

## **Yellow Media Inc. Announces Recapitalization Transaction**

**Montréal (Québec), July 23, 2012** — Yellow Media Inc. (TSX: YLO) announced today a recapitalization transaction (the "Recapitalization") aimed at significantly reducing the Company's debt and improving its maturity profile, with debt first coming due in 2018. The Recapitalization will allow the Company to pursue its business transformation.

Closing of the Recapitalization is anticipated by the end of September 2012.

The key components of the Recapitalization are as follows:

- Exchange of its credit facilities and medium term notes (the "Senior Unsecured Debt"), representing \$1.8 billion of the Company's debt, for a combination of:
  - \$750 million of 9% Senior Secured Notes due in 2018;
  - \$100 million of Subordinated Unsecured Exchangeable Debentures due in 2022, with interest payable in cash at 8.0% or in additional debentures at 12%;
  - 82.5% of the New Common Shares; and
  - \$250 million of cash;
- Holders of existing convertible debentures, preferred shares and common shares of the Company to receive in exchange for their securities a combination of:
  - 17.5% of the New Common Shares; and
  - Warrants, representing in the aggregate 10% of the New Common Shares;
- Noteholders holding 30.0% of the medium term notes, and representing 23.7% of the Company's Senior Unsecured Debt, have executed support agreements committing them to vote in favour of the Recapitalization;
- The Recapitalization will not impact customers, suppliers and other business partners of Yellow Media Inc.

The Company proposed this Recapitalization initiative to align its capital structure with its operating strategy. The Recapitalization will ensure the necessary financial flexibility to pursue the Company's ongoing transformation in order to enhance long-term value for stakeholders. Upon completion of the Recapitalization, the Company will have debt of approximately \$850 million consisting of \$750 million of Senior Secured Notes and \$100 million of Subordinated Unsecured Exchangeable Debentures. Annual interest expense will also be reduced by approximately \$45 million.

A summary of the key terms of the Recapitalization can be found in the attached "Key Terms of the Recapitalization".

"The Recapitalization is consistent with the Company's previously stated objective of significantly deleveraging its balance sheet and allowing us to focus on the execution of our ongoing business transformation," said Marc P. Tellier, President and Chief Executive Officer of Yellow Pages Group.

The Recapitalization represents the best alternative available to address the Company's existing capital structure and liquidity needs. BMO Capital Markets and Canaccord Genuity, Yellow Media's financial advisors, have provided opinions to Yellow Media's Board of Directors that the terms of the Recapitalization are fair, from a financial point of view, to the holders of its Senior Unsecured Debt, convertible debentures, preferred shares and common shares. Based on a range of factors, including the fairness

opinions, Yellow Media's Board of Directors is unanimously recommending that all Senior Unsecured Debtholders, convertible debenture holders and shareholders support the Recapitalization, which will significantly reduce the Company's debt and improve the Company's capital structure.

"This Recapitalization delivers upon the Company's commitment to review its capital structure and evaluate alternatives to refinance maturities in 2012 and beyond," said Marc L. Reisch, Chairman of the Board of Directors. "The Board and management believe this Recapitalization is a significant and positive development for the Company, reducing its total indebtedness and strengthening its capital structure."

The Recapitalization will not impact customers, suppliers and other business partners of Yellow Media. The Company's obligations to employees, including its pension and benefit plan obligations, are also unaffected by the Recapitalization.

The Company intends to implement the Recapitalization pursuant to a plan of arrangement under the *Canada Business Corporations Act*. The implementation of the Recapitalization is subject to a number of conditions and other risks and uncertainties including the receipt of the final approval of the court and all necessary regulatory and stock exchange approvals, as well as to other conditions. Implementation of the Recapitalization is expected to occur by the end of September 2012.

**Pre Recapitalization & Pro Forma Capital Structure (in millions of Canadian dollars, unless otherwise noted)**

	As at March 31, 2012	Adjustment	Pro Forma
Credit Facilities	419	(419)	-
Medium Term Notes <sup>(1)</sup>	1,406	(1,406)	-
6.25% Convert. Debentures Due Oct. 2017 <sup>(1)</sup>	200	(200)	-
Senior Secured Notes <sup>(1)</sup>	-	750	750
Subordinated Unsecured Exchangeable Debentures <sup>(1)</sup>	-	100	100
Obligations Under Finance Leases	4	-	4
Retractable Preferred Shares (Series 1 & 2) <sup>(1)</sup>	403	(403)	-
<b>Total Debt</b>	<b>2,431</b>	<b>(1,577)</b>	<b>854</b>
Perpetual Preferred Shares (Series 3, 5 & 7) <sup>(1)</sup>	329	(329)	-
Cash	(310)	250	(60)
<b>Total Net Debt and Preferred Shares</b>	<b>2,450</b>	<b>(1,656)</b>	<b>794</b>
Number of Common Shares Outstanding (millions)	520	(495)	26
Number of Warrants (millions)	-	3	3

**Financial Ratios**

Net Debt/LTM EBITDA <sup>(2,3)</sup>	2.7x	1.3x
Total Debt/LTM EBITDA <sup>(2,3)</sup>	3.2x	1.4x
Fixed Charge Coverage <sup>(3)</sup>	5.1x	8.4x

<sup>(1)</sup> Face Value

<sup>(2)</sup> Excluding Preferred Shares

<sup>(3)</sup> LTM EBITDA excludes the contribution of LesPAC. Latest twelve month EBITDA is a non-IFRS measure and may not be comparable with similar measures used by other publicly traded companies

## **Support of Recapitalization**

Noteholders holding 30.0% of the Company's outstanding medium term notes, and representing 23.7% of the Company's Senior Unsecured Debt, have executed a support agreement with, among others, Yellow Media whereby they have agreed, subject to certain conditions, to vote in favour of and support the Recapitalization. Noteholders are represented by Moelis & Company as financial advisors and Bennett Jones LLP as legal advisors.

The Company will solicit additional support from credit facility lenders and noteholders for the Recapitalization.

## **Meetings**

The Company will apply to the Commercial Division of the Superior Court of Québec in Montréal for an interim order in connection with the Recapitalization pursuant to which order the Company will call (i) a meeting of the affected unsecured debtholders of the Company, comprising of the credit facility lenders, the holders of the medium term notes and the holders of convertible debentures that have elected to opt-out of the shareholder vote, and (ii) a meeting of the shareholders of the Company, comprising of the holders of preferred shares and common shares and the holders of the convertible debentures that have not elected to opt-out of the shareholder vote, in both cases to obtain their support of the plan of arrangement under the *Canada Business Corporations Act* implementing the Recapitalization. Details of the Recapitalization will be provided in a Management Proxy Circular expected to be distributed to Senior Unsecured Debtholders, convertible debenture holders and shareholders at the beginning of August 2012. The meetings are expected to be held on September 6, 2012 at Palais Des Congrès de Montréal.

Yellow Media's legal advisors for the Recapitalization are Stikeman Elliott LLP and Russell Hill Advisory Services Inc.

## **New Board of Directors**

A search committee of up to five members has been established to select the new Board of Directors of Yellow Media Inc. Marc P. Tellier and Marc L. Reisch have been designated by Yellow Media Inc. to serve on the search committee, and two members have been designated by the initial consenting noteholders.

The new Board of Directors will consist of nine members, one of whom shall be Marc P. Tellier. The new Board of Directors will also include a minimum of two members of the existing Board of Directors of the Company. The candidates selected will be announced via press release prior to the debtholders' and shareholders' meetings.

## **Further Information**

Further information about the Recapitalization will be available on SEDAR ([www.sedar.com](http://www.sedar.com)) and the Company's website ([www.ypg.com](http://www.ypg.com)).

A [Questions & Answers](#) document specific to the Recapitalization has also been made available on the Company's website.

The Company expects to supplement information in the Management Proxy Circular relating to the meetings to be held in connection with the Recapitalization and otherwise to communicate information relating thereto by way of news release, the Company's website, mailing or otherwise.

### **U.S. Securities Laws Matters**

This press release is neither an offer nor a solicitation of an offer to purchase any securities, nor is this press release an offer or solicitation of an offer to sell any securities. None of new securities to be offered as part of the Recapitalization have been nor will be registered under the U.S. Securities Exchange Act of 1933, as amended, or any securities laws of any State of the United States and, as such, may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements of the U.S. Securities Exchange Act of 1933 and applicable state laws.

## **Investor Conference Call**

Yellow Media Inc. will hold an analyst and media call at 10:30 a.m. (Eastern Time) on July 23, 2012 to discuss the recapitalization transaction. The call may be accessed by dialing (416) 340-8018 within the Toronto area, or 1 866 223-7781 outside of Toronto. The call will be simultaneously webcast on the Company's website at <http://www.ypg.com/en/yellow-media-conference-call-webcast>

The conference call will be archived in the Investor Center of the website at [www.ypg.com](http://www.ypg.com). A playback of the call can also be accessed from July 23 to July 31, 2012 by dialing (905) 694-9451 from within the Toronto area, or 1 800 408-3053 outside Toronto. The conference passcode is 9739302.

## **About Yellow Media Inc.**

Yellow Media Inc. (TSX: YLO) is a leading media and marketing solutions company in Canada. The Company owns and operates some of Canada's leading properties and publications including Yellow Pages™ print directories, YellowPages.ca™, Canada411.ca and RedFlagDeals.com™. Its online destinations reach approximately 8 million unique visitors monthly and its mobile applications for finding local businesses and deals have been downloaded more than 4 million times. Yellow Media Inc. is also a leader in national digital advertising through Mediative, a digital advertising and marketing solutions provider to national agencies and advertisers. For more information, visit [www.ypg.com](http://www.ypg.com).

## **Caution Concerning Forward-Looking Statements**

*This press release contains forward-looking statements (including within the meaning of the U.S. Private Securities Litigation Reform Act of 1995) about the objectives, strategies, financial conditions, results of operations and businesses of the Company. These statements are forward-looking as they are based on our current expectations, as at July 23, 2012, about our business and the markets we operate in, and on various estimates and assumptions. Our actual results could materially differ from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, there is no assurance that any forward-looking statements will materialize. Risks that could cause our results to differ materially from our current expectations are discussed in section 6 of our February 9, 2012 Management's Discussion and Analysis. We disclaim any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available, as a result of future events or for any other reason. The implementation of the Recapitalization is subject to a number of conditions to be provided in the plan of arrangement under the Canada Business Corporations Act, and other risks and uncertainties including, without limitation, court and any required regulatory approvals (including stock exchange approvals). Accordingly, there can be no assurance that the Recapitalization will occur, or that it will occur on the terms and conditions contemplated in this news release. The Recapitalization could be modified, restructured or terminated.*

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## Key Terms of the Recapitalization

*All amounts are in Canadian dollars, unless otherwise noted.*

### Parties Affected by the Recapitalization

The following stakeholders of Yellow Media will be affected by the Recapitalization:

- Holders of all the unsecured medium term notes of Yellow Media, being:
  - 6.50% unsecured medium term notes, Series 9, due July 10, 2013;
  - 6.85% unsecured medium term notes, Series 8, due December 3, 2013;
  - 5.71% unsecured medium term notes, Series 2, due April 21, 2014;
  - 7.30% unsecured medium term notes, Series 7, due February 2, 2015;
  - 5.25% unsecured medium term notes, Series 4, due February 15, 2016;
  - 5.85% unsecured medium term notes, Series 3, due November 18, 2019;
  - 7.75% unsecured medium term notes, Series 10, due March 2, 2020; and
  - 6.25% unsecured medium term notes, Series 5, due February 15, 2036;
- Lenders under the senior unsecured credit facility agreement of Yellow Media dated September 28, 2011;
- Holders of the 6.25% convertible unsecured subordinated debentures of Yellow Media due October 1, 2017;
- Holders of all series of preferred shares of Yellow Media; and
- Holders of common shares of Yellow Media

### Treatment of Holders of Existing Credit Facilities and Medium Term Notes (collectively, the “Senior Unsecured Debt”)

**Recapitalization**      The holders of the Senior Unsecured Debt shall receive their pro rata share, based on the principal amount of their Senior Unsecured Debt, of:

	Total Consideration (\$ millions, except share information)	Consideration per \$1,000 (\$, except share information)
6-year Senior Secured Notes	\$750	\$423
10-year Subordinated Unsecured Exchangeable Debentures	\$100	\$56
Cash	\$250	\$141
New Common Shares	21,295,090	12.001

**Treatment of Accrued Interest**      Accrued and unpaid cash-pay interest on the existing credit facilities and medium term notes up to but not including the Plan Effective Date shall be paid in cash on the Plan Effective Date.

## Treatment of Holders of Existing Convertible Debentures, Preferred and Common Shares (collectively, the “Equity Securities”)

Each holder of Equity Securities will receive:

	<i>New Common Shares</i>	<i>Warrants</i>
<i>Consideration per \$1,000 of Face Value of Existing Convertible Debentures</i>	0.62500	0.35714
<i>Consideration per 100 Existing Series 1, 2, 3 or 5 Preferred Shares</i>	6.25000	3.57143
<i>Consideration per 100 Existing Series 7 Preferred Shares</i>	1.87500	1.07143
<i>Consideration per 100 Existing Common Shares</i>	0.50000	0.28571

No separate payment will be made for interest or unpaid dividends on the Equity Securities.

## Summary Table of Treatment of Affected Parties

Pursuant to the Recapitalization and as described above, the Senior Unsecured Debtholders, debentureholders and shareholders of Yellow Media are to be allocated and issued, approximately, the amount of cash, the principal amount of Senior Secured Notes and Subordinated Unsecured Exchangeable Debentures, and the number of New Common Shares and Warrants presented in the following table:

	Cash Payment (\$ millions)	Senior Secured Notes (\$ millions)	Senior Subordinated Unsecured Exchangeable Debentures (\$ millions)	New Common Shares (# millions)	Warrants (# millions)
Lenders.....	52	156	21	4.4	—
Noteholders .....	198	594	79	16.9	—
Debentureholders .....	—	—	—	0.1	0.1
Preferred Shareholders .....	—	—	—	1.8	1.0
Common Shareholders..	—	—	—	2.6	1.5
Total.....	250	750	100	25.8	2.6

## **Terms of the Senior Secured Notes**

<b><i>Issuer</i></b>	Yellow Media Inc.
<b><i>Notes Offered</i></b>	C\$750,000,000 Senior Secured Notes due November 30, 2018
<b><i>Guarantors</i></b>	The Senior Secured Notes will be guaranteed by Yellow Pages Group Co., Canpages Inc., YPG (USA) Holdings, Inc., Yellow Pages Group, LLC, Wall2Wall Media Inc., and Yellow Media Ltd. (which will become the parent company of Yellow Media Inc. on the Plan Effective Date).
<b><i>Interest Rate and Payment Dates</i></b>	9.0% per annum, payable quarterly in arrears in cash on the last day of February, May, August and November of each year, commencing on November 30, 2012.
<b><i>Collateral</i></b>	The Senior Secured Notes shall be secured by a first-priority lien on all of the property of the Company and the Guarantors, whether owned at the issue date or thereafter acquired, subject to certain exclusions as defined in the Indenture governing the Senior Secured Notes.
<b><i>Mandatory Repayment</i></b>	The Company will use an amount equivalent to 70% of Consolidated Excess Cash Flow (as such term will be defined in the Indenture governing the Senior Secured Notes) for the immediately preceding two fiscal quarters of Yellow Media Ltd., on a semi-annual basis on the last day of May and November of each year, commencing on May 31, 2013, to redeem the Senior Secured Notes at par from holders on a pro rata basis.
<b><i>Optional Redemption</i></b>	The Senior Secured Notes can be redeemable, upon not less than 30 nor more than 60 days' prior notice: <ul style="list-style-type: none"><li>a) prior to May 31, 2017 at 105% of face value, plus accrued and unpaid interest, if any, to the date of redemption; and</li><li>b) commencing on May 31, 2017 at 100% of face value, plus accrued and unpaid interest, if any, to the date of redemption.</li></ul>

## **Terms of the Subordinated Unsecured Exchangeable Debentures**

<b><i>Issuer</i></b>	Yellow Media Inc.
<b><i>Notes Offered</i></b>	C\$100,000,000 Subordinated Unsecured Exchangeable Debentures due November 30, 2022
<b><i>Guarantors</i></b>	The Subordinated Unsecured Exchangeable Debentures will be guaranteed by Yellow Pages Group Co., Canpages Inc., YPG (USA) Holdings, Inc., Yellow Pages Group, LLC, Wall2Wall Media Inc., and Yellow Media Ltd. (which will become the parent company of Yellow Media Inc. on the Plan Effective Date).
<b><i>Interest Rate and Payment Dates</i></b>	8.0% per annum payable semi-annually in arrears in cash or, at the Company's option, 12.0% per annum payable semi-annually in debentures, on the last day of May and November of each year, commencing on November 30, 2012.

<b><i>Exchange Privilege</i></b>	The Subordinated Unsecured Exchangeable Debentures shall be exchangeable into common shares of Yellow Media Ltd. by the holder at any time at the initial conversion price of C\$21.95 per share of Yellow Media Ltd.
<b><i>Maturity</i></b>	The principal amount of Subordinated Unsecured Exchangeable Debentures outstanding at maturity shall be payable in cash.
<b><i>Optional Redemption</i></b>	<p>Provided that the Senior Secured Notes have been repaid in full at the date of redemption, the Subordinated Unsecured Exchangeable Debentures can be redeemed, upon not less than 30 nor more than 60 days' prior notice:</p> <ul style="list-style-type: none"> <li>(a) prior to May 31, 2021 at 110% of face value, plus accrued and unpaid interest if any, to the date of redemption; and</li> <li>(b) commencing on May 31, 2021 at 100% of face value, plus accrued and unpaid interest, if any, to the date of redemption.</li> </ul>
<b>Terms of the Warrants</b>	
<b><i>Number of Warrants</i></b>	2,581,223 Warrants
	Each Warrant will be exercisable for one common share of Yellow Media Ltd. at the Exercise Price (as defined below) for a period of 10 years.
	The Warrants will have standard anti-dilution protection and adjustments for dividends.
<b><i>Exercise Price</i></b>	C\$31.67 per common share of Yellow Media Ltd.
<b><i>Warrant Exercise</i></b>	Each Warrant will entitle the holder thereof to acquire one common share, upon exercise and payment of the Exercise Price subject to adjustments.
<b>Other Matters</b>	
<b><i>Listing and Trading</i></b>	The common shares, including common shares issuable upon the exercise of the Warrants will be freely tradable in Canada upon issuance, and in addition to the common shares, the Company will seek to have the Subordinated Unsecured Exchangeable Debentures and the Warrants listed on the Toronto Stock Exchange.
<b><i>Fractional Securities</i></b>	No fractional common shares or warrants will be issued. Any fractional securities that would otherwise have been issued shall be rounded down to the nearest whole number.

***Approval***

The Plan of Arrangement will be subject to Court approval following meetings of holders of Senior Unsecured Debt and Equity Securities, as may be determined by the Court. Holders of existing convertible debentures who so elect shall be entitled to vote as holders of Senior Unsecured Debt (all non-electing holders of convertible debentures shall vote as holders of Equity Securities).