agencies and advertisers. For more information, visit www.ypg.com.

Caution Concerning Forward-Looking Statements

This press release contains forward-looking statements about the objectives, strategies, financial conditions, results of operations and businesses of the Company. These statements are forward-looking as they are based on our current expectations, as at December 10, 2012, about our business and the markets we operate in, and on various estimates and assumptions. Our actual results could materially differ from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, there is no assurance that any forward-looking statements will materialize. Risks that could cause our results to differ *materially from our current expectations are discussed in section 7 of our November 6, 2012 Management's Discussion and Analysis. We disclaim any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available, as a result of future events or for any other reason. The implementation of the Recapitalization is subject to a number of conditions provided in the plan of arrangement under the Canada Business Corporations Act, including, without limitation, court and any required regulatory approvals (including Toronto Stock Exchange approvals, including in respect of the listing of the new senior subordinated exchangeable debentures resulting from the proposed amendments to the terms of the Recapitalization reflected in this press release and of the new common shares to be issued upon the exercise or exchange of such new senior subordinated exchangeable debentures). The implementation of the Recapitalization is also subject to a number of other risks and uncertainties, including, without limitation, those described in the section "Risk Factors" of the Company's management proxy circular dated July 30, 2012 prepared in connection with the meetings. Accordingly, there can be no assurance that the Recapitalization will occur. The Recapitalization could be modified, restructured or terminated.*

Contacts:

Investor Relations
Pierre Van Gheluwe
Treasurer
Tel.: (514) 934-4325
pierre.vangheluwe@ypg.com

Media
Fiona Story
Senior Manager, Public Relations
Tel.: (514) 934-2672
fiona.story@ypg.com

Institutional Security Holders

BMO Capital Markets Transaction Hotline		Canaccord Genuity Transaction Hotline	
Tel.:	(416) 359-4306	Tel.:	(416) 687-5517
Toll free:	(855) 666-4361	Toll free:	(855) 333-5517