



**YELLOW PAGES LIMITED**  
**ANNUAL INFORMATION FORM**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**March 25, 2015**

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## EXPLANATORY NOTES

The information in this Annual Information Form is stated as at December 31, 2014, unless otherwise indicated.

Unless otherwise indicated or the context otherwise requires, the “Corporation” or “Yellow Pages” refers to Yellow Pages Limited (formerly Yellow Media Limited) and/or its subsidiaries. “YP” refers to Yellow Pages Digital & Media Solutions Limited (which is the amalgamated entity resulting from the vertical short-form amalgamation of Yellow Pages Group Corp. and YPG Financing Inc., wholly-owned subsidiaries of the Corporation, on January 1, 2015). “YP Next Home” refers to Yellow Pages Homes Limited (previously “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 Pages Limited, 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 as “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 at 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 in the Risks and Uncertainties:

- “Substantial competition could reduce the market share of the Corporation and could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “The inability of the Corporation to successfully enhance and expand its offering of digital and new media products could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “The Corporation’s inability to realize costs savings could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “Incremental contributions by the Corporation to its pension plans could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “Failure by either the Corporation or the Telco Partners (defined herein) to fulfill the obligations set forth in the agreements between the Corporation and the Telco Partners could result in a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “Failure by the Corporation to adequately protect and maintain its brands and trademarks, as well as third party infringement thereof, could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “Work stoppages and other labour disturbances could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “Challenge by tax authorities of the Corporation’s position on certain income tax matters could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;

- “The loss of key relationships or changes in the level or service provided by internet portals, search engines, individual websites, mobile manufacturers and Operating Systems (“OS”) providers could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “The failure of the Corporation’s computers and communications systems could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “The Corporation’s inability to attract and retain key personnel could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “The Corporation might be required to record additional impairment charges”;
- “The inability of the Corporation to attract and retain customers could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “A higher than anticipated proportion of revenues coming from the Corporation’s digital products with lower margin, such as websites, search engine optimization (“SEO”) and search engine marketing (“SEM”), could have a material adverse effect on the Corporation, its business, financial condition and results from operations”;
- “The Corporation’s inability to realize some of the existing benefits under its commercial arrangements with the Telco Partners due to the potential erosion of their market position could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “The failure to increase prices may have an adverse effect on the Corporation, its results of operation and financial condition”;
- “A prolonged economic downturn in principal markets of the Corporation could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “Changes in regulations could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “The imposition of new environmental laws or the new interpretation of environmental laws could have a material adverse effect on the Corporation, its business, results from operations and financial condition”;
- “The Corporation’s inability to enforce the non-competition agreements with the Telco Partners may impair the value of its business”;
- “The Corporation’s business depends on the strength and visibility of the Corporation’s brands. Failure to promote and reinforce consumer trust in these brands, or negative publicity regarding the Corporation, could impair the Corporation’s ability to expand its business”;
- “The Corporation’s business depends on the usage of its online and mobile properties and failure to grow traffic across the Corporation’s digital properties could impair its ability to grow revenues and expand its business”;
- “Turnover among media account consultants (“MACs”) could materially adversely affect the Corporation, its business, results from operations and financial condition”;
- “The inability or unwillingness of Certified Marketing Representatives (“CMRs”) to carry on business with the Corporation could have a material adverse effect on the Corporation, its business, results from operations and financial condition”; and
- “Adverse outcomes in lawsuits or investigations could have a material adverse effect on the Corporation, its business, results from operations and financial condition” of the “Risks and Uncertainties”.

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 at 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

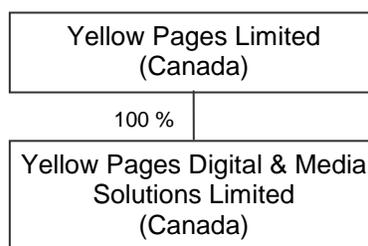
### Name, Address and Incorporation

On December 31, 2014, Yellow Media Limited changed its name to Yellow Pages Limited through a vertical short-form amalgamation with its newly created wholly-owned subsidiary, Yellow Pages Limited. On January 1, 2015, Yellow Pages Group Corp. and YPG Financing Inc. amalgamated to form Yellow Pages Digital & Media Solutions Limited through a vertical short-form amalgamation. Yellow Pages Limited is the parent company of Yellow Pages Digital & Media Solutions Limited.

On December 20, 2012, the Corporation completed a recapitalization transaction (the “Recapitalization”) in accordance with a court-approved plan of arrangement under the *Canada Business Corporations Act* (“CBCA”). Yellow Media Limited (now named Yellow Pages Limited) was formed under the CBCA for the purpose of effecting the Recapitalization. Pursuant to the Recapitalization which became effective on December 20, 2012, Yellow Pages Limited became the parent company of Yellow Pages Digital & Media Solutions Limited (previously known as YPG Financing Inc.), and trading of the common shares of Yellow Pages Limited on the Toronto Stock Exchange (“TSX”) began under the symbol “Y”. See “Business of the Corporation – Recapitalization” and “Market for Securities”. 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 the structure of the Corporation and its principal subsidiary as at March 25, 2015.



## GENERAL DEVELOPMENT OF THE BUSINESS

### Corporate Restructuring

On July 23, 2012, the Corporation announced the Recapitalization that aimed to significantly reduce the Corporation’s debt and improve its maturity profile, with new debt first coming due in 2018. The Recapitalization was approved by the requisite majority of the Corporation’s debtholders and shareholders at their respective meetings on September 6, 2012. The Québec Superior Court (the “Court”) approved the Recapitalization on December 14, 2012 under section 192 of the CBCA. See “Business of the Corporation – Recapitalization”. The implementation of the Recapitalization on December 20, 2012 reduced the Company’s outstanding debt by \$1.5 billion, providing it with a stronger balance sheet and greater financial flexibility to pursue its digital transformation.

### History of Yellow Pages Limited

The paragraphs that follow provide a description of how Yellow Pages Limited’s business has evolved over the years.

Yellow Pages, 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. On August 14, 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.

Between 2005 and 2010, the Corporation completed a number of acquisitions enabling it to expand its presence beyond Ontario and Québec to all provinces and territories across Canada, giving the Corporation a national platform to offer its print and digital products and services.

In 2010, the Corporation launched Mediative. Mediative is a leader in national digital advertising providing high-end digital marketing and performance media services for national-scale agencies and customers. Mediative also owns and operates one of Canada's leading display and vendor co-op advertising networks. Mediative manages a network of over 50 premium publishers, web and mobile, reaching over 14 million Canadians per month.

In December 2014, the Corporation completed the acquisitions of Bookenda Limited, doing business as Bookenda, and the business of Candia Digital Group Inc. ("dine.TO"), to acquire the talent and technologies required to accelerate the development of new media properties. With a strong presence in the restaurant industry within the Greater Montreal Area, Bookenda's digital properties offer an online transaction platform for users and merchants to easily interact and manage bookings. dine.TO owns and operates local digital restaurant guides for the Greater Toronto Area, providing users with an extensive database of local restaurant listings, reviews, deals, playlists and events, as well as real-time online ordering capabilities.

## **BUSINESS OF THE CORPORATION**

The Corporation is a Canadian digital and print media company, offering businesses media solutions to meet their key marketing objectives and providing consumers with platforms to access reliable local business information. The Corporation offers small-and-medium sized businesses ("SMEs") access to one of the country's most comprehensive suites of digital and traditional marketing solutions, which include products such as online and mobile priority placement on the Corporation's owned and operated media, search engine solutions, website fulfillment, social media campaign management, digital display advertising, video production and print advertising. Through its Mediative division, the Corporation also provides national-scale businesses with high-end digital marketing and performance media services. YP Next Home, a subsidiary of the Corporation, is a leading provider of media and advertising solutions to the Canadian real estate industry, helping construction leaders, real estate brokers and agents, landlords, and property management firms connect with prospective buyers, sellers and renters across the country.

The Corporation's database of local merchant information currently contains 1.8 million business listings, making it one of the largest in Canada. This content reaches Canadian audiences via a variety of digital and print media, which include YP.ca™, Canada411.ca™ (now C411), RedFlagDeals.com™, 411.ca, Bookenda.com and dine.TO desktop websites, the YP, YP Shopwise™, RedFlagDeals and C411 mobile search applications as well as the Yellow Pages™ print directories.

### **The Return to Growth Plan**

The Return to Growth Plan was established in May 2014 to accelerate the Corporation's second phase of digital transformation and help it gain a leadership position within Canada's local digital advertising market. The Return to Growth Plan sets out to accomplish these objectives by strengthening the Corporation's brand perception, media properties and customer value proposition, elements which are fundamental in promoting growth in the Corporation's customer count, and ultimately, growth in revenues and profitability.

Successful completion of the Return to Growth Plan will enhance Yellow Pages' competitive positioning in the Canadian market, improve its relationship with Canadian SMEs and consumers, and provide the Corporation with a strengthened platform onto which it can develop new businesses and enter new markets.

Proper execution of the Return to Growth Plan will be promoted through enhanced focus on the following pillars of transformation:

- Extending the Brand Promise – The Corporation will invest to strengthen its brand image with a focus on changing legacy perceptions and boosting awareness of its digital media platforms and solutions. A simplified brand architecture was implemented in 2014, leveraging the use of the YP acronym across the Corporation's media properties to promote brand recall and its digital transformation. National and local multi-media campaigns have also been deployed to increase usage of the Corporation's digital media properties and adoption of its suite of digital solutions. In addition, the Corporation expanded its *Shop The Neighbourhood*<sup>™</sup> corporate social responsibility ("CSR") campaign across Canada to celebrate small businesses and encourage local shopping. See "Business of the Corporation – Corporate Social Responsibility and Environment".
- Strengthening its Media Assets – Investments have been made across the Corporation's owned and operated digital properties to attract and grow audiences. Improved content such as articles, recommendations, merchant playlists, and deals/product databases continued to be added onto the YP desktop and mobile properties to help users best fulfill their shopping needs. As it invested to improve its media assets, the Corporation maintained an enhanced focus on evolving its mobile and tablet properties and providing shoppers with a better on-the-go local search experience. In 2014, the Corporation launched new versions of YP.ca and the YP mobile application, YP Shopwise and C411. The Corporation also started to develop new verticals in 2014 to deliver a more targeted search experience and expand the Corporation's share of online business search in underpenetrated categories such as shopping, restaurants, real-estate and leisure.
- Enhancing its Go-to-Market Strategy – Achieving growth in the customer count is critical to allowing the Corporation to return to revenue and profitability growth. Customer acquisition has been supported by a dedicated customer acquisition team as well as the implementation of technologies, processes, training programs and incentive programs to improve leads management and promote an acquisition-centric sales culture throughout the organization. In conjunction, the Corporation is investing to increase customer satisfaction and protect retention by improving the quality of digital fulfillment and customer service processes. In the near-term, the Corporation aims to also evolve its suite of digital products and services by introducing simplified and more verticalized offerings, as well as performance-based solutions that best leverage the power of its owned and operated digital properties.

In order to ensure proper execution and implementation of the Return to Growth Plan, the Corporation has put in place an internal Transformation Office. The Transformation Office reports directly to the Chief Executive Officer, takes full ownership of all detailed plans and interlocks, and leads and delivers upon all projects supporting the Return to Growth Plan, while also ensuring timely execution and proper risk mitigation.

The Return to Growth Plan is also designed to improve operational efficiencies and to generate costs savings across the Corporation. In 2014, the Corporation implemented a new print directory distribution model, insourcing the management of distribution while better aligning directory distribution with consumer usage. Additionally, the Corporation continued to decommission and replace legacy print publishing systems and information and technology ("IT") datacentres, while optimizing various customer service and digital fulfillment processes.

Since the launch of the Return to Growth Plan, the Corporation has achieved numerous corporate milestones, which include:

- Customer Acquisition – For the twelve-month period ended December 31, 2014, the Corporation acquired 22,100 new customers. This compares favourably to the acquisition of 15,200 customers in 2013 and surpassed its 2014 customer acquisition target of 20,000 customers;
- Digital Visits – Total digital visits made across the YP, RedFlagDeals, YP Shopwise and C411 desktop and mobile properties grew 6.8% year-over-year to reach 424.1 million in 2014;
- Digital Revenues – Consolidated digital revenues grew 9% year-over-year to reach \$442.8 million in 2014. A key milestone was reached in 2014, as digital revenues exceeded print revenues for the first time in the Corporation's history. For the fourth quarter ended December 31, 2014, digital revenues represented 54.3% of consolidated revenues; and
- Debt Repayment – the Corporation repaid \$139.6 million of its 9.25% senior secured notes in 2014, exceeding the minimum aggregate mandatory redemption payment requirement of \$125 million for 2014 and 2015 combined.

### *Strong Media Brand*

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

The Corporation owns more than 250 trademarks in connection with its business including Yellow Pages™, Pages Jaunes™, Walking Fingers & Design™, Canada411™, YellowPages.ca and PagesJaunes.ca. In addition, YP has entered into trademark license agreements with Bell Canada ("Bell"), Telus Communications Inc. ("Telus"), Bell Aliant Regional Communications LP ("Bell Aliant") and MTS Allstream Inc. ("MTS Allstream"), giving Yellow Pages the exclusive right to use their trademarks in connection with the publication of print and digital directories. See "Business of the Corporation – Relationships with Telecommunication Companies".

In 2014, as part of a review of its brand architecture, Yellow Pages rebranded its "yellowpages.ca" and "ShopWise" digital properties to "YP.ca" and "YP Shopwise," respectively. The introduction of the YP acronym is modern, digital-oriented and easier to remember, and will also be used in the branding of Yellow Pages' upcoming digital properties to further enhance brand recognition.

As the Yellow Pages brand remains highly recognized, respected and reflective of the Corporation's 100-year heritage of connecting businesses and consumers nationwide, the Corporation officially changed its holding company name from "Yellow Media Limited" to "Yellow Pages Limited" on December 31, 2014. See "Corporate Structure – Name, Address and Incorporation".

### *Attracting Valuable Audiences*

Yellow Pages' network of digital properties helps Canadian consumers find information to connect with local businesses and fulfill their shopping needs. In 2014, the Yellow Pages network of desktop and mobile properties attracted over 424.1 million visits. The Corporation's owned and operated digital properties include YP.ca™, Canada411™, RedFlagDeals.com™, Bookenda.com and dine.TO desktop websites, as well as the YP, YP Shopwise™, RedFlagDeals, and C411 mobile search applications. Details on these properties are provided below:

- YP – Available both online at YP.ca and as a mobile application, YP provides users access to current and comprehensive information on more than 1.8 million local Canadian businesses.
- YP Shopwise – Mobile application offering geo-localized deals and flyers, alongside access to a catalogue of over 7 million products and information on over 600 local and national retailers.

- RedFlagDeals.com – Canada’s leading provider of online and mobile deals, coupons and shopping tools.
- C411 – One of Canada’s most frequented and trusted online destinations for personal contact information.
- Bookenda.com – Online digital properties offering an online transaction platform for users and merchants to easily interact and manage bookings.
- dine.TO – Provides users in the Greater Toronto Area with an extensive database of online local restaurant listings, reviews, deals, playlists and events, as well as real-time online ordering capabilities.

The Corporation aims to raise engagement and the frequency of use of its digital properties by offering Canadians more relevant and differentiated local content. In order to improve the accuracy of its business information, the Corporation eliminated close to all stale, obsolete and duplicate business listings across its media in 2014. In addition, Yellow Pages’ database of merchant information continued to rapidly expand. As at December 31, 2014, the Corporation’s digital properties contained 1.8 million business listings and over 480,000 merchant profiles, providing users with access to pictures, videos, website links, mapping functionalities, deals, ratings and reviews. Editorial content was also published to promote local neighbourhood discovery and extend users’ experience beyond local business search. In 2014, YP.ca published Playlists and Business Stories to allow shoppers to discover top-ranked merchants in and around their area. In addition, a series of Smart Tips articles were published to help users make more informed shopping decisions within areas such as health, personal finance, home renovations, and travel.

Lastly, in 2014, the Corporation launched new versions of YP.ca and the YP, YP Shopwise and C411 mobile applications, providing users with an easier-to-navigate interface, more dynamic search functionalities, and quicker response times. The enhancements made to our content and user experience were well received by the digital community, with the YP Shopwise and C411 applications each being awarded the title of “Best New App” by the Canadian App Store. The YP mobile application was also selected as one of Apple’s “Best New Apps of 2014” and included in Google Play’s “Best of 2014” editor’s list.

On the print side, the Corporation published 334 distinct print telephone directories in 2014. The Corporation is the official directory publisher for Bell, Telus, Bell Aliant, MTS Allstream, and a number of other incumbent telephone companies that have a leading market share in their respective markets.

#### *Responding to Customers’ Needs*

As at December 31, 2014, the Corporation’s customer count totalled 256,000, as compared to 276,000 customers for the same period the previous year. Growth in the customer count remains a critical component in allowing Yellow Pages to return to revenue and profitability growth. The acquisition of new customers continued to accelerate during the fourth quarter of 2014, fuelled by an expanding sales team, the launch of entry-level digital product offerings and the introduction of new sales incentive programs. For the twelve-month period ended December 31, 2014, YP acquired 22,100 new customers. This compares favourably to the acquisition of 15,200 customers in 2013 and surpassed Yellow Pages’ 2014 customer acquisition target of 20,000 customers.

For the twelve-month period ended December 31, 2014, customer renewal among YP’s customers reached 84%. Customer penetration of the Yellow Pages™ 360° Solution (“360°”), defined as customers who purchase three product categories or more, grew to 36.6% as at December 31, 2014. Renewal among 360° customers reached 90% for the twelve-month period ended December 31, 2014 as compared to 82% among non-360° customers. The Corporation continued to expand its 360° value proposition to local SMEs by launching both Smart Digital Display and Facebook Solutions in 2014. Smart Digital Display helps local

businesses build an online presence by exposing their digital banner ads to local online audiences, while Facebook Solutions allows SMEs to establish and maintain strong visibility across the leading social media property.

Recent efforts to improve the end-to-end customer experience have also played a key role in protecting customer retention levels. In 2014, YP launched its redesigned business-to-business (“B2B”) online 360° Business Centre (<http://businesscentre.yip.ca/>), now offering SMEs self-serve functionalities such as the ability to register and claim business listings, update and add content to their merchant profiles, track the performance of their marketing campaigns and pay their invoices online. Technologies have also been rolled out across the organization to offer SMEs quality and timely fulfillment of their digital solutions and improved customer satisfaction. In the fourth quarter of 2014, Yellow Pages implemented a new business process management system, providing its digital fulfillment teams with improved content management capabilities and a more robust order management procedure to promote enhanced delivery of website solutions. The Corporation is also expanding its customer service teams and currently providing them with better tools to enhance the speed and quality of issue resolution.

### *Employees*

The Corporation employs approximately 3,000 employees across its offices in Canada and the United States, and holds one of the largest teams of sales advisors, digital fulfillment professionals and campaign managers in Canada. The Corporation employs a sales force of approximately 1,100 MACs and sales support staff, responsible for serving the Corporation’s customers across Canada. The sales force is composed of both face-to-face and telephone-based MACs, and is broken down into various customer segments to allow for a more dedicated relationship with each customer.

In 2014, the Corporation continued to align its workforce with the realities of its digital transformation, transferring resources from its legacy operations towards its digital platform. Approximately 300 professionals were hired within IT, digital publishing and digital media. The Corporation also invested in developing a stronger digital culture, offering training programs, tools and resources to elevate digital literacy and promote change management across all facets of the organization.

Certain MACs, as well as certain office employees in Alberta, Manitoba, Ontario, British Columbia and Québec, together representing approximately 36% of YP’s workforce, are unionized. YP’s office employees based in the United States are not unionized. The following table provides a summary of the labour unions representing YP’s employees and the status of collective agreements in place:

<b>Labour union</b>	<b>Bargaining Unit</b>	<b>Location</b>	<b>Expiry Date</b>	<b>Number of employees</b>
Syndicat des employées et employés professionnels(les) et de bureau	SEPBB Local 574 (S)	MAC employees based in Québec	December 31, 2015	226
International Brotherhood of Electrical Workers	IBEW Local 2228 (S)	MAC based in Alberta	December 31, 2015	91
International Brotherhood of Electrical Workers	IBEW Local 2228 (C)	Office employees based in Alberta	December 31, 2015	6

Labour union	Bargaining Unit	Location	Expiry Date	Number of employees
Canadian Office and Professional Employees Union	COPE Local 378	MAC based in British Columbia	December 31, 2015	120
Canadian Office and Professional Employees' Union	COPE Local 131	MAC based in Ontario, other than those based in the city of Thunder Bay	June 30, 2016	227
UNIFOR	UNIFOR Local 39-4	MAC based in the city of Thunder Bay	June 30, 2016	3
UNIFOR	UNIFOR Local 7	MAC and office employees based in Manitoba	September 30, 2016	32
UNIFOR	UNIFOR Local 6006	Office employees based in Ontario	December 31, 2017	166
International Brotherhood of Electrical Workers	IBEW Local 213	Certain employees of YP Next Home in British Columbia	December 31, 2018	5
Syndicat des employées et employés professionnels(les) et de bureau	SEPB Local 574 (C)	Office employees based in Québec	March 31, 2019	168

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

#### *Selling, Production and Components*

Existing or potential Canadian business customers of the Corporation are approached by a sales force comprised of MACs and sales support staff, and presented with a print and/or digital product mix best suited to meet their key marketing needs. The sales force collects the customer's business information and provides it to the appropriate fulfillment staff within the Corporation who fulfills the requested products or services.

The selling and fulfillment cycle of digital products varies based on the product purchased, as well as each customer's specific marketing objectives. The print directories' selling and production cycle lasts approximately twelve months from the initial sales date. YP print directories are printed and distributed annually by third party distributors throughout the Corporation's markets.

With the exception of certain SEM and SEO products which are managed through third-party providers, the Corporation manages internally most of the production and components of all of its product offerings, including the production and hosting of Websites and High Definition (“HD”) Videos, the process of compiling the print and digital directories together with listing information updates, sales contract and commission processing, advertisement design and creation, page layouts, and the transfer of completed pages to the digital directories and to YP’s printing suppliers for the print directories. YP 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 2% of YP’s directories revenues. YP contracts with third party vendors to distribute its directories within the geographic area covered by the directory.

Under separate billing and collection agreements with each of Bell, Telus, Bell Aliant and MTS Allstream (collectively, “Telco Partners”) and other independent telephone companies, a portion of YP’s monthly billing is included as a separate line item on customers’ telephone bills for those who use the incumbent telephone company as their telephone service provider. Telco Partners also provide collection services. See “Business of the Corporation – Long-Term Relationships with Telecommunication Companies”.

Customers who do not use the incumbent telephone company as their telephone service provider, who purchase products outside of their incumbent telephone company’s territory or who are, after November 1, 2014, new to using YP’s services, are billed directly by YP on a monthly basis. Selling contractors and CMRs are billed on an annual basis by YP upon directory publication after which they bill their clients.

YP recognizes revenue on a monthly basis over the estimated life of the print directory or digital advertising, not exceeding twelve months, commencing with the delivery or display date, respectively. The amount billed to CMRs is deferred and recognized over the twelve month period.

#### *Relationships with Telecommunication Companies*

YP has entered into publishing agreements and is the official and exclusive publisher of telephone directories of Bell, Telus, Bell Aliant and MTS Allstream. YP 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) trademarks in connection with the publication of print and digital telephone directories in any format (subject to certain exceptions). Pursuant to such agreements, Bell, Telus, Bell Aliant and MTS Allstream have agreed not to compete with YP 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 trademark license agreements. Furthermore, YP has entered into Billing and Collection agreements with Bell (up to 2017), Telus (up to 2031), Bell Aliant (up to 2037) and MTS Allstream (up to 2036), whereby each performs billing and collection services on behalf of YP, including billing and collecting directory advertising fees from certain YP customers who are also customers of the Telco Partners.

#### *Competition*

The Corporation faces competition within the online, mobile and print-based local search market and within the advertising solutions market.

The Corporation faces digital competition on the consumer side from search engines such as google.ca, bing.ca and yahoo.ca. The Corporation also competes with properties that provide classified, directory, and/or business listing information such as Apple Maps (given their significant iOS embedded application offering within Apple mobile products), TripAdvisor Inc., Urbanspoon.com, Yelp! Inc., Kijiji and Craigslist Inc., deal/coupon providers such as Groupon and Checkout51, as well as social networking organizations such as Facebook Inc., Twitter, Inc., and Foursquare Labs, Inc.

Within print local-based search media, the Corporation faces competition from community newspapers and regionally focused independent publishers. In Québec, the Corporation faces competition from Les Annuaire G.B. Inc. which publishes approximately 30 community-based directories. In Ontario, the Corporation faces competition from Gold book, a subsidiary of Metroland Media Group, a wholly-owned subsidiary of Torstar Corporation, which publishes approximately 40 directories. In Alberta, British Columbia and Ontario, the Corporation faces competition from ACTIONpages, an independent US publisher, which has recently extended its activities in Canada with 12 printed directories.

On the advertising side, the Corporation competes with numerous full-service providers such as Rogers Communications Inc., ReachLocal Canada, Search Engine People Inc., Bell, Telus, Web.com Group, Inc., GoDaddy.com, LLC and various local advertising agencies, which offer small and medium-sized businesses access to web design and hosting, e-commerce solutions, search engine solutions, social media marketing and/or digital display advertising. The Corporation also competes with Google Inc., Yahoo! Inc., Microsoft Corp., Facebook Inc., Kijiji and Yelp! Inc. as providers of digital listing and classified services.

### *Regulatory Matters*

The Canadian Radio Television Telecommunications Commission (“CRTC”) does not regulate the provision of directory advertising by, or the operations of, YP except with 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.

### *Recapitalization*

On July 23, 2012, the Corporation announced the Recapitalization that aimed to significantly reduce the Corporation’s debt, improve its maturity profile and increase financial flexibility to promote the implementation of its digital transformation.

On September 6, 2012, the Recapitalization was approved by the requisite majority of its debtholders and shareholders at their respective meetings. The hearing for the Final Order concluded on October 23, 2012. On December 10, 2012, the Corporation announced that it reached a settlement with the lenders under the Credit Facility who were opposing the Recapitalization. The Court issued its Final Order and approved the Recapitalization on December 14, 2012.

On December 20, 2012, the Corporation completed the Recapitalization pursuant to which the former securities of YPG Financing Inc. (currently named Yellow Pages Digital & Media Solutions Limited) and all entitlements relating thereto, were exchanged and cancelled for, as applicable, cash, common shares and warrants of the Corporation, and new senior secured notes and new senior subordinated exchangeable debentures of Yellow Pages Digital & Media Solutions Limited.

The Recapitalization reduced the Corporation’s debt, including Preferred Shares, Series 1 and Series 2, by approximately \$1.5 billion and provided the Corporation with the financial flexibility necessary to advance its business transformation to a digital media and marketing solutions company and enhance long-term value for stakeholders.

Upon completion of the Recapitalization, the Corporation’s principal indebtedness consisted of senior secured notes and the senior subordinated exchangeable debentures. See “Capital Structure – Description of Senior Secured Notes” and “Capital Structure – Description of Exchangeable Debentures”.

The following table presents what the lenders under the then existing Credit Facility, the holders of the Corporation’s then existing medium term notes, the holders of the Corporation’s then existing 6.25%

convertible unsecured subordinated debentures, and the holders of the Corporation's then existing preferred shares and common shares received under the Recapitalization.

	Cash (\$)	Senior Secured Notes (\$)	Senior Sub. Exch. Debentures (\$)	Common Shares (\$)	Warrants (\$)
Lenders	70,295,537	165,416,165	18,118,215	4,178,593	--
Noteholders	204,704,463	634,583,835	81,881,785	18,884,350	--
Convertible Debenture Holders	--	--	7,500,000	497,852	484,487
Preferred shareholders	--	--	--	1,829,635	1,045,506
Common shareholders	--	--	--	2,564,647	1,465,513
Total	275,000,000	800,000,000	107,500,000	27,955,077	2,995,506

## Ratings

Standard & Poor's Ratings Services ("S&P") and DBRS Limited ("DBRS") 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 "AA" to "C" may be modified by the addition of "(high)" or "(low)" to indicate the relative standing of a credit rating within a particular rating category.

S&P assigned a "B" for the Corporation's corporate credit rating with a stable outlook, a "BB-" for the Corporation's credit rating for Senior Secured Notes (as such term is defined in the section entitled "Capital Structure – Description of Senior Secured Notes") and a "CCC+" for the Corporation's credit rating for Exchangeable Debentures (as such term is defined in the section entitled "Capital Structure – Description of Exchangeable Debentures").

Obligations rated 'BB', 'B', 'CCC', 'CC' and 'C' by S&P are regarded as having significant speculative characteristics. Debt rated 'BB' by S&P means for S&P that the issuer is less vulnerable to nonpayment than other speculative issues. However, such debt faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. 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 have 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, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.

DBRS assigned a "B (low)" for the Corporation's issuer rating with a positive trend, a "B (low)" for the Corporation's credit rating for Senior Secured Notes and a "CCC" for the Corporation's credit rating for Exchangeable Debentures.

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. Financial instruments that are rated "CCC (high)" and "CCC" by DBRS are considered by DBRS to be very highly speculative with danger of defaulting on financial obligations.

The ratings described above provide investors with an independent view of credit quality. However, they are not a recommendation to buy, sell or hold securities and they may be subject to revision or withdrawal at any time by the assigning rating organization. Each credit rating should be evaluated independently of any other credit rating.

## **Facilities**

The Corporation's headquarters are located in leased premises at 16 Place du Commerce, Nuns' Island, Verdun (Québec). 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 Montreal (Quebec), Toronto (Ontario), Burnaby (British Columbia), Calgary (Alberta), Saint John (New Brunswick), Winnipeg (Manitoba), Blue Bell (Pennsylvania) and Indianapolis (Indiana).

## **Corporate Social Responsibility and Environment**

Following a 2013 launch in Toronto, the Corporation extended its CSR campaign, *Shop the Neighbourhood™*, to Montreal, Vancouver, Calgary and Ottawa in 2014. To celebrate small businesses and encourage Canadians to shop locally, *Shop the Neighbourhood™* was held during a weekend when many Canadians shop at U.S. retailers to take advantage of Black Friday and Cyber Monday deals. In 2014, *Shop the Neighbourhood™* attracted significant support from local media and celebrities, in addition to the participation of over 200 Canadian business associations. Over 8,000 local SMEs also participated in the event, having uploaded 6,000 deals exclusive to the Corporation's digital properties for event day.

The Corporation's other CSR activities in 2014 included *Taste Your Neighbourhood*, a local event in Montreal and Toronto consisting of free guided walking tours through the streets of each city to discover various local restaurants, cafés and breweries.

Yellow Pages also continues to support its print directory opt-out program, enabling Canadians to remove their address from the Yellow Pages print directory distribution list by calling 1 800 268-5637. In 2014, the Corporation continued to promote the program by including 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 paper used in the print directories is produced by Canadian suppliers and is mainly made from waste wood chips. Moreover, the print directories are entirely recyclable. Outdated print directories have among the highest post-life material recycling rates, compared to other materials.

Internally, YP continues to maintain systems for recycling waste, paper, plastic, glass, ink cartridges and batteries and decreasing paper usage.

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. In the context of its digital transformation, YP has significantly reduced its directory paper consumption by over 60% during the past five years given proactive initiatives to align manufacturing and distribution.

## **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 annually. 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. 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.

## **CAPITAL STRUCTURE**

### *Description of Common Shares*

Yellow Pages is authorized to issue an unlimited number of common shares. As at March 25, 2015, there were 27,999,419 common shares of the Corporation issued and outstanding.

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

### *Stock Option Plan*

As part of the completion of the Recapitalization on December 20, 2012, a new stock option plan (the "2012 Plan") was implemented. The 2012 Plan allows the Board of Directors to issue a maximum of 1,290,612 common shares to eligible employees. As at March 25, 2015, 691,550 options were issued and outstanding.

### *Description of Preferred Shares*

Yellow Pages is authorized to issue an unlimited number of cumulative redeemable first preferred shares, issuable in series with such rights, privileges, restrictions and conditions as may be determined by the Board of Directors of the Corporation prior to the issuance thereof. As at March 25, 2015, no preferred shares of Yellow Pages have been issued or were outstanding. The preferred shares of each series will rank on a parity with the preferred shares of every other series and will be entitled to preference over the common shares and any other shares ranking junior to the preferred shares with respect to the payment of any dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation and may also be given such other preferences over the common shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series. 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.

### *Description of Senior Secured Notes*

Upon the implementation of the Recapitalization on December 20, 2012, the Corporation, through its subsidiary YP, issued \$800 million of 9.25% senior secured notes maturing November 30, 2018 (the "Senior Secured Notes"). Interest on the Senior Secured Notes is payable in cash quarterly in arrears in equal instalments at 9.25% per annum on the last day of February, May, August and November of each year to the holders of record at the close of business as of February 15, May 15, August 15 and November 15 immediately preceding the related interest payment date. Below is a summary of certain provisions of the Senior Secured Notes.

The Senior Secured Notes are unconditionally guaranteed on a senior secured basis by the Corporation and all of its Restricted Subsidiaries (defined in the indenture governing the Senior Secured Notes as any subsidiary of the Corporation other than a subsidiary that is designated by the Board of Directors as being an unrestricted subsidiary) and are secured by a first priority lien, subject to certain permitted liens, in the collateral, which consists of all of the property of the Corporation and the Restricted Subsidiaries, whether owned on the Effective Date or thereafter acquired, other than certain excluded property.

The indenture governing the Senior Secured Notes contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions, investments in unrestricted subsidiaries, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets, certain transactions with affiliates and its business activities. The indenture does not contain the obligation to maintain financial ratios. Financial ratio restrictions only apply upon incurrence of indebtedness and other transactions.

The Corporation repaid \$153.4 million and \$139.6 million in 2013 and 2014 respectively, for a total of \$293 million repaid on the Senior Secured Notes. As at March 25, 2015, the Corporation was in compliance with all covenants under the indenture governing the Senior Secured Notes.

#### *Mandatory Redemption*

Pursuant to the indenture governing the Senior Secured Notes, the Corporation is required to use an amount equal to 75% of its consolidated Excess Cash Flow, as defined below, for the immediately preceding six-month period ending March 31 or September 30, as applicable, to redeem on a semi-annual basis on the last day of May and November of each year, commencing on May 31, 2013, the Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof from holders on a pro rata basis, subject to the Corporation maintaining a minimum cash balance of \$75 million (subject to certain adjustments pursuant to the indenture governing the Senior Secured Notes that may reduce such minimum amount) immediately following the mandatory redemption payment. Excess Cash Flow, as defined in the indenture governing the Senior Secured Notes, means the aggregate cash flow from operating activities adjusted for, among other things, future payments relating to interest, taxes, long-term employee compensation plans, certain future pension plan contribution payments and the acquisitions of property, plant, equipment and intangible assets. For purposes of determining the consolidated Excess Cash Flow, deductions for capital expenditures (acquisitions of property, plant, equipment and intangible assets) and information systems/information technology expenses are each subject to an annual deduction limit of \$50 million.

Notwithstanding the Corporation's right to maintain a minimum cash balance of \$75 million, the Corporation was required to make minimum annual aggregate mandatory redemption payments of (i) \$100 million for the combined payments due on May 31, 2013 and November 30, 2013, (ii) \$75 million for the combined payments due on May 31, 2014 and November 30, 2014, and (iii) \$50 million for the combined payments due on May 31, 2015 and November 30, 2015, or if the minimum annual aggregate mandatory redemption payments made in 2014 exceeded \$75 million, the minimum annual aggregate redemption payment for 2015 should have been \$50 million less such excess redemption payment made in 2014. The Corporation was required to make the minimum annual aggregate mandatory redemption payments described above even if the minimum cash balance of \$75 million (or such reduced minimum cash balance in accordance with certain adjustments pursuant to the indenture governing the Senior Secured Notes) was not being maintained.

The Corporation made mandatory redemption payments of \$73.5 million and \$66 million on June 2, 2014 and December 1, 2014 respectively, thereby exceeding the \$75 million minimum aggregate mandatory redemption payment for 2014 by \$64.5 million. As a result, following the December 1, 2014 payment, the Corporation completed its minimum aggregate mandatory redemption payments for 2014 and 2015 combined. However, the Corporation is still required to make semi-annual mandatory redemption payments equal to 75% of its consolidated Excess Cash Flow in 2015 and thereafter, in accordance with the terms of the indenture governing the Senior Secured Notes as described above in this section.

### *Optional Redemption*

The Corporation may redeem all or part of the Senior Secured Notes at its option, upon not less than 30 and not more than 60 days' prior notice, at a redemption price equal to:

- In the case of a redemption occurring prior to May 31, 2017, 105% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; or
- In the case of a redemption occurring after May 31, 2017, 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

On October 29, 2013, the Corporation exercised its option to redeem \$27 million of Senior Secured Notes at a redemption price of \$1,050 per \$1,000 principal amount of Senior Secured Notes and accrued and unpaid interest of \$15.16 per \$1,000 principal amount of Senior Secured Notes for a total cash consideration of \$28.4 million.

### *Open Market Purchase*

During the third quarter of 2013, the Corporation purchased on the open market \$8 million of Senior Secured Notes for a total cash consideration of \$8.3 million.

For further details regarding the Senior Secured Notes, please refer to the indenture governing the Senior Secured Notes which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### *Description of Exchangeable Debentures*

Upon the implementation of the Recapitalization on December 20, 2012, the Corporation, through its subsidiary YP, issued \$107.5 million of senior subordinated exchangeable debentures due November 30, 2022 (the "Exchangeable Debentures"). Interest on the Exchangeable Debentures accrues at a rate of 8% per annum if, for the applicable interest period, it is paid in cash or 12% per annum if the Corporation makes a Payment in Kind ("PIK") election to pay interest in respect of all or any part of the then outstanding Exchangeable Debentures in additional Exchangeable Debentures. Interest on the Exchangeable Debentures is payable semi-annually in arrears in equal instalments on the last day of May and November of each year to the holders of record at the close of the business as at May 15 and November 15 immediately preceding the related interest payment date. Below is a summary of certain provisions of the Exchangeable Debentures.

The Exchangeable Debentures are senior subordinated and unsecured obligations of YP. The Exchangeable Debentures are unconditionally guaranteed on a subordinated and unsecured basis by the Corporation and all of its Restricted Subsidiaries (defined in the indenture governing the Exchangeable Debentures as any subsidiary of the Corporation other than a subsidiary that is designated by the Board of Directors as being an unrestricted subsidiary).

The indenture governing the Exchangeable Debentures contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions, investments in unrestricted subsidiaries, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets and certain transactions with affiliates. The indenture does not contain the obligation to maintain financial ratios. Financial ratio restrictions only apply upon incurrence of indebtedness and other transactions.

As at March 25, 2015, the Corporation was in compliance with all covenants under the indenture governing the Exchangeable Debentures.

### *Exchange Option*

The Exchangeable Debentures are exchangeable, at the holder's option, into common shares of the Corporation at any time at an exchange price per common share equal to \$19.04, subject to adjustment for specified capital transactions.

In 2014, \$0.4 million of Exchangeable Debentures were exchanged for 21,584 common shares of Yellow Pages.

### *Optional Redemption*

The Corporation may, at any time on or after the date on which all of the Senior Secured Notes have been paid in full, redeem all or part of the Exchangeable Debentures at its option, upon, not less than 30 and not more than 60 days' prior notice, at a redemption price equal to:

- In the case of a redemption occurring prior to May 31, 2021, 110% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; or
- In the case of a redemption occurring on or after May 31, 2021, 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

For further details regarding the Exchangeable Debentures, please refer to the indenture governing the Exchangeable Debentures which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### *Asset-Based Loan*

In August 2013, the Corporation, through YP, entered into a five-year \$50 million asset-based loan ("ABL") expiring in August 2018. The ABL is used for general corporate purposes. Through the ABL, the Corporation has access to the funds in the form of prime rate loans, Banker's acceptance ("BA") equivalent loans or letters of credit. The ABL has a first priority lien over the receivables of the Corporation and is subject to an availability reserve of \$5 million if the Corporation's trailing twelve-month fixed charge coverage ratio is below 1.1 times. The ratio is calculated, on a last twelve month basis, by dividing earnings before interest, taxes, depreciation and amortization ("EBITDA") minus capital expenditures and cash taxes by the sum of cash interest expense, minimum mandatory redemption payments, distributions paid in cash, cash payments related to earnouts, cash payments related to restructuring and special charges and cash payments related to pension and post-employment benefits. For the purpose of calculating such ratio, EBITDA is determined on a consolidated basis and calculated as net income before interest expense, provision for income taxes, depreciation expense, amortization expense, and restructuring and special charges. As at March 25, 2015, due to the fixed charge coverage ratio currently being below 1.1 times and \$4.2 million in letters of credit have been drawn, \$40.8 million of the ABL is available to be drawn. Interest is calculated based either on the BA Rate or the Canadian Prime Rate plus an applicable margin.

The loan agreement governing the ABL contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payments, investments in unrestricted subsidiaries, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets, and certain transactions with affiliates and its business activities.

As at March 25, 2015, the Corporation was in compliance with all covenants under the loan agreement governing the ABL.

### *Description of Warrants*

Upon the implementation of the Recapitalization on December 20, 2012, the Corporation issued a total of 2,995,506 warrants. Each warrant is transferable and entitles the holder thereof to purchase one common share of Yellow Pages at an exercise price of \$28.16 per warrant payable in cash at any time on or prior to

December 20, 2022. As of March 25, 2015, 8 warrants were converted into common shares of Yellow Pages.

In the event of a Change of Control (as such term is defined in the indenture governing the warrants) of the Corporation, the Corporation may elect, at its sole discretion, to acquire and cancel all of the outstanding warrants in exchange for a payment in cash per warrant (the "Redemption Price") in an amount as determined by reference to the table below. The Redemption Price shall be based on the remaining term of the warrant measured from the date of the Change of Control to the Time of Expiry (as such terms are defined in the indenture governing the warrants) of the warrant (the "Remaining Term") and the total value of the consideration offered or payable per common share of Yellow Pages in the transaction constituting the Change of Control (the "Change of Control Price"), in accordance with the table below:

Years to Expiry	Share Price									
	\$5	\$10	\$15	\$20	\$25	\$30	\$35	\$40	\$45	\$50
	<b>Redemption Price (\$)</b>									
10	0.51	2.35	5.13	8.51	12.29	16.35	20.60	25.00	29.51	34.11
9	0.40	2.03	4.64	7.89	11.57	15.56	19.77	24.14	28.63	33.21
8	0.30	1.72	4.12	7.22	10.80	14.72	18.88	23.21	27.67	32.24
7	0.21	1.39	3.58	6.51	9.97	13.80	17.91	22.20	26.65	31.20
6	0.13	1.08	3.02	5.75	9.07	12.81	16.85	21.11	25.53	30.08
5	0.07	0.77	2.42	4.93	8.08	11.71	15.69	19.92	24.33	28.87
4	0.03	0.49	1.81	4.03	6.98	10.49	14.40	18.60	23.01	27.56
3	0.01	0.24	1.19	3.05	5.75	9.11	12.95	17.13	21.56	26.15
2	0.00	0.07	0.60	1.98	4.32	7.48	11.27	15.47	19.96	24.63
1	-	0.00	0.12	0.81	2.55	5.44	9.22	13.58	18.25	23.09
0	-	-	-	-	-	1.84	6.84	11.84	16.84	21.84

For purposes of determining the Redemption Price, if the Change of Control Price and Remaining Term are not set forth in the table above, then:

- (i) if the Change of Control Price is between two Share Prices on the table and/or the Remaining Term is between two Years to Expiry on the table, the Redemption Price will be determined by a straight-line interpolation between the amounts set forth on the table for the two Share Prices and the two Years to Expiry based on a 365-day year, as applicable;
- (ii) if the Change of Control Price exceeds \$50 per Common Share, subject to adjustment as provided for under the indenture governing the warrants, the Share Price shall be deemed to be \$50 and the amount by which the actual Share Price exceeds \$50 shall be added to such amounts shown in the \$50 column for purposes of determining the applicable Redemption Price; and
- (iii) if the Change of Control Price is less than \$5 per Common Share, subject to adjustment as provided for under the indenture governing the warrants, the Redemption Price amount will be zero.

The Share Prices set forth in the heading of the table above will be adjusted in the same manner as any adjustment to the number of common shares of Yellow Pages made pursuant to the indenture governing the warrants.

For further details regarding the warrants, please refer to the indenture governing the warrants which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### DIVIDENDS AND DISTRIBUTIONS

The Corporation has not declared or paid dividends on its common shares for any of the financial years ended December 31, 2014, 2013 and 2012. The Corporation does not expect that dividends will be declared on the common shares of Yellow Pages in the foreseeable future. Any future determination to pay dividends on the common shares will be at the discretion of the Board of Directors and will depend on, among other things, the Corporation's results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant.

The Corporation is subject to significant restrictions on the payment of dividends under the indenture governing the Senior Secured Notes, the indenture governing the Exchangeable Debentures, and the credit agreement governing the ABL. The Corporation and its subsidiaries (defined as subsidiaries other than certain unrestricted subsidiaries) cannot declare or pay any dividend or distribution to holders of the Corporation's or such subsidiaries' shares, other than dividends or distributions payable in common shares or certain non-redeemable preferred shares and dividends or distributions payable to the Corporation or any such subsidiary, and under the other circumstances provided for in the indenture governing the Senior Secured Notes, the indenture governing the Exchangeable Debentures and the credit agreement governing the ABL.

### MARKET FOR SECURITIES

Yellow Pages' common shares and warrants are listed for trading on the TSX under the symbols "Y" and "Y.WT", respectively. YP's Exchangeable Debentures are listed for trading on the TSX under the symbol "YPG.DB".

#### *Trading Price and Value of Yellow Pages and YP*

The following tables show the monthly range of high and low prices per Yellow Pages common share, warrant and Exchangeable Debenture at the close of market (TSX), as well as total monthly volumes and average daily volumes of common shares, warrants and Exchangeable Debentures traded on the TSX from January 1, 2014 to December 31, 2014.

#### *Common Shares (Y)*

<b>2014 Month</b>	<b>Price per Common Share (\$) Monthly High</b>	<b>Price per Common Share (\$) Monthly Low</b>	<b>Common Shares Total Monthly Volume</b>	<b>Common Shares Average Daily Volume</b>
January	23.66	20.83	1,813,014	82,410
February	25.40	21.91	3,136,565	165,082
March	25.13	24.15	1,379,295	65,681
April	25.28	22.14	874,483	41,642
May	22.77	19.30	2,928,385	139,447
June	20.62	18.18	1,471,702	70,081

<b>2014 Month</b>	<b>Price per Common Share (\$) Monthly High</b>	<b>Price per Common Share (\$) Monthly Low</b>	<b>Common Shares Total Monthly Volume</b>	<b>Common Shares Average Daily Volume</b>
July	18.80	17.60	1,390,170	63,190
August	18.07	16.94	724,210	36,211
September	18.26	14.77	739,578	35,218
October	16.46	13.99	534,815	24,310
November	20.75	15.04	1,356,584	67,829
December	20.00	18.10	708,902	33,757

*Warrants (Y.WT)*

<b>2014 Month</b>	<b>Price per Warrant (\$) Monthly High</b>	<b>Price per Warrant (\$) Monthly Low</b>	<b>Warrants Total Monthly Volume</b>	<b>Warrants Average Daily Volume</b>
January	8.70	6.38	326,130	14,824
February	9.24	7.60	335,668	17,667
March	8.91	8.20	186,427	8,877
April	8.65	6.95	128,871	6,137
May	7.50	5.75	160,417	7,639
June	5.80	4.45	99,935	4,759
July	5.15	4.27	102,415	4,655
August	4.65	3.85	68,818	3,441
September	4.66	3.42	107,625	5,125
October	3.79	3.08	56,996	2,591
November	5.80	3.50	156,745	7,837
December	5.75	4.61	104,524	4,977

*Exchangeable Debentures (YPG.DB)*

<b>2014 Month</b>	<b>Price per Exchangeable Debenture (\$) Monthly High</b>	<b>Price per Exchangeable Debenture (\$) Monthly Low</b>	<b>Exchangeable Debentures Total Monthly Volume</b>	<b>Exchangeable Debentures Average Daily Volume</b>
January	124.17	110.01	11,272,061	512,366
February	134.26	119.09	8,924,287	469,699
March	133.00	126.83	2,056,677	97,937
April	133.85	117.00	740,501	37,025

2014 Month	Price per Exchangeable Debenture (\$) Monthly High	Price per Exchangeable Debenture (\$) Monthly Low	Exchangeable Debentures Total Monthly Volume	Exchangeable Debentures Average Daily Volume
May	120.75	106.00	3,707,334	176,540
June	111.42	103.50	486,599	23,171
July	110.00	107.00	7,411,942	336,906
August	108.25	105.60	2,105,807	110,832
September	109.25	98.00	1,046,366	49,827
October	102.75	100.05	436,416	19,837
November	112.04	100.00	2,866,050	159,225
December	111.81	100.00	2,057,060	97,955

### RISKS AND UNCERTAINTIES

Careful consideration should be given to the following risk factors which could have a material adverse effect on the Corporation, its business, results of operation and financial condition:

*Substantial competition could reduce the market share of the Corporation and could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

The Corporation competes with advertising media, other directory, classified and full-serve 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 digital penetration, through the use of digital search engines and social networking organizations. The Corporation may not be able to compete effectively with these digital competitors, some of which may have greater resources. The Corporation's digital 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.

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 customer base, lower rates and increased costs. This could have a material adverse effect on the Corporation, its business, results of operations and financial condition.

*A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

The Corporation could be materially adversely affected if the usage of print telephone directories declines at a higher rate than anticipated. The development of new technologies and the widespread use of digital products are causing changes in preferences and consumer habits. The usage of internet-based products providing information, formerly exclusively available in print directories, has increased rapidly. The internet has become increasingly accessible as an advertising medium for businesses of all sizes. Further, the use of the internet, including as a means to transact commerce through mobile devices, has resulted in new technologies and services that compete with traditional advertising mediums. In particular, this has a significant influence on print products, and the decrease in usage gradually leads to lower

advertising revenues. References to print business directories may decline faster than expected as users increasingly turn to digital and interactive media delivery devices for local commercial search information.

*The inability of the Corporation to successfully enhance and expand its offering of digital and new media products could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

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

The Corporation expects to derive a greater portion of its total revenue from its digital and other new media products, as directory usage continues to shift from print directories to digital and other new media products.

The Corporation's transformational expansion towards digital and new media products is subject to a variety of challenges and risks, including the following:

- the Corporation may not continue to grow digital usage on its own sites at the same rate as other providers or may grow at a slower rate than currently anticipated;
- internet usage as a source of information and a medium for advertising may not continue to grow, or may grow at a slower rate than currently anticipated, as a result of factors that the Corporation cannot predict or control;
- the Corporation may incur substantial additional costs and expenses related to investments in its information technology, modifications to existing products and development of new products and this may reduce profit margins in the future;
- the Corporation may be unable to develop and market new products in a timely and efficient manner, as the Corporation's markets are characterized by rapidly changing technology, introductions and enhancements to existing products and shifting advertising customer and end-user demands, including technology preferences;
- the Corporation may be unable to improve its information technology systems so as to efficiently manage increased levels of traffic on the Corporation's websites and provide new services and products;
- the Corporation's focus on its digital and new media products may distract or deter advertising customers from pursuing advertising opportunities in the Corporation's print products;
- the Corporation may be unable to keep apprised of changes to search engines' terms of service or algorithms, which could cause the Corporation's websites, or its advertising customers' websites, to be excluded from or ranked lower in search results or make it more difficult or more expensive for the Corporation to provide search engine marketing and search engine optimisation solutions to its advertising customers;
- the Corporation's advertising customers may be unwilling to pay for digital advertising solutions at the Corporation's assigned rates; and
- the Corporation may be unable to increase the prices of its products and services in the future.

If any of the above-mentioned risks were to occur, the Corporation's digital revenue, as well as its business, results from operations and financial condition could be materially adversely affected.

Furthermore, given this transition from print to digital products and uncertainties surrounding whether and when new product introductions will compensate for the declining trend in print revenues, if revenue from our digital products does not increase significantly, our cash flow, results of operations and financial condition may be adversely affected.

*The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

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

- 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;

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.

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 an ability to raise money more easily and on less onerous terms could create a competitive disadvantage for the Corporation.

*The Corporation's inability to realize costs savings could have a material adverse effect on the Corporation, its business, results from operations and financial condition.*

The Return to Growth Plan is also designed to improve operational efficiencies and generate costs savings across the organization. In 2014, the Corporation implemented a new print directory distribution model, insourcing a portion of efforts while better aligning directory distribution with consumer usage. In 2015, the Corporation will continue to realize efficiencies by decommissioning and replacing legacy print publishing systems and information and technology datacentres, while also optimizing various customer service and digital fulfillment processes. The Corporation may not be able to complete these projects on time and/or successfully, placing the realization of anticipated cost savings at risk. Ultimately, delays and/or disruptions in these projects may have an adverse impact on the Corporation's profitability, cash flow generation and debt repayment.

*Incremental contributions by the Corporation to its pension plans could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

The Corporation is currently making, and may in the future be required to make, incremental contributions to its pension plans depending on various factors including future investment returns on pension plan assets, long-term interest rates, changes in pension regulations and mortality rates, which may have a negative effect on the Corporation's liquidity and results from operations. The Corporation is currently making incremental contributions to its pension plans to reduce actuarial solvency deficits.

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, business, results from operations and financial condition.

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.

*Failure by either the Corporation or the Telco Partners to fulfill the obligations set forth in the agreements between the Corporation and the Telco Partners could result in a material adverse effect on the Corporation, its business, results from operations and financial condition*

YP has a Billing and Collection Services Agreement with Bell (up to 2017), with Telus (up to 2031), with MTS Allstream (up to 2036) and with Bell Aliant (up to 2037). Through these agreements, YP's billing is included as a separate line item on the telephone bills of the customers of the Telco Partners. The Telco Partners contract with third parties to conduct monthly billing of customers who use them as their local telephone service providers. In addition, the Telco Partners provide collection services for YP with those customers who are also their customers. Additionally, YP has entered into publishing agreements with each Telco Partner. If YP 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 Trademark License Agreement, the Telus Trademark License Agreement, the MTS Allstream Branding and Trademark Agreement and the Bell Aliant Branding and Trademark Agreement, as well as non-competition covenants YP benefits from with such Telco Partners.

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. See "Business of the Corporation – Relationships with Telecommunication Companies".

*Failure by the Corporation to adequately protect and maintain its brands and trademarks, as well as third party infringement thereof, could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

The Corporation relies heavily on its existing brands and trademarks for a significant portion of its revenues. Failure to adequately maintain the strength and integrity of these brands and trademarks, or to

develop new brands and trademarks, 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 trademarks 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 trademarks 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.

*Work stoppages and other labour disturbances could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

Certain non-management employees of the Corporation are unionized. Current union agreements range from one 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 come up 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. Additionally, if a greater percentage of the Corporation's workforce becomes unionized, this could have a material adverse effect on its business, results from operations and financial condition.

*Challenge by tax authorities of the Corporation's position on certain income tax matters could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

In the normal course of the Corporation's activities, the tax authorities are carrying 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, could have a material adverse effect on the Corporation's financial condition and may affect the return to shareholders.

*The loss of key relationships or changes in the level or service provided by digital portals, search engines, individual websites, mobile manufacturers and OS providers could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

The Corporation has entered into agreements with several digital portals, search engines, individual websites, mobile manufacturers and OS providers (the "Digital Properties") to promote its digital directories. These agreements make the Corporation's content and customer advertising more easily accessible to the Digital Properties. 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 customers, while retaining the client relationship. In return, the Digital Properties obtain business through the Corporation from customers who would not otherwise transact with them. Loss of key relationships or changes in the level of service provided by these Digital Properties could impact performance of the Corporation's digital marketing solutions. In addition, digital marketing services are provided by many other competitors within

the markets the Corporation serves and its clients could choose to work with other, sometimes larger providers of these services, or with other search engines directly.

*The failure of the Corporation's computers and communications systems could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

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 media properties, 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, its business, results from operations and financial condition.

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, its business, results from operations and financial condition.

*The Corporation's inability to attract and retain key personnel could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

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 from operations and financial condition

*The Corporation might be required to record additional impairment charges*

In the first quarter of 2012, the Corporation recorded \$2,967 million goodwill and intangible assets impairment charge. In the fourth quarter of 2012, the Corporation recorded an additional \$300 million impairment charge related to certain of its intangible assets and property, plant and equipment. The Corporation may be subject to another impairment loss that would reduce its reported assets and earnings. Economic, legal, regulatory, competitive, contractual and other factors may affect the value of the Corporation's assets. If any of these factors impair the value of these assets, accounting standards 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.

*The inability of the Corporation to attract and retain customers could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

The Corporation's revenues remain adversely impacted by a lower customer count. Failure to provide existing customers with marketing solutions that meet their key marketing objectives and generate return on investment may limit the Corporation's ability to retain existing customers. In addition, the inability of the Corporation's customer acquisition strategies and channels to find and attract new customers may limit the Corporation's ability to grow its total customer count. These events could have a material adverse effect on the Corporation's revenues, cash flow, results from operations and financial condition.

*A higher than anticipated proportion of revenues coming from the Corporation's digital products with lower margin, such as websites, SEO and SEM, could have a material adverse effect on the Corporation, its business, financial condition and results from operations*

The Corporation offers a comprehensive suite of print and digital products. Each of these products generates varying levels of profitability. Print, online placement and mobile placement products require the least resources to fulfill and, therefore, represent the Corporation's most profitable products.

Digital products such as websites, SEO and SEM are less profitable, as they require greater fulfillment efforts and higher media costs. If a higher than anticipated proportion of revenues become sourced from lower-margin digital products such as websites, SEO and SEM, the Corporation's profitability, cash flow, results of operations and financial condition will be materially adversely affected.

*The Corporation's inability to realize some of the existing benefits under its commercial arrangements with the Telco Partners due to the potential erosion of their market position could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

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.

*The failure to increase prices may have an adverse effect on the Corporation, its results of operation and financial condition*

From time to time, the Corporation increases prices of 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 from operations and financial condition.

*A prolonged economic downturn in principal markets of the Corporation could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

The Corporation derives revenues principally from the sale of advertising in Yellow Pages™ print and digital 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 small and medium enterprises. 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 with the Corporation, which could have a material adverse effect on the Corporation, its results from operations and financial condition.

A prolonged economic downturn or recession could result in:

- further declines in demand for print and digital media advertising;
- decreases in advertising prices;
- increased bad debts as a result of advertising customers experiencing financial difficulty;
- the loss of advertising customers;
- charges relating to the impairment of assets; and/or
- higher operating costs;

any of which could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

*Changes in regulations could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

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.

In addition, as the local search industry develops, the provision of digital services and the commercial use of internet and internet-related applications may become subject to greater regulation. Regulation of the internet and internet-related services is still developing. If the Corporation's regulatory environment becomes more restrictive, including via increased internet regulation, the Corporation's profitability could decrease, which in turn could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

*The imposition of new environmental laws or the new interpretation of environmental laws could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

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, its business, results from operations and financial condition.

*The Corporation's inability to enforce the non-competition agreements with the Telco Partners may impair the value of its business*

The Corporation has entered into non-competition agreements with each Telco Partner pursuant to which Telco Partners generally agreed not to publish tangible or digital (excluding internet) media directories consisting principally of wire line listings and classified advertisements of subscribers in the markets in which it is the incumbent local exchange carrier that are directed primarily at clients in these markets. However, under applicable law, a covenant not to compete is only enforceable:

- to the extent it is necessary to protect a legitimate business interest of the party seeking enforcement;
- if it does not unreasonably restrain the party against whom enforcement is sought; and
- if it is not contrary to the public interest.

Enforceability of a non-competition covenant is determined by a court based on all of the facts and circumstances of the specific case at the time enforcement is sought. For this reason, it is not possible to predict whether, or to what extent, a court would enforce the Telco Partners' covenants not to compete against the Corporation during the terms of the non-competition agreements. If a court were to determine that the non-competition agreements were unenforceable, the Telco Partners could compete directly against the Corporation in the previously restricted markets. For instance, Telus and Bell are both providers of digital advertising services and the Corporation's business could therefore suffer from their direct competition in that market. The Corporation's inability to enforce non-competition agreements with the Telco Partners could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

*The Corporation's business depends on the strength and visibility of the Corporation's brands. Failure to promote and reinforce consumer trust in these brands, or negative publicity regarding the Corporation, could impair the Corporation's ability to expand its business*

To increase usage of its products and expand its visibility to potential advertising customers, the Corporation intends to continue to pursue a strategy of promoting its brands. To date, the Corporation has made significant investments in establishing and positioning its brands, and it expects to continue to make investments and devote resources to marketing and advertising campaigns. The Corporation may not be able to successfully increase consumer awareness of its brands and/or such advertising may not prove to be cost-effective. There can be no assurance that consumer awareness levels will lead to a measurable increase in advertising customers, traffic to the Corporation's websites, overall revenue, margins or profitability.

Negative publicity could also damage the value of the Corporation's brands. The Corporation could be the target of negative publicity as a result of various factors, including poor performance, disruptions to the operations of the Corporation's websites or security breaches or misuse of personal and financial data provided by consumers. If any of these events were to occur, advertising customers and consumers could lose confidence in the Corporation's brands, traffic to the Corporation's websites could decline and use of the Corporation's print directories could decline, any of which could have a material adverse effect on the Corporation's business, financial condition and results from operations.

*The Corporation's business depends on the usage of its online and mobile properties and failure to grow traffic across the Corporation's digital properties could impair its ability to grow revenues and expand its business*

The success of numerous of our customers' marketing campaigns is dependent on how well they can attract valuable audiences. In 2015, the Corporation will invest in order to promote growth in digital audiences across its network of online and mobile properties by enhancing the quality, completeness and relevance of the content distributed to its properties, and by providing compelling sites and applications for local discovery. The Corporation may not be able to successfully increase traffic across its digital properties and such investments may not prove to be cost-effective. There can be no assurance that a potential growth in traffic across the Corporation's digital properties may maintain or increase advertising customer renewal rates and/or annual spending, or lead to a measurable increase in advertising customers.

*Turnover among MACs could materially adversely affect the Corporation, its business, results from operations and financial condition*

The loss of a significant number of experienced MACs would likely result in fewer sales and could materially adversely affect the Corporation's business. The turnover rate of the Corporation's MACs is higher than for its employees generally. A majority of the attrition of the Corporation's MACs occurs with employees with less than two years' experience. The Corporation expends substantial resources and management time on identifying and training its MACs. The ability to attract and retain qualified sales personnel depends on numerous factors outside of the Corporation's control, including conditions in the local employment markets in which it operates. A substantial decrease in the number of MACs could have a material adverse effect on the Corporation, its business, financial condition and results from operations.

*The inability or unwillingness of CMRs to carry on business with the Corporation could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

Approximately 5.5% of the Corporation's revenues for 2014 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 customers 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 customers 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 4% of the Corporation's directories revenues for 2014. 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, its business, results from operations and financial conditions.

*Adverse outcomes in lawsuits or investigations could have a material adverse effect on the Corporation, its business, results from operations and financial condition*

From time to time, the Corporation is party to litigation and regulatory and other proceedings with governmental authorities and administrative agencies. Adverse outcomes in lawsuits or investigations could result in significant monetary damages or injunctive relief that could adversely affect the Corporation's operating results or financial condition as well as its ability to conduct its businesses as they are presently being conducted.

#### **TRANSFER AGENT AND REGISTRAR**

CST 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 CST Trust Company.

#### **DIRECTORS AND OFFICERS OF YELLOW PAGES**

##### **Directors**

The following table sets out, for each of the current directors of Yellow Pages, the person's name, province or state, and country of residence, membership to various board committees as applicable, principal occupation, period of service as a director of Yellow Pages or its predecessor entities and number of common shares, deferred share units ("DSUs"), restricted share units ("RSUs") or performance share units ("PSUs") of Yellow Pages beneficially owned, or controlled or directed, directly or indirectly, by him or her as at December 31, 2014. The term of office for each of the directors will expire at the time of the next annual meeting of shareholders of Yellow Pages or at such time as his or her successor is otherwise elected.

<b>Name and Province or State of Residence</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Number of Common Shares Beneficially Owned</b>	<b>Number of DSUs Beneficially Owned</b>	<b>Number of RSUs Beneficially Owned</b>	<b>Number of PSUs Beneficially Owned</b>
Julien Billot Québec, Canada	President and Chief Executive Officer, Yellow Pages Limited	January 2014	Nil	14,196	13,384	39,867
Robert F. MacLellan <sup>(1)</sup> Ontario, Canada	Chairman, Northleaf Capital Partners Ltd.	December 2012	Nil	33,484	Nil	Nil

Name and Province or State of Residence	Principal Occupation	Director Since	Number of Common Shares Beneficially Owned	Number of DSUs Beneficially Owned	Number of RSUs Beneficially Owned	Number of PSUs Beneficially Owned
Craig Forman <sup>(2)</sup> California, USA	Corporate Director	January 2012	Nil	12,228	Nil	Nil
Susan Kudzman <sup>(3)(5)</sup> Québec, Canada	Senior Vice President, Human Resources Laurentian Bank of Canada	October 2014	Nil	5,637	Nil	Nil
David A. Lazzarato <sup>(4)</sup> Ontario, Canada	Corporate Director	December 2012	Nil	12,228	Nil	Nil
David G. Leith <sup>(2)(4)</sup> Ontario, Canada	Corporate Director	February 2012	Nil	12,228	Nil	Nil
Judith A. McHale <sup>(2)(5)</sup> New York, USA	President and Chief Executive Officer, Cane Investments, LLC	December 2012	Nil	12,228	Nil	Nil
Donald H. Morrison <sup>(4)</sup> Ontario, Canada	Corporate Director	March 2013	Nil	12,228	Nil	Nil
Martin Nisenholtz <sup>(5)</sup> Massachusetts, USA	Professor, Boston University	May 2006	250	12,228	Nil	Nil
Kalpana Raina <sup>(5)</sup> New York, USA	Managing Partner, 252 Solutions, LLC	December 2012	Nil	12,228	Nil	Nil
Michael G. Sifton <sup>(5)</sup> Ontario, Canada	Managing Partner, Beringer Capital	December 2012	Nil	12,228	Nil	Nil

(1) Chairman of the Board.

(2) Member of the Corporate Governance and Nominating Committee.

(3) Susan Kudzman was appointed to the Board effective October 15, 2014.

(4) Member of the Audit Committee.

(5) Member of the Human Resources and Compensation Committee.

### *Biographies*

The following are brief profiles of the current directors of Yellow Pages.

*Julien Billot* has been President and Chief Executive Officer of the Corporation since January 1, 2014. Prior to his appointment, he was Executive Vice President, Head of Media and a Member of the Executive Committee of Solocal Group, the publicly traded and incumbent local search business in France. Mr. Billot joined Solocal Group in 2009, overseeing its media properties, including web, mobile and print. Before 2009, Mr. Billot led a digital transformation during his tenure as Chief Executive Officer of the digital and new business group of Lagardère Active, a multimedia branch of Lagardère Group holding brands such as Elle Magazine. Mr. Billot also spent 13 years in senior management positions at France Telecom, notably as Chief Marketing Officer for Orange, the company's mobile subsidiary. Mr. Billot has also sat on the Board of Directors for leading media groups such as Sporever Group, Telekom Polska, Newsweb, Doctissimo, Le Monde Interactif, Lagardère Active, and for digital industry associations in France such as Mobile Marketing Association France, Fondation Télécom, Conseil Stratégique des TICs, and Prix des Technologies de l'Information. He currently serves on the Boards of Turf Editions and News Republic. Mr. Billot is a graduate of École Polytechnique (Paris) and of Telecom Paris Tech. He also holds a postgraduate diploma (DEA) in Industrial Economics from the University of Paris-Dauphine.

*Robert F. MacLellan* has been the Chairman of Northleaf Capital Partners, Canada's leading independent global private equity and infrastructure fund manager and advisor since November 2009. Since March 23, 2015, Mr. MacLellan is Chairman of the Board of Directors of Wind Mobile Corp., a Canadian wireless communication provider. From 2003 to November 2009, Mr. MacLellan served as Chief Investment Officer of TD Bank Financial Group, where he was responsible for overseeing the management of investments for The Toronto Dominion Bank, its Employee Pension Fund, TD Mutual Funds, and TD Capital Group. Mr. MacLellan has been an independent director of T. Rowe Price since 2010, is Chair of its Audit Committee and serves on its Executive Compensation Committee. Mr. MacLellan is the Board Chair of Right to Play, a non-profit organization that helps children build essential life skills and better futures through sports and games. Mr. MacLellan holds an MBA from Harvard University, a Bachelor of Commerce from Carleton University and is a Chartered Accountant. Mr. MacLellan is Chairman of the Board and an ex-officio member of all committees of the Board.

*Craig Forman* was appointed to the board of directors of Digital Turbine Inc., a media and mobile communications company, on March 9, 2015 upon completion of its stock-for-stock merger with Appia, Inc., an independent mobile application discovery and download marketplace. Prior to that, Mr. Forman had been Executive Chairman of the Board of Appia, Inc. from August 2011 to March 2015, and served as Executive Chairman of WHERE, Inc., a location-based media company which was acquired by eBay, from 2010 to 2011. 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 serves on the board of directors of the McClatchy Company, a news and information provider. Mr. Forman also serves as a director on the boards of several private companies. Mr. Forman has an undergraduate degree in Public and International Affairs from the Woodrow Wilson School of Public and International Affairs of Princeton University and a Master's degree in law from Yale Law School. Mr. Forman has completed the Directors' Consortium executive education program at Stanford University, and the Program Making Corporate Boards More Effective at Harvard Business School. Mr. Forman is a member of the Corporate Governance and Nominating Committee.

*Susan Kudzman* has been Senior Vice President, Human Resources of Laurentian Bank of Canada since March 2014. Ms. Kudzman was formerly a partner at Mercer (Canada) Limited where she directed the risk management practice from 2011 to 2014. Before that, Ms. Kudzman was Executive Vice President and Chief Risk Officer at Caisse de dépôt et placement du Québec where she was responsible for risk management, depositor services, performance calculation and analysis and strategic planning. Ms. Kudzman currently serves on the Board of Directors and the Human Resources Committee of Transat A.T. Inc., an international tour operator and airline. She is a member of the Board of Directors and the Audit Committee of AtmanCo. Inc., a company specializing in online employee assessment. She has been Vice Chair of the Board of Directors and a member of the Audit Committee of Les Grands Ballets Canadiens de Montréal since 2000. She is a member of the Board of Directors, the Investment

Committee and Chair of the Human Resources Committee of the Montreal Heart Institute Foundation. She served as Chair of the Board of Directors of Quartier International de Montréal from 2006 to 2013. Ms. Kudzman holds a Bachelor's degree in Actuarial Science and the titles of Fellow of the Canadian Institute of Actuaries (FCIA), Fellow of the Society of Actuaries (FSA) and Certified Enterprise Risk Analyst (CERA). Ms. Kudzman is a member of the Human Resources and Compensation Committee.

*David A. Lazzarato* is a media/broadcast industry consultant who assists companies in the areas of strategy development, mergers and acquisitions and financing. Mr. Lazzarato was Senior Vice President, Finance at Bell Canada in 2010 and 2011. Prior to that, Mr. Lazzarato was Chief Executive Officer of Craig Wireless Systems in 2008. Prior to joining Craig Wireless Systems, Mr. Lazzarato served as Executive Vice President and Chief Financial Officer of Alliance Atlantis Communications Inc. and Chairman of Motion Picture Distribution from 2005 to 2007. From 1999 to 2004, Mr. Lazzarato served as Executive Vice President and Chief Financial Officer of Allstream Inc. (formerly, AT&T Canada Inc.) and was Chief Corporate Officer of MTS Allstream Inc. in 2004. Mr. Lazzarato is Chair of the McMaster University Board of Governors and Chair of the Council of Chairs of Ontario Universities. Mr. Lazzarato earned a Bachelor of Commerce degree from McMaster University and is a Chartered Accountant, having received the FCA designation from the Ontario Institute of Chartered Accountants in 2006. Mr. Lazzarato received the ICD.D certification from the Institute of Corporate Directors in 2008 and has also completed the Senior Executive Program at the Massachusetts Institute of Technology. Mr. Lazzarato is the Chair of the Audit Committee.

*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 as Managing Director and Head of CIBC World Markets' Investment, Corporate and Merchant Banking activities. Mr. Leith serves on the board of directors of Hudson's Bay Company, the Chair of its Pension Committee, and is a member of its Audit and Corporate Governance and Nomination Committees. Mr. Leith also serves on the board of directors of the Ontario Infrastructure and Lands Corporation (Infrastructure Ontario) and of Sinai Health System. Mr. Leith holds a Bachelor of Arts degree from the University of Toronto and a Master of Arts degree from Cambridge University. Mr. Leith is the Chair of the Corporate Governance and Nominating Committee and a member of the Audit Committee.

*Judith A. McHale* served as the Under Secretary of State for Public Diplomacy and Public Affairs for the U.S. Department of State from 2009 to 2011. In 2006, Ms. McHale worked in partnership with the Global Environment Fund, a private equity firm, to launch the GEF/Africa Growth Fund, an investment vehicle intending to focus on supplying expansion capital to small and medium-sized enterprises that provide consumer goods and services in emerging African markets. From 2004 to 2006, Ms. McHale served as the President and Chief Executive Officer of Discovery Communications, Inc., the parent company of Discovery Channel, and served as its President and Chief Operating Officer from 1995 to 2004. Ms. McHale serves on the Board of Directors of Ralph Lauren Corp., SeaWorld Entertainment, Inc. and Hilton Worldwide Holdings Inc. She has also served on the Boards of Directors of John Hancock Financial Services Corp, Potomac Power and Electric Company, Host Hotels and Resorts, Inc. and Digital Globe, Inc. Ms. McHale is a graduate of the University of Nottingham (UK) and Fordham University Law School (New York), and has received honorary degrees from the University of Maryland, American University, University of Miami and Colby College. Ms. McHale is a member of the Corporate Governance and Nominating Committee and of the Human Resources and Compensation Committee.

*Donald H. Morrison* retired in July 2011 from Blackberry (formerly Research in Motion Limited) ("Blackberry") where he had served since September 2000 as Chief Operating Officer with a mandate to strengthen Blackberry's international operations and help build a world-class service organization. During his tenure, Blackberry expanded to more than 175 countries around the world and Blackberry's fiscal year revenues grew from approximately \$200 million to nearly \$20 billion. Before joining Blackberry, Mr. Morrison held a number of senior leadership positions in Canada, Europe and the United States with AT&T and Bell Canada. Mr. Morrison holds an MBA and Bachelor of Arts degrees from the University of

Toronto, and also participated in the Executive Program at the University of Virginia, Darden Business School. Mr. Morrison is a member of the Audit Committee.

*Martin Nisenholtz* has been a professor of digital communication practice at the College of Communication of Boston University since January 2015. He is also a Venture Partner at FirstMark Capital. Mr. Nisenholtz served as Senior Advisor for The New York Times Company through 2013 and was a Fellow at the Shorenstein Center at Harvard University. In December 2011, Mr. Nisenholtz retired 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. From 1999 to 2005, 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 and is a member of the Human Resources and Compensation Committee of Postmedia Network Canada Corp. and is the Chair of its Digital Oversight Committee. Mr. Nisenholtz also serves on the Boards of Exelate, LLC and Real Match, LLC. Mr. Nisenholtz holds a Bachelor in Psychology degree from the University of Pennsylvania and an MA in Communications from the University of Pennsylvania Annenberg School of Communication. Mr. Nisenholtz is a member of the Human Resources and Compensation Committee.

*Kalpna Raina* is Managing Partner of 252 Solutions, LLC, a consulting firm. Ms. Raina was formerly with The Bank of New York (the “Bank”) from 1988 to 2006, where she last served as Executive Vice President. Ms. Raina’s client portfolio at the Bank included clients in the media and telecommunications, healthcare, retailing, and hotels and leisure industries. Throughout her tenure, she served on numerous committees including the Bank’s Credit and Risk and Planning committees. Ms. Raina currently serves on the Board of Directors of John Wiley & Sons, Inc., a provider of content and content-enabled digital services to customers worldwide. She also serves on the Board of Directors of Information Services Group, Inc., a leading technology insight, market intelligence and advisory services company. Previously, she was on the Board of Directors, the Audit Committee and Chair of the Nominating and Corporate Governance Committee of RealNetworks, Inc. and on the Board of Directors of the World Policy Institute. Ms. Raina holds a Master’s degree in English Literature from McMaster University and undergraduate and graduate degrees from Panjab University, India. Ms. Raina is the Chair of the Human Resources and Compensation Committee.

*Michael G. Sifton* has been a Managing Partner at Beringer Capital since September 2009. Mr. Sifton spent his career in the media business, with over 20 years of direct experience in the Canadian newspaper industry. Prior to joining Beringer Capital, he was President and Chief Executive Officer of Sun Media, Canada’s largest newspaper publisher by household penetration and reach. In 2001, Mr. Sifton led the formation of Osprey Media Group, which was later acquired by Sun Media in 2007. Prior to forming Osprey Media Group, Mr. Sifton was President of Hollinger Canadian Newspapers G.P. and President and Chief Executive Officer of family-owned Armadale Communications. Mr. Sifton is a former Chairman of The Canadian Press and a former Director of the Canadian Newspaper Association and the Newspaper Audience Databank. Mr. Sifton is the Chairman of the Board of Governors of St. Andrew’s College in Aurora, Ontario. Mr. Sifton holds a Bachelor of Commerce (Honours) from Queen’s University. Mr. Sifton is a member of the Human Resources and Compensation Committee.

## **Officers**

The following table sets out, for each of the current officers of the Corporation, the person’s name, province or state, and country of residence, position with the Corporation and number of common shares, DSUs, RSUs or PSUs of the Corporation beneficially owned or controlled or directed, directly or indirectly, by him or her as at December 31, 2014.

<b>Name and Province of Residence</b>	<b>Position and Principal Occupation</b>	<b>Number of Common Shares Beneficially Owned</b>	<b>Number of DSUs Beneficially Owned</b>	<b>Number of RSUs Beneficially Owned</b>	<b>Number of PSUs Beneficially Owned</b>
Caroline Andrews <sup>(1)</sup> Ontario, Canada	Vice President and Chief Publishing Officer	Nil	Nil	1,229	3,098
Véronique Bergeron Québec, Canada	Vice President, Sales Québec and Atlantic Canada	14	Nil	11,369	8,488
Julien Billot Québec, Canada	President and Chief Executive Officer	Nil	14,196	13,384	39,867
Jamie Blundell Ontario, Canada	Vice President and Chief Customer Officer	29	Nil	5,293	6,306
André Boisvert <sup>(2)</sup> Québec, Canada	Vice President and Chief Architect	Nil	Nil	5,519	3,382
Douglas A. Clarke Ontario, Canada	Senior Vice President and Chief Operating Officer	53	Nil	3,954	26,318
Nicolas Gaudreau Québec, Canada	Senior Vice President and Chief Marketing Officer	140	Nil	3,348	22,282
Jacky Hill Ontario, Canada	President, YP Next Homes	17	Nil	Nil	Nil
Matthieu Houle <sup>(3)</sup> Québec, Canada	Vice President, Media	7	Nil	5,350	3,213
Jeff Knisley British Columbia, Canada	Vice President, Sales, Western Region	Nil	Nil	13,157	9,663
Marie-Josée Lapierre Québec, Canada	Assistant Secretary	10	Nil	3,587	1,449
Chris Long Ontario, Canada	Vice President, Sales, Central Region	Nil	Nil	14,952	10,981
Ginette Maillé Québec, Canada	Senior Vice President and Chief Financial Officer	237	Nil	4,380	27,574
Dany Paradis <sup>(4)</sup> Québec, Canada	Vice President and Chief Human Resources Officer	1,000	Nil	1,989	4,998
René Poirier Québec, Canada	Senior Vice President and Chief Information Officer	Nil	Nil	3,346	22,282

<b>Name and Province of Residence</b>	<b>Position and Principal Occupation</b>	<b>Number of Common Shares Beneficially Owned</b>	<b>Number of DSUs Beneficially Owned</b>	<b>Number of RSUs Beneficially Owned</b>	<b>Number of PSUs Beneficially Owned</b>
Stephen Port Québec, Canada	Vice President and Chief Transformation Officer	57	Nil	16,128	11,835
François D. Ramsay Québec, Canada	Senior Vice President, Corporate Affairs and General Counsel	601	Nil	3,650	24,214
Franco Sciannamblo Québec, Canada	Vice President, Corporate Controller and Chief Accounting Officer	Nil	Nil	2,555	3,044
Darby Sieben Ontario, Canada	President, Mediative	Nil	Nil	5,068	3,213
Pascal Thomas <sup>(5)</sup> Québec, Canada	Vice President and Chief Strategy Officer	Nil	Nil	Nil	Nil
Dominique Vallée Québec, Canada	Vice President, Sales, Advantage and Acquisition	121	Nil	12,068	9,048
Pierre Van Gheluwe Québec, Canada	Treasurer	Nil	Nil	11,038	7,959

(1) Caroline Andrews was appointed Vice President and Chief Publishing Officer on June 2, 2014.

(2) André Boisvert was appointed Vice President and Chief Architect on May 7, 2014.

(3) Matthieu Houle was appointed Vice President, Digital Media on May 7, 2014.

(4) Dany Paradis was appointed Vice President and Chief Human Resources Officer on June 16, 2014.

(5) Pascal Thomas was appointed Vice President and Chief Strategy Officer on December 9, 2014.

All of the officers of the Corporation have held their present positions or other executive positions with the Corporation or with related or affiliated corporations during the past five years or more, except for Nicolas Gaudreau who, from 2008 to 2009, was Vice President, General Manager of Nurun; Chris Long who, from 2009 to 2010, was Senior Executive of METCO Networks and, from 2004 to 2009, was Vice President Sales, Central Canada of MTS Allstream; René Poirier who, from 2010 to 2011, was Senior Vice President, Technology of Transcontinental Inc. and, from 2004 to 2010, was Senior Vice President and General Manager of Tecsys; Pierre Van Gheluwe who, from 2009 to 2011, was Director, Real Estate Financing of SITQ Inc. and, from 2008 to 2009, was Treasurer of Cadim, a division of Caisse de Dépôt et Placement du Québec; Véronique Bergeron who, from 1997 to 2013, occupied different management positions in the Sales Department of YP; Darby Sieben who, from 2006 to 2013, occupied different management positions in the Marketing Department; Franco Sciannamblo who, from 2008 to 2012, was Vice President of Finance for Bell Business Markets and Wholesale at BCE Inc.; Jamie Blundell, who from January 2013 to November 2013, was Vice President Business Development at CarProof and from 2006 to 2012, was Vice President of Operations at Trader Corporation; Caroline Andrews who, from 1997 to 2014, was Vice President and Group Publisher of TC Media; André Boisvert who from 2011 to 2012 was Vice President, Architecture, R&D and Content Solutions for Transcontinental Interactive and, from 2005 to 2011 was Vice President, R&D and Customer Enhancements for Tecsys; Matthieu Houle who, from 2000 to 2014, occupied various positions with increasing level of responsibility in marketing, business development, and operations departments of YP; Dany Paradis who, from 2008 to 2012, was Vice-President, Change Management and Supply Chain for Fibrek, from 2012 to 2013 was an independent consultant and from 2014 to 2014 was Interim President

of Supremex Inc; and Pascal Thomas who, from 2010 to 2014, was Chief Executive Officer of Mappy, a part of Solocal Group, and from 2011 to 2014, was Vice President of new media of Solocal Group.

### **Ownership in the Corporation**

As at December 31, 2014, the directors and officers of the Corporation, as a group, beneficially owned or exercised control or direction over, directly or indirectly, 2,536 common shares of the Corporation, which represents approximately 0.01% 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 Ginette Maillé, who was Chief Financial Officer, and Messrs. Craig Forman, David G. Leith and Martin Nisenholtz who were directors of Yellow Pages for varying periods of time immediately prior to the announcement of the Recapitalization on July 23, 2012 and its implementation on December 20, 2012.

### **Conflicts of Interests**

No director or senior officer of Yellow Pages or other insider of Yellow Pages, 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

As at the date hereof, the Audit Committee is composed of David A. Lazzarato (Chairman), David G. Leith and Donald H. Morrison.

## 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.

<b>Committee Member</b>	<b>Financial Literacy</b>	<b>Experience Acquired through Role</b>
David A. Lazzarato, FCA, ICD.D	Yes	Mr. Lazzarato has acquired extensive accounting, corporate finance and mergers and acquisition experience through his roles as Senior Vice President, Finance of Bell Canada, Chief Executive Officer of Craig Wireless Systems Ltd., Chief Financial Officer of Alliance Atlantis Communications Inc., Chief Corporate Officer of MTS Allstream Inc., Executive Vice President and Chief Financial Officer of Allstream (formerly, AT&T Canada), Senior Vice President and Chief Financial Officer of BCE Mobile Communications Inc., Vice President and Comptroller of BCE Inc. and Senior Vice President, Finance and Administration of CAE Electronics Ltd. Mr. Lazzarato is a Fellow Chartered Accountant, holds a Bachelor of Commerce Degree and completed the Director’s Education Program of the Institute of Corporate Directors which has a module on monitoring financial strategy, risks and disclosure.
David G. Leith	Yes	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 as Deputy Chairman of CIBC World Markets and Managing Director and Head of CIBC World Markets’ Investment, Corporate and Merchant Banking activities. Having worked in the investment banking, capital markets and corporate banking areas, Mr. Leith has extensive experience of working with, evaluating and analyzing financial statements. As Chairman of the Board of Directors of Manitoba Telecom Services Inc., he is ex-officio a member of all its Committees, including its Audit Committee, on which he also served prior to being appointed Chair. Mr. Leith serves on the Audit Committee of Hudson’s Bay Company and also served as trustee and member of the Investment Committee of TransGlobe Apartment Real Estate Investment Trust.
Donald H. Morrison	Yes	Mr. Morrison served from 2000 to 2011 as Chief Operating Officer of Blackberry where he was involved in analyzing and evaluating financial statements quarterly. Prior to that, he held a number of senior leadership positions in Canada, Europe and the United States. Prior to joining Blackberry, Mr. Morrison held a number of senior leadership positions with AT&T and Bell Canada. Mr. Morrison also serves on the Audit Committee of the Mastercard

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Foundation. Mr. Morrison holds a MBA from the University of Toronto and also participated in the Executive Program at the University of Virginia, Darden Business School, which has a module on developing financial, capital budgeting and operational strategies.

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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 Pages – Directors - Biographies".

### **Audit Committee Oversight**

At no time since the commencement of the financial year ended December 31, 2014 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 2012, 2013 and 2014 fiscal years, the Corporation retained Deloitte LLP ("Deloitte") as its principal auditor.

### **Approval Policies**

The Audit Committee of Yellow Pages has adopted a policy regarding the engagement of Deloitte for non-audit services. Deloitte provides audit services to Yellow Pages and is also authorized to provide specific audit-related services as well as tax services. Deloitte 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 Deloitte in order to maintain its independence.

### **External Auditor Service Fees**

A summary of the fees paid to Deloitte to provide services in the categories and for the approximate amounts for the years ended December 31, 2014 and 2013 is included below:

<b>Category of Fees</b>	<b>2014 (\$)</b>	<b>2013 (\$)</b>
Audit fees	869,000	1,081,000
Audit-related fees	101,000	168,000
Tax fees	165,000	422,000
All other fees	65,000	-
<b>TOTAL</b>	<b>1,200,000</b>	<b>1,671,000</b>

*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. They 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 were performed by Deloitte and are not reported under the audit fees item above. These fees are for 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 of the two categories of tax compliance, and tax planning and advice. They include the review of tax returns, assistance with tax audits, capital structure, corporate transactions, and other special purpose mandates approved by the Audit Committee.

*All Other Fees.* These fees consist of consulting services.

The Audit Committee has determined that Deloitte's provision of non-audit services was compatible with maintaining Deloitte's independence.

### **INTEREST OF EXPERTS**

Deloitte is the independent auditor of the Corporation. The Corporation is advised that, as at the date hereof, the members of Deloitte 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, Yellow Pages has entered into the following material contracts during the year ended December 31, 2014 or before such year but which are still in effect:

- the warrant indenture dated as of December 20, 2012 entered into in connection with the Recapitalization between the Corporation and CIBC Mellon Trust Company, providing for the issuance of 2,995,506 warrants, which are exercisable at \$28.16 per warrant at any time on or prior to December 20, 2022 (see "Capital Structure – Description of Warrants");
- the trust indenture dated as of December 20, 2012 entered into in connection with the Recapitalization between YP, the Corporation, YP Next Home, YPG (USA) Holdings Inc., Yellow Pages Digital & Media Solutions, LLC, BNY Trust Company of Canada, and Bank of New York Mellon, providing for the issue of Exchangeable Debentures (see "Capital Structure – Description of Exchangeable Debentures");
- the trust indenture dated as of December 20, 2012 entered into in connection with the Recapitalization between YP, the Corporation, YP Next Home, YPG (USA) Holdings, Inc., Yellow Pages Digital & Media Solutions, LLC, BNY Trust Company of Canada, Bank of New York Mellon and each of the Guarantors, providing for the issue of Senior Secured Notes (see "Capital Structure – Description of Senior Secured Notes"); and
- the exchange agreement dated as of December 20, 2012 entered into in connection with the Recapitalization between the Corporation, YP and BNY Trust Company of Canada, providing for, among other things, the issuance by the Corporation of common shares of the Corporation upon the exchange of Exchangeable Debentures in accordance with the terms and conditions of the indenture governing the Exchangeable Debentures.

A copy of all of the material contracts listed above is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **ADDITIONAL INFORMATION**

Additional information relating to Yellow Pages may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Yellow Pages' 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 Pages. Additional financial information is provided in the Corporation's consolidated financial statements and management's discussion and analysis ("MD&A") for the year ended December 31, 2014.

Yellow Pages 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 consolidated 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 PAGES LIMITED

#### AUTHORITY

The primary responsibility for the financial reporting and disclosure controls and procedures, accounting systems and internal controls over financial reporting of Yellow Pages Limited (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 International Financial Reporting Standards and, if applicable, audited in accordance with Canadian 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 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. Provided the Chairman meets the other eligibility requirements of this Charter, the Chairman of the Board is an ex officio member 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 two 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 or the Chairman of the Board 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 Committee 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 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 at 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 seven years in total, or if so has not thereafter resumed or assumed either such role until a further five years have elapsed.
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 protect and promote 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 Corp. Pension Plans (the "Pension Plan") and related fund (the "Fund") on behalf of the Board of Directors of Yellow Pages Group Corp. (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's 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 and whether or not resolutions were unanimously approved; 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.

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