

Yellow Pages Income Fund

# Q1

## SUPPLEMENTAL DISCLOSURE

Period ended March 31, 2010

As filed on Sedar on May 6, 2010 ([www.sedar.com](http://www.sedar.com)).  
This report is also available at [www.ypg.com](http://www.ypg.com)

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This Supplemental Disclosure contains forward-looking statements about the objectives, strategies, financial condition, results of operations and businesses of YPG. These statements are considered “forward-looking” because they are based on current expectations about our business and the markets we operate in, and on various estimates and assumptions. Our actual results could be materially different 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, we cannot guarantee that any forward-looking statements will materialize. Forward-looking statements do not take into account the effect that transactions or non-recurring items announced or occurring after the statements are made may have on our business. We disclaim any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available through future events or for any other reason.

Risks that could cause our actual results to differ materially from our current expectations are discussed in section 7 of our May 6, 2010 Management's Discussion and Analysis. This Supplemental Disclosure shall be read in connection with the May 6, 2010 Management's Discussion and Analysis.

## 1. Financial Highlights - Yellow Pages Income Fund

(in thousands of Canadian dollars, except unit information)

	For the three-month periods ended March 31,	
	2010	2009
Revenues	<b>\$408,131</b>	\$408,353
Operating costs	<b>188,350</b>	184,490
Conversion and rebranding costs	<b>3,651</b>	-
Income from operations before depreciation and amortization, and acquisition-related costs (EBITDA)	<b>216,130</b>	223,863
Net earnings	<b>121,757</b>	132,087 <sup>(1)</sup>
Basic earnings per unit	<b>0.24</b>	0.26
Diluted earnings per unit	<b>0.21</b>	0.21
Adjusted Revenues	<b>\$408,131</b>	\$413,542
Adjusted EBITDA	<b>219,781</b>	225,905
Adjusted EBITDA margin	<b>53.9%</b>	54.6%
Cash flow from operating activities	<b>\$143,539</b>	\$197,418
Distributable cash	<b>171,274</b>	180,446
Distributable cash per unit	<b>0.34</b>	0.35
Distributions declared	<b>101,033 <sup>(2)</sup></b>	150,332
Distributions declared per unit	<b>0.20</b>	0.29
Payout ratio	<b>59%</b>	83%
Weighted average number of units outstanding		
Basic	<b>504,752,813</b>	513,839,842
Diluted	<b>619,026,583</b>	661,558,372

<sup>(1)</sup> As adjusted per adoption of new accounting policies - See Note 1 of the March 31, 2010 Interim Financial Statements.

<sup>(2)</sup> Includes March 2010 distribution of approximately \$34.2 million paid on April 15, 2010.

## 2. Segmented Information

(in thousands of Canadian dollars)

For the three-month periods ended March 31,						
	Directories		Vertical Media		Consolidated	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>	<b>\$336,295</b>	\$348,799	<b>\$71,836</b>	\$59,554	<b>\$408,131</b>	\$408,353
<b>EBITDA</b>	<b>197,427</b>	207,800	<b>18,703</b>	16,063	<b>216,130</b>	223,863
<b>Adjusted Revenues</b>	<b>336,295</b>	353,988	<b>71,836</b>	59,554	<b>408,131</b>	413,542
<b>Adjusted EBITDA</b>	<b>201,078</b>	209,842	<b>18,703</b>	16,063	<b>219,781</b>	225,905
<b>Adjusted EBITDA Margin</b>	<b>59.8%</b>	59.3%	<b>26.0%</b>	27.0%	<b>53.9%</b>	54.6%

### 3. Online Metrics

<b>Revenues</b> <sup>(1)</sup>					
(in millions of Canadian dollars)					
	Q1	Q2	Q3	Q4	Full Year
<b>2010 Revenues - Consolidated</b>	<b>\$98.4</b>				<b>\$98.4</b>
<b>2009 Revenues - Consolidated</b>	\$68.6	\$75.2	\$78.0	\$82.6	\$304.4

<sup>(1)</sup> Including contribution from acquired businesses since their respective acquisition dates.

<b>Operating Metrics</b> <sup>(1,2)</sup>								
(in millions)								
	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Unduplicated Unique Visitors</b>	9.5	9.7	9.0	8.9	10.9			
<b>Online Reach %</b>	40%	40%	37%	36%	44%			

<sup>(1)</sup> Source: comScore Media Metrix Canada.

<sup>(2)</sup> Including contribution from acquired businesses.

#### 4. Reconciliation of Adjusted Revenues and Adjusted EBITDA

(in thousands of Canadian dollars)

	For the three-month period ended March 31, 2010				For the three-month period ended March 31, 2009		
	Reported	Purchase accounting	Conversion and rebranding costs	Adjusted <sup>(1)</sup>	Reported	Purchase accounting	Adjusted <sup>(1)</sup>
Revenues	\$408,131	\$-	\$-	\$408,131	\$408,353	\$5,189	\$413,542
Operating costs	188,350	-	-	188,350	184,490	3,147	187,637
Conversion & rebranding costs	3,651	-	(3,651)	-	-	-	-
EBITDA	\$216,130	\$-	\$3,651	\$219,781	\$223,863	\$2,042	\$225,905

<sup>(1)</sup> The adjusted results are derived by excluding from the reported amounts the impact of purchase accounting relating to acquisitions in the core Directories segment, as well as conversion and rebranding costs.

## 5. Operating Cost and Capital Expenditure Details

(in thousands of Canadian dollars)

	For the three-month periods ended March 31,			
	2010		2009	
Adjusted Revenues	<b>\$408,131</b>		\$413,542	
Adjusted Expenses				
Cost of Sales	<b>111,343</b>	27.3%	118,850	28.7%
General and Administrative <sup>(1)</sup>	<b>77,007</b>	18.9%	68,787	16.6%
Adjusted EBITDA	<b>\$219,781</b>		\$225,905	
Adjusted EBITDA margin	<b>53.9%</b>		54.6%	
<b>Capital Expenditures</b>				
Transition Capital <sup>(2)</sup>	<b>\$1,112</b>		\$2,245	
Maintenance <sup>(3)</sup>	<b>3,611</b>		2,963	
New Initiatives	<b>7,164</b>		4,553	
Leasehold Improvements (net of lease inducements)	<b>683</b>		98	
<b>Total</b>	<b>\$12,570</b>		\$9,859	
Adjustment to Reflect Expenditures on a Cash Basis	<b>(830)</b>		2,597	
Acquisition of Capital Assets, Net of Lease Inducements	<b>\$11,740</b>		\$12,456	

<sup>(1)</sup> Includes pension and post-employment expenses.

<sup>(2)</sup> Transition capital represents funds set aside as pre-funded capital for purposes of integrating acquired businesses.

<sup>(3)</sup> Maintenance capital expenditures are for ongoing operations to maintain the integrity of the infrastructure.

## 6. Consolidated Capitalization

(in millions of Canadian dollars)

### Yellow Media Inc.

As part of our plan to convert from an income trust to a traditional corporate structure, YPG Holdings Inc. has been renamed Yellow Media Inc. The new name builds upon our Company's legacy of delivering placement and performance products to Canadian businesses. It also reflects our expansion in providing turn-key solutions to businesses through our online, mobile and print multimedia platforms. Following the conversion, Yellow Media Inc. will be the reporting entity.

Reported Basis	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010
Medium Term Notes	\$2,051	\$1,856	\$1,921	\$2,045	\$1,749
Exchangeable Debentures	287	288	289	84	84
Credit Facilities	240	250	100	100	100
Commercial Paper	156	388	205	74	384
Obligations Under Capital Leases	13	8	8	9	8
Note Payable	-	-	-	-	5
<b>Total Third-Party Debt</b>	<b>2,747</b>	<b>2,790</b>	<b>2,523</b>	<b>2,312</b>	<b>2,331</b>
Cash and Cash Equivalents	33	64	74	36	38
<b>Net debt</b>	<b>\$2,714</b>	<b>\$2,726</b>	<b>\$2,449</b>	<b>\$2,276</b>	<b>\$2,293</b>
Preferred Shares, Series 1 and 2	490	489	481	473	467
Equity Attributable to Non-Controlling Interests <sup>(1, 2)</sup>	8	-	203	324	401
Equity Attributable to Owners of the Fund	5,541	5,504	5,228	5,225	5,244
<b>Total Capitalization</b>	<b>\$8,753</b>	<b>\$8,720</b>	<b>\$8,361</b>	<b>\$8,297</b>	<b>\$8,405</b>
Average Interest Rate on Debt at Period End	4.8%	5.1%	5.6%	5.8%	5.1%
Adjusted EBITDA / Annualized Interest Charges	6.5x	6.4x	6.3x	6.2x	7.2x
Net Debt / Adjusted EBITDA	2.9x	3.0x	2.7x	2.5x	2.5x
FCF / Net Debt <sup>(3)</sup>	28%	27%	29%	31%	31%
Net Debt / Equity Attributable to Owners of the Fund	0.5x	0.5x	0.5x	0.4x	0.4x

<sup>(1)</sup> Represents 8.3 million, 5.0 million and 1.3 million Preferred Shares, Series 3, 5 and 7 issued in September '09, December '09 and February '10, respectively, as well as non-controlling interest relating to Dealer.com and LesPAC.

<sup>(2)</sup> As adjusted per adoption of new accounting policies - See Note 1 of the March 31, 2010 Interim Financial Statements.

<sup>(3)</sup> FCF is assumed to be equal to Distributable Cash adjusted for LTM Adjusted EBITDA giving effect to the impact of acquisitions and annualized interest expense and preferred shares, series 1 & 2 dividends based on full year impact of the debt and preferred share structure at the end of the period with interest and dividend rates prevailing at such date.

## 7. Preferred Shares

(in millions of Canadian dollars)

- As of March 31, 2010, YPG has five series of preferred shares outstanding:

	Principal Amount Outstanding	Structure	Rate	Maturity
Series 1	\$294.7	Fixed Rate	4.25%	December 31, 2012 <sup>(1)</sup>
Series 2	\$180.0	Fixed Rate	5.00%	June 30, 2017 <sup>(1)</sup>
Series 3	\$207.5	5-yr Rate Reset	6.75%	Perpetual
Series 5	\$125.0	5-yr Rate Reset	6.90%	Perpetual
Series 7	\$9.8	Fixed Rate	5.00%	Perpetual

### Instruments Features

• **Cumulative Redeemable Preferred Shares, Series 1 & 2**<sup>(2)</sup>

- The Preferred Shares Series 1 are redeemable by the issuer at a decreasing premium for cash on or after March 31, 2012, or by the issuance of units of the Fund between March 31, 2012 and December 31, 2012. The Preferred Shares Series 1 are also retractable for cash at the holder's option on or after December 31, 2012.
- The Preferred Shares Series 2 are redeemable by the issuer at a decreasing premium for cash on or after June 30, 2012, or by the issuance of units of the Fund between June 30, 2012 and June 30, 2017. The Preferred Shares Series 2 are also retractable for cash at the holder's option on or after June 30, 2017.

• **Rate Reset Preferred Shares, Series 3 & 5**<sup>(3)</sup>

- The Preferred Shares Series 3 dividend rate will be reset on September 30, 2014 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.17%. The Series 3 Preferred Shares will be redeemable by the issuer on or after September 30, 2014. Holders of the Series 3 Preferred Shares will have the right to convert their shares into cumulative floating rate preferred shares, series 4, on September 30, 2014 and on September 30 every five years thereafter. Holders of the Series 4 Preferred Shares will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.17%.
- The Preferred Shares Series 5 dividend rate will be reset on June 30, 2015 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.26%. The Series 5 Preferred Shares will be redeemable by the issuer on or after June 30, 2015. Holders of the Series 5 Preferred Shares will have the right to convert their shares into cumulative floating rate preferred shares, series 6, on June 30, 2015 and on June 30 every five years thereafter. Holders of the Series 6 Preferred Shares will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.26%.

• **Cumulative Exchangeable Preferred Shares, Series 7**<sup>(4)</sup>

- On February 9, 2010, in connection with the acquisition of RedFlagDeals.com, Yellow Media Inc. issued 1,300,000 cumulative exchangeable first preferred shares, Series 7 at a price of \$7.50 per share as payment to the vendors for the acquisition by way of a private placement. Holders of the Series 7 shares are entitled to receive fixed cumulative preferential cash dividends in an amount equal to \$0.375 per Series 7 share per annum, yielding 5% per annum, payable quarterly. The Series 7 shares are exchangeable into Units of the Fund or of the successor thereof upon conversion of the Fund into a corporation, at the option of the holders of the Series 7 shares and at a ratio of one preferred share for one unit or newly tradable security, regardless of the market price of such Units or newly tradable security of the successor company. Of the 1,300,000 Series 7 shares, 1,000,000 shares are subject to a four month lock up agreement during which the holders cannot transact these shares. The remaining 300,000 Series 7 shares may only be exchanged commencing January 1, 2012, subject to certain time-based and performance conditions. The Series 7 shares are included in equity attributable to non-controlling interests.

<sup>(1)</sup> Date of retraction at the option of the holders.

<sup>(2)</sup> Please refer to note 12 of the 2009 Annual Financial Statements.

<sup>(3)</sup> Please refer to note 13 of the 2009 Annual Financial Statements.

<sup>(4)</sup> Please refer to note 9 of the Q1 2010 Financial Statements.

## 8. Credit Facilities & Liquidity Discussion

(in millions of Canadian dollars)

- As of May 6, 2010, YPG has in place two senior unsecured credit facilities totalling \$1.1 billion:

		Amount	Structure	Final Maturity	Use	Drawn Pricing
Principal Credit Facility	Tranche 1	\$750.0	Revolving Facility 3-year term	Feb. 2013	General Corporate Purposes & CP Backup	BA + 2.5%
	Tranche 2	\$250.0	Non-Revolving Facility 3-year term	Feb. 2013	General Corporate Purposes	BA + 2.5%
Institutional Investor Private Facility		\$100.0	5-year term	July 2014	General Corporate Purposes	BA + 5.0%

- As of March 31, 2010, YPG had total available liquidity of \$653.9 million:

	Limit	Drawn	Available
Principal Credit Facility	\$1,000.0	-	\$1,000.0
Commercial Paper	-	384.0	(384.0)
Institutional Investor - Private Facility	100.0	100.0	-
Cash and Cash Equivalents	-	-	37.9
<b>TOTAL</b>	<b>\$1,100.0</b>		<b>\$653.9</b>

## 9. Cash Interest Expense Obligations

(in thousands of Canadian dollars)

Debt Components	March 31, 2010		Interest / Dividend Basis	Maturity Date
	Reported Basis	Notional Balances		
<b>Medium Term Notes (MTN)</b> <sup>(1)</sup>			Fixed Rates	
5-year Notes maturing 2011 - Series 6	\$ -	\$ -	4.65%	February 28, 2011 <sup>(5)</sup>
4-year Notes maturing 2013 - Series 9	130,000	130,000	6.50%	July 10, 2013
4.5-year Notes maturing 2013 - Series 8	125,000	125,000	6.85%	December 3, 2013
10-year Notes maturing 2014 - Series 2	297,500	297,500	5.71%	April 21, 2014
5-year Notes maturing 2015 - Series 7	260,000	260,000	7.30%	February 2, 2015
10-year Notes maturing 2016 - Series 4	419,863	419,863	5.25%	February 15, 2016
15-year Notes maturing 2019 - Series 3	121,219	121,219	5.85%	November 18, 2019
10-year Notes maturing 2020 - Series 10	300,000	300,000	7.75%	March 2, 2020
30-year Notes maturing 2036 - Series 5	106,926	106,926	6.25%	February 15, 2036
Fair value adjustment of hedged item	5,243			
Deferred financing costs	(16,794)			
<b>Exchangeable Debentures</b> <sup>(2,3)</sup>	86,549	86,549	5.50%	
Equity Component (net of accretion)	(1,066)			August 1, 2011
Deferred financing costs	(1,196)			
<b>Credit Facilities</b>	100,000	100,000	BA + Margin	\$750M Revolving February 18, 2013
			BA + Margin	\$250M Non-Revolver February 18, 2013
			BA + Margin	\$100M Private Placement July 23, 2014
<b>Commercial Paper Facility</b>	384,000	384,000	BA + Margin	n.a.
<b>Cash and Cash Equivalents</b>	(37,882)	(37,882)	Overnight/Banker's Acceptance	n.a.
<b>Swaps and Derivatives</b> <sup>(4)</sup>	-	-		n.a.
<b>Obligations Under Capital Leases</b>	8,399	8,399		n.a.
<b>Note Payable</b>	5,040	5,040		
<b>Net Debt</b>	<b>\$ 2,292,801</b>	<b>\$ 2,306,614</b>		

(1) Please refer to note 6 of the Q1 2010 Financial Statements.

(2) Please refer to note 7 of the Q1 2010 Financial Statements.

(3) Value of the exchange option classified as equity on the balance sheet. Accretion not included in the cash interest expense.

(4) Please refer to the Financial and Other Instruments Section of the May 6, 2010 Management's Discussion and Analysis.

(5) Redeemed in whole on January 15, 2010.

## 10. Distributable Cash

(in thousands of Canadian dollars except for Units Outstanding)

	For the year ended December 31, 2009	For the three months ended March 31, 2010 <sup>(1)</sup>	LTM March 31, 2010
Cash flow from operating activities	\$750,187	\$143,539	\$696,308
Operating non-cash items	(16,818)	(3,594)	(19,150)
Change in operating assets and liabilities	(59,838)	28,166	(16,016)
Maintenance capital expenditures	(14,264)	(3,611)	(14,912)
Restructuring and special charges	40,316	-	40,316
Acquisition-related costs	-	3,615	3,615
Other	<u>14,698</u>	<u>3,159</u>	<u>14,948</u>
Distributable Cash	\$714,281	\$171,274	\$705,109
Distributable Cash per unit	1.40	0.34	1.39
Weighted Average number of units outstanding (in millions)	510.7	504.8	508.4

<sup>(1)</sup> See additional disclosure on the various adjustments in the Distributable Cash section in our May 6, 2010 Management's Discussion and Analysis.

## 11. Historical Distributable Cash Calculation

(in thousands of Canadian dollars except for Units Outstanding)

	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010
<b>Current Methodology:</b>					
Cash flow from operating activities	\$197,418	\$185,487	\$168,548	\$198,734	<b>\$143,539</b>
Operating non-cash items	(1,262)	(2,159)	(7,363)	(6,034)	<b>(3,594)</b>
Change in operating assets and liabilities	(15,656)	(22,759)	14,858	(36,281)	<b>28,166</b>
Maintenance capital expenditures	(2,963)	(4,256)	(3,521)	(3,524)	<b>(3,611)</b>
Restructuring and special charges	-	20,584	-	19,732	-
Acquisition-related costs	-	-	-	-	<b>3,615</b>
Other	<u>2,909</u>	<u>4,756</u>	<u>6,677</u>	<u>356</u>	<b><u>3,159</u></b>
Distributable Cash	\$180,446	\$181,653	\$179,199	\$172,983	<b>\$171,274</b>
<b>Previous Methodology<sup>(3)</sup>:</b>					
EBITDA	\$223,863	\$224,069	\$226,209	\$219,297	<b>\$216,130</b>
Maintenance capital expenditures	(2,963)	(4,256)	(3,521)	(3,524)	<b>(3,611)</b>
Interest	(34,058)	(32,878)	(37,766)	(37,191)	<b>(32,746)</b>
Dividends on preferred shares, series 1 & 2	(5,688)	(5,687)	(5,588)	(5,464)	<b>(5,379)</b>
Other	<u>(708)</u>	<u>405</u>	<u>(135)</u>	<u>(135)</u>	<b><u>(3,120)</u></b>
Distributable Cash	\$180,446	\$181,653	\$179,199	\$172,983	<b>\$171,274</b>
Distributable Cash per unit	0.35	0.35	0.35	0.34	<b>0.34</b>
Weighted Average number of units outstanding (in millions)	513.8	512.2	510.0	506.7	<b>504.8</b>

(1) Following the Staff Notice issued in 2006 by the Canadian Securities Administrators on distributable cash presentation, we adopted their recommendations retroactive to January 1, 2005 in order to disclose comparable results. As such, adjustments to eliminate the impact of purchase accounting and transition expenses are no longer made. In July 2007, the CSA issued a replacement to National Policy 41-201 to provide additional guidance with respect to disclosures on distributable cash.

(2) See additional disclosure on the various adjustments in the Distributable Cash section of the May 6, 2010 Management's Discussion and Analysis.

(3) For reference in accordance with historical disclosure.

## 12. Outlook

### **Key Performance Indicators 2010 Progress Year-to-date and 2010 Targets**

	Three-month period ended March 31, 2010	2010 Targets
<b>Directories</b>		
Adjusted Revenues	\$336 million	\$1,385 to \$1,415 million
Adjusted EBITDA	\$201 million	\$830 to \$840 million
<b>Vertical Media</b>		
Revenue	\$72 million	\$275 to \$295 million
EBITDA	\$19 million	\$80 to \$90 million
<b>Consolidated Metrics</b>		
Online Organic Growth	20%	approx. 20%
Distributable Cash per unit	(2.9%)	1% to 3%

### 13. Consensus Estimates

(in millions of Canadian dollars except for Distributable Cash per Unit)

	2009 Actual	Consensus Estimates <sup>(1)</sup>			% Var
		2010			Avg. '10 / Act. '09
		Low	Average	High	
Adjusted Revenues	\$1,650.5	\$1,595.0	\$1,640.0	\$1,678.2	(0.6%)
Adjusted EBITDA	\$898.4	\$857.0	\$893.9	\$910.0	(0.5%)
Distributable Cash per Unit	\$1.40	\$1.23	\$1.35	\$1.44	(3.7%)

<sup>(1)</sup> Distributable Cash per Unit is calculated by deducting from EBITDA: maintenance capital expenditures, cash interest expense, dividends on preferred shares series 1 & 2 and cash taxes.