



2016-10-05

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Toronto ON M5H 2S7  
Canada

Corporation Number: **753553-8**  
Numéro de société :

Your Reference:  
Votre référence :

Please find enclosed the **Certificate of Arrangement** issued under the *Canada Business Corporations Act* (CBCA) for **POSTMEDIA NETWORK CANADA CORP.**.

Vous trouverez ci-joint le **certificat d'arrangement** émis en vertu de la *Loi canadienne sur les sociétés par actions* (LCSA) relativement à **POSTMEDIA NETWORK CANADA CORP.**.

The issuance of this certificate will be listed in the next Corporations Canada's online Monthly Transactions report. You can access the report on the Corporations Canada website.

L'émission de ce certificat sera publiée dans le prochain rapport électronique des transactions mensuelles de Corporations Canada. Vous pouvez consulter le rapport dans le site Web de Corporations Canada.

**Where a name has been approved**, be aware that the corporation assumes full responsibility for any risk of confusion with business names and trademarks (including those set out in the Nuans Name Search Report). The corporation may be required to change its name in the event that representations are made to Corporations Canada and it is established that confusion is likely to occur. Also note that any name granted is subject to the laws of the jurisdiction where the corporation carries on its activities.

**Dans les cas où Corporations Canada a approuvé une dénomination sociale**, il faut savoir que la société assume toute responsabilité de risque de confusion avec toutes dénominations commerciales, marques de commerce existantes (y compris celles qui sont citées dans le Rapport Nuans de recherche de dénominations). La société devra peut-être changer sa dénomination advenant le cas où des représentations soient faites auprès de Corporations Canada établissant qu'il existe une probabilité de confusion. Il faut aussi noter que toute dénomination octroyée est assujettie aux lois de l'autorité législative où la société mène ses activités.

For further information, please contact:

Pour de plus amples renseignements, veuillez communiquer avec :

Jeffrey Baylis  
For the Director General, Corporations Canada / Pour le Directeur general, Corporations Canada

613-941-4550  
Telephone / Téléphone

343-291-3409  
Fax / Télécopieur



## Certificate of Arrangement

*Canada Business Corporations Act*

## Certificat d'arrangement

*Loi canadienne sur les sociétés par actions*

**9854711 Canada Limited**

**985471-1**

**POSTMEDIA NETWORK CANADA CORP.**

**753553-8**

**Postmedia Network Inc.**

**913063-2**

Corporate name(s) of CBCA applicants / Dénomination(s)  
sociale(s) de la ou des sociétés LCSA requérantes

Corporation number(s) / Numéro(s) de la ou  
des sociétés

I HEREBY CERTIFY that the arrangement set out in the attached articles of arrangement has been effected under section 192 of the *Canada Business Corporations Act*.

JE CERTIFIE que l'arrangement mentionné dans les clauses d'arrangement annexées a pris effet en vertu de l'article 192 de la *Loi canadienne sur les sociétés par actions*.

Virginie Ethier

Director / Directeur

2016-10-05

Date of Arrangement (YYYY-MM-DD)  
Date de l'arrangement (AAAA-MM-JJ)

**Canada Business Corporations Act (CBCA)  
FORM 14.1  
ARTICLES OF ARRANGEMENT  
(Section 192)**

<b>1- Name of the applicant corporation(s)</b>	<b>Corporation number</b>
POSTMEDIA NETWORK CANADA CORP. Postmedia Network Inc. 9854711 Canada Limited	753553-8 913063-2 985471-1

<b>2 - Name of the corporation(s) the articles of which are amended, if applicable</b>	<b>Corporation number</b>
POSTMEDIA NETWORK CANADA CORP.	753553-8

<b>3 - Name of the corporation(s) created by amalgamation, if applicable</b>	<b>Corporation number</b>
Postmedia Network Inc.	<b>9526803</b>

<b>4 - Name of the dissolved corporation(s), if applicable</b>	<b>Corporation number</b>

<b>5 - Name of the other bodies corporate involved, if applicable</b>	<b>Corporation number or jurisdiction</b>
7731558 CANADA INC. 1576626 Ontario Inc.	773155-8 Ontario

**6 - In accordance with the order approving the arrangement, the plan of arrangement attached hereto, involving the above named body(ies) corporate, is hereby effected.**

**In accordance with the plan of arrangement,**

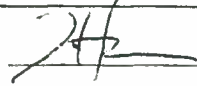
a. the articles of the corporation(s) indicated in item 2, are amended.  
If the amendment includes a name change, indicate the change below:

b. the following bodies corporate and/or corporations are amalgamated (for CBCA corporations include the corporation number):

Postmedia Network Inc. (Corp. No. 913063-2) and 9854711 Canada Limited (Corp. No. 985471-1). See Schedule A attached

c. the corporation(s) indicated in item 4 is(are) liquidated and dissolved:

**7 - I hereby certify that I am a director or an authorized officer of one of the applicant corporations.**

Signature 

Print name Jeffrey Haar, EVP and General Counsel, Legal

**Note:** Misrepresentation constitutes an offence and, on summary conviction, a person is liable to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding six months or to both (subsection 250(1) of the CBCA).

**Schedule A to  
Articles of Arrangement**

1 — Name of the Amalgamated Corporation	Dénomination sociale de la société issue de la fusion
<b>Postmedia Network Inc.</b>	
2 — The province or territory in Canada where the registered office is to be situated	La province ou le territoire au Canada où se situera le siège social
<b>Ontario</b>	
3 — The classes and any maximum number of shares that the corporation is authorized to issue	Catégories et tout nombre maximal d'actions que la société est autorisée à émettre
The Corporation is authorized to issue an unlimited number of shares of one class to be designated as common shares. See schedule 1 attached for the rights, privileges, restrictions and conditions attaching to the common shares.	
4 — Restrictions, if any, on share transfers	Restrictions sur le transfert des actions, s'il y a lieu
See schedule 1 attached.	
5 — Number (or minimum and maximum number) of directors	Nombre (ou nombre minimal et maximal) d'administrateurs
Minimum of 1, Maximum of 10	
6 — Restrictions, if any, on business the corporation may carry on	Limites imposées à l'activité commerciale de la société, s'il y a lieu
None.	
7 — Other provisions, if any	Autres dispositions, s'il y a lieu

**Authorization to Appoint Additional Directors**

The board of directors of the Corporation may, at any time and from time to time, by resolution appoint one or more additional directors, who shall hold office for a term expiring not later than the close of the next following annual meeting of shareholders of the Corporation, provided that the total number of directors so appointed by the board of directors of the Corporation during the period between any two annual meetings of shareholders of the Corporation shall not exceed one-third of the number of directors elected at the earlier of such two annual meetings of shareholders of the Corporation.

**Schedule 1 to  
Schedule A of Articles of Arrangement**

**3. The rights, privileges, restrictions and conditions attaching to the common shares are as follows:**

1. Dividends

The holders of common shares shall be entitled to receive dividends and the Corporation shall pay dividends thereon, as and when declared by the board of directors of the Corporation out of the moneys properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine, and all dividends which the Corporation may declare on the common shares shall be declared and paid in equal amounts per share on all common shares at the time outstanding.

2. Dissolution

In the event of the dissolution, liquidation or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the common shares shall be entitled to receive the remaining property and assets of the Corporation.

3. Voting Rights

The holders of the common shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall have one vote for each common share held at all meetings of the shareholders of the Corporation.

**4. RESTRICTIONS ON SHARE TRANSFERS**

The right to transfer securities of the Corporation (other than debt securities that are not convertible into shares of the Corporation) shall be restricted in that no holder of such securities shall be entitled to transfer any such securities without either:

(a) if the transfer of such securities is restricted by any security holders' agreement, complying with such restrictions in such agreement; or

(b) if there are no such restrictions, either:

(i) the express sanction of the holders of more than 50% of the voting shares of the Corporation for the time being outstanding expressed by a resolution passed at a meeting of the shareholders or by an instrument or instruments in writing signed by the holders of more than 50% of such shares; or

(ii) the express sanction of the directors of the Corporation expressed by a resolution passed by the votes of a majority of the directors of the Corporation at a meeting of the board of directors or signed by all of the directors entitled to vote on that resolution at a meeting of directors.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF  
THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, c. C-44,  
AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF  
CIVIL PROCEDURE**

**AND IN THE MATTER OF A PROPOSED ARRANGEMENT OF  
POSTMEDIA NETWORK CANADA CORPORATION, POSTMEDIA  
NETWORK INC. AND 9854711 CANADA LIMITED AND INVOLVING  
1576626 ONTARIO INC. AND 7731558 CANADA INC.**

**POSTMEDIA NETWORK CANADA CORPORATION,  
POSTMEDIA NETWORK INC. AND 9854711 CANADA LIMITED**

**PLAN OF ARRANGEMENT**

**SEPTEMBER 7, 2016**

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## PLAN OF ARRANGEMENT

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Plan, unless otherwise stated:

**“Additional Backstop Parties”** means those Second Lien Noteholders that execute a Backstop Joinder Agreement in accordance with the terms of the Backstop Commitment Letter, and their permitted assigns;

**“Affected Equity”** means all Existing Equity except for the Shareholder Rights Plan, the Rights, the Existing Shares, the Stock Option Plan and the RSU Plan;

**“Affected Equity Holders”** means the holders of any Affected Equity (including, for greater certainty, the Options and RSUs);

**“Amalco”** has the meaning given to it in Section 5.3(j);

**“Amalgamation”** means the amalgamation of PNI and ArrangeCo pursuant to section 5.3(j) of this Plan of Arrangement;

**“Amended and Restated First Lien Note Indenture”** means the amended and restated First Lien Note Indenture to be entered into between PNI, the Guarantors and the First Lien Trustee on the Effective Date, which shall reflect the Indenture Amendments and/or shall otherwise be acceptable to the Applicants and the Requisite Consenting Parties, each acting reasonably, and shall govern the Amended and Restated First Lien Notes, and replace the First Lien Note Indenture upon this Plan becoming effective on the Effective Date;

**“Amended and Restated First Lien Notes”** means the First Lien Notes, as amended and restated, due July 15, 2021, to be issued by PNI under the Amended and Restated First Lien Note Indenture in the aggregate principal amount of \$225,000,000 in exchange for the First Lien Notes following the First Lien Notes Pay-Down pursuant to this Plan;

**“Applicants”** means, collectively, PNCC, PNI and ArrangeCo;

**“ArrangeCo”** means 9854711 Canada Limited, a corporation incorporated pursuant to the CBCA and a wholly owned subsidiary of PNI;

**“Arrangement”** means an arrangement under section 192 of the CBCA on the terms and subject to the conditions set out in this Plan, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement and Section 9.5 of this Plan or made at the direction of the Court in the Interim Order or the Final Order or otherwise with the consent of the Applicants and the Requisite Consenting Parties, each acting reasonably;

**“Arrangement Agreement”** means the arrangement agreement dated August 5, 2016, among the Postmedia Parties, and any amendment thereto;

**“Articles of Arrangement”** means the articles of arrangement of the Applicants in respect of the Arrangement, in form and substance satisfactory to the Requisite Consenting Parties, that are required to be filed with the CBCA Director after the Final Order is made in order for the Arrangement to become effective on the Effective Date;

**“Backstop Commitment Amount”** means (i) in respect of each Additional Backstop Party, its Primary Backstop Commitment Amount, and (ii) in respect of each Initial Backstop Party, its Primary Backstop Commitment Amount and its Secondary Backstop Commitment Amount;

**“Backstop Commitment Letter”** means the backstop commitment letter dated as of July 7, 2016, among PNCC, PNI, the Initial Backstop Parties and any Additional Backstop Parties that execute a Backstop Joinder Agreement from time to time in accordance with the terms of the Backstop Commitment Letter;

**“Backstop Consideration”** means the non-refundable cash commitment fee equal to the US Dollar equivalent of \$5,500,000 based on the Canadian Exchange Rate on the FX Date;

**“Backstop Consideration Notes”** means New Second Lien Notes in an aggregate principal amount equal to the amount of the Backstop Consideration to be purchased by the Initial Backstop Parties with the Backstop Consideration on the Effective Date in accordance with this Plan;

**“Backstop Joinder Agreement”** means an agreement substantially in the form of Schedule E to the Backstop Commitment Letter;

**“Backstop Parties”** means, collectively, the Initial Backstop Parties and the Additional Backstop Parties, and their respective permitted assigns;

**“Backstop Pro Rata Share”** means, as to any Backstop Party, the percentage, rounded to the nearest tenth of a percent, obtained by dividing (i) the aggregate principal amount of all outstanding Second Lien Notes held by such Backstop Party on the Record Date by (ii) the aggregate principal amount of all outstanding Second Lien Notes held by all Backstop Parties on the Record Date;

**“Backstop Shortfall”** has the meaning given to it in Section 2.1(e);

**“Backstop Shortfall Funding Deadline”** has the meaning given to it in Section 2.1(f);

**“Backstop Shortfall Notes”** means the New Capital Offering Notes to be purchased by Initial Backstop Parties in respect of the Electing Noteholder Shortfall, if any, and the Backstop Shortfall, if any, in accordance with Section 2.1(e);

**“Backstopped Amount”** means the New Capital Offering Amount, less the aggregate Electing Eligible Second Lien Noteholder Commitment Amounts;

**“Backstopped Notes”** has the meaning given to such term in Section 2.1(c)(ii);

**“Business Day”** means any day, other than a Saturday, or a Sunday or a statutory or civic holiday, on which banks are generally open for business in Toronto, Ontario;

**“Canadian Dollars”** means the lawful currency of Canada;

**“Canadian Exchange Rate”** means, on any particular date, the rate at which Canadian Dollars may be exchanged into US Dollars, determined by reference to the Bank of Canada noon spot rate as of such date;

**“CBCA”** means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended;

**“CBCA Director”** means the Director appointed under section 260 of the CBCA;

**“CBCA Proceedings”** means the proceedings commenced by the Applicants under the CBCA in connection with this Plan;

**“CDS”** means the CDS Clearing and Depository Services Inc. and its successors and assigns;

**“Certificate of Arrangement”** means the certificate giving effect to the Arrangement, to be issued by the CBCA Director pursuant to section 192(7) of the CBCA upon receipt of the Articles of Arrangement in respect of PNCC, PNI and ArrangeCo in accordance with section 262 of the CBCA;

**“Circular”** means the management information circular of PNCC and PNI dated August 5, 2016;

**“Claim”** means any right or claim of any Person that may be asserted or made in whole or in part against the Postmedia Parties, in any capacity, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, whether at law or in equity, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, any legal, statutory, equitable or fiduciary duty) or by reason of any equity interest, right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and together with any security enforcement costs or legal costs associated with any such claim, and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present or future, known or unknown, by guarantee, warranty, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature, including any claim made or asserted against

the Postmedia Parties through any affiliate, subsidiary, associated or related person, or any right or ability of any Person to advance a claim for an accounting, reconciliation, contribution, indemnity, restitution or otherwise with respect to any matter, grievance, action (including any class action or proceeding before an administrative tribunal), cause or chose in action, whether existing at present or commenced in the future;

**“Committed Pro Rata Share”** means the percentage, rounded to the nearest tenth of a percent, obtained by dividing (i) the principal amount of Committed Second Lien Notes held by an Electing Eligible Second Lien Noteholder on the Record Date by (ii) the aggregate principal amount of Second Lien Notes held by all Second Lien Noteholders (including the Backstop Parties) on the Record Date;

**“Committed Second Lien Notes”** means, (i) in the case of an Electing Eligible Second Lien Noteholder that is a Backstop Party, the aggregate principal amount of Second Lien Notes held by such Backstop Party as of the Record Date, and (ii) in the case of an Electing Eligible Second Lien Noteholder that is not a Backstop Party, an amount equal to all or such portion, if any, of the aggregate principal amount of Second Lien Notes held by such Eligible Second Lien Noteholder as of the Record Date in respect of which it has irrevocably exercised its Subscription Privilege pursuant to its duly completed and submitted New Second Lien Notes Participation Form;

**“Court”** means the Ontario Superior Court of Justice (Commercial List);

**“DSU Plan”** means PNCC’s deferred share unit plan effective as of July 13, 2010;

**“DSUs”** means the deferred share units issued and outstanding and/or earned under the DSU Plan up to and including the Effective Date;

**“DTC”** means the Depository Trust & Clearing Corporation and its successors and assigns;

**“Effective Date”** means the date shown on the Certificate of Arrangement issued by the CBCA Director;

**“Effective Time”** means a time on the Effective Date as the Applicants and the Requisite Consenting Parties may agree, each acting reasonably;

**“Electing Eligible Second Lien Noteholder”** means an Eligible Second Lien Noteholder who has duly completed and submitted a New Second Lien Notes Participation Form in accordance with the terms thereof and in respect of which such Eligible Second Lien Noteholder’s Intermediary has submitted (i) such Eligible Second Lien Noteholder’s completed New Second Lien Notes Participation Form and (ii) the completed New Second Lien Notes Subscription Summary Form in advance of the Participation Deadline in accordance with the terms of this Plan and the Interim Order;

**“Electing Eligible Second Lien Noteholder Commitment Amount”** means, as to any Electing Eligible Second Lien Noteholder, the amount equal to (i) the New Capital

Offering Amount times (ii) such Electing Eligible Second Lien Noteholder's Committed Pro Rata Share;

**"Electing Noteholder Shortfall"** has the meaning given to such term in Section 2.1(e);

**"Eligible Second Lien Noteholder"** means a Person that: (i) is a Second Lien Noteholder on the Record Date; (ii) if such Person is in the United States, it is an institution that is an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the US Securities Act; and (iii) if such Person is resident outside of Canada and the United States, it is qualified to participate in the New Capital Offering in accordance with the Laws of its jurisdiction of residence and it has provided evidence satisfactory to the Applicants to demonstrate such qualification;

**"Escrow Agent"** means Kingsdale Shareholder Services, or such other escrow agent as may be agreed by the parties to the Escrow Agreement;

**"Escrow Agreement"** means the escrow agreement to be entered into by the Escrow Agent, the Applicants and Osler, Hoskin & Harcourt LLP (on behalf of the Funding Second Lien Noteholders and Funding Backstop Parties) in connection with the New Capital Offering;

**"Existing Equity"** means all of the equity of PNCC existing immediately prior to the Effective Time, including, without limitation, any and all Existing Shares, Options, RSUs, DSUs, preferred shares, options, warrants, conversion privileges, calls, subscriptions, exchangeable securities or other rights (including the Shareholder Rights Plan), plans (including stock option plans, restricted share unit plans and deferred share unit plans), agreements, arrangements or commitments (pre-emptive, contingent or otherwise) obligating PNCC to issue or sell shares in the capital of PNCC or any securities or obligations of any kind convertible into or exchangeable from such shares;

**"Existing Equity Holders"** means the holders of any Existing Equity;

**"Existing Shareholders"** means, as the context requires, Registered Holders or beneficial holders of the Existing Shares, in their capacities as such;

**"Existing Shares"** means all Shares that are issued and outstanding prior to the Effective Time;

**"Final Order"** means the Order of the Court approving the Arrangement under section 192 of the CBCA, which shall include such terms as may be necessary or appropriate to give effect to the Arrangement and this Plan, in form and substance satisfactory to the Applicants and the Requisite Consenting Parties, each acting reasonably;

**"First Lien Note Indenture"** means the senior secured notes indenture dated August 16, 2012 among PNI, as issuer, PNCC as guarantor, and Computershare Trust Company of Canada, as trustee and as collateral agent, as amended to the date hereof;



**“First Lien Noteholder Claim”** means any Claim of a First Lien Noteholder for amounts payable to it under the First Lien Notes and the First Lien Note Indenture, including all principal, accrued interest, make-whole, premium and other amounts owing under the First Lien Notes and the First Lien Note Indenture;

**“First Lien Noteholder Pro Rata Share”** means the percentage that the principal amount of First Lien Notes held by a First Lien Noteholder as at the Effective Date bears to the aggregate principal amount of all First Lien Notes as at the Effective Date;

**“First Lien Noteholders”** means, as the context requires, the Registered Holders or beneficial holders of the First Lien Notes;

**“First Lien Noteholders’ Arrangement Resolution”** means the resolution of the First Lien Noteholders relating to the Arrangement to be considered at the First Lien Noteholders’ Meeting, substantially in the form attached as Appendix “A” to the Circular;

**“First Lien Noteholders’ Meeting”** means the meeting of the First Lien Noteholders as of the Record Date to be called and held pursuant to the Interim Order for the purpose of considering and voting on the First Lien Noteholders’ Arrangement Resolution and to consider such other matters as may properly come before such meeting and includes any adjournment(s) or postponement(s) of such meeting;

**“First Lien Notes”** means the 8.25% senior secured notes issued under the First Lien Note Indenture due August 16, 2017, as amended to the date hereof;

**“First Lien Notes Pay-Down”** has the meaning given to that term in Section 5.3(e)(ii);

**“First Lien Notes Repayment Amount”** means an amount in Canadian dollars to be used by PNI from the proceeds of the New Capital Offering to repay a portion of the principal amount of the First Lien Notes in accordance with this Plan that will result in the principal amount of the First Lien Notes following such pay-down being equal to \$225,000,000;

**“First Lien Support Agreement”** means the support agreement among PNI, PNCC and the Supporting First Lien Noteholder dated July 7, 2016 (including, for certainty, the term sheet appended thereto), as may be amended from time to time pursuant to its terms;

**“First Lien Trustee”** means Computershare Trust Company of Canada in its capacities as trustee or collateral agent under the First Lien Note Indenture;

**“Funded Amounts”** means, collectively, the Funding Second Lien Noteholder Funded Amount, the Primary Backstop Commitment Funded Amount and the Secondary Backstop Commitment Funded Amount;

**“Funding Backstop Party”** means (i) a Backstop Party in respect of whom the Backstop Commitment Letter has not been terminated and (ii) who has deposited in escrow with the Escrow Agent its Primary Backstop Commitment Amount in full in cash by the

Funding Deadline and, if applicable, the Secondary Backstop Commitment Amount in full in cash by the Backstop Shortfall Funding Deadline, in accordance with the Backstop Commitment Letter and Sections 2.1(d) and 2.1(f) of this Plan;

“**Funding Deadline**” has the meaning given to that term in Section 2.1(d);

“**Funding Second Lien Noteholder**” has the meaning given to that term in Section 2.1(g);

“**Funding Second Lien Noteholder Funded Amount**” has the meaning given to that term in Section 2.1(g);

“**FX Date**” means the date to be determined by the Applicants and the Majority Supporting Second Lien Noteholders that is at least one Business Day prior to the Funding Deadline and not more than seven Business Days prior to the anticipated Effective Date, or such other date as may be agreed by the Applicants and the Majority Supporting Second Lien Noteholders;

“**Governmental Entity**” means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;

“**Guarantors**” means, collectively, PNCC, 1576626 Ontario Inc. and 7731558 Canada Inc.;

“**Indenture Amendments**” means the amendments to the First Lien Note Indenture to be effected pursuant to the Amended and Restated First Lien Note Indenture, including those amendments described in the Circular and/or as may otherwise be agreed to by the Applicants and the Requisite Consenting Parties, each acting reasonably;

“**Indentures**” means, collectively, the First Lien Note Indenture and the Second Lien Note Indenture;

“**Initial Backstop Parties**” means those Second Lien Noteholders that entered into the Backstop Commitment Letter as of July 7, 2016, and their permitted assigns;

“**Initial Backstop Pro Rata Share**” means, as to any Initial Backstop Party, the percentage, rounded to the nearest tenth of a percent, obtained by dividing (i) the aggregate principal amount of all outstanding Second Lien Notes held by such Initial Backstop Party on the Record Date by (ii) the aggregate principal amount of all outstanding Second Lien Notes held by all Initial Backstop Parties on the Record Date;

“**Interim Order**” means the interim order of the Court in respect of the Applicants pursuant to the CBCA, in form and substance acceptable to the Requisite Consenting

Parties, which, among other things, calls and sets the date for the Meetings, as such order may be amended from time to time in a manner acceptable to the Requisite Consenting Parties;

**“Intermediary”** means a broker, custodian, investment dealer, nominee, bank, trust company or other intermediary;

**“Law”** means any law, statute, order, decree, consent decree, judgment, rule regulation, ordinance or other pronouncement having the effect of law whether in Canada, the United States, or any other country, or any domestic or foreign state, county, province, city or other political subdivision or of any Governmental Entity;

**“Majority Supporting Second Lien Noteholders”** means the Supporting Second Lien Noteholders holding in aggregate not less than 66 2/3% of the aggregate principal amount of Second Lien Notes held by all Supporting Second Lien Noteholders;

**“Meetings”** means, collectively, (i) the First Lien Noteholders’ Meeting, (ii) the Second Lien Noteholders’ Meeting and (iii) the Shareholders’ Meeting;

**“New Capital Offering”** means the offering of New Capital Offering Notes to Eligible Second Lien Noteholders;

**“New Capital Offering Amount”** means an amount equal to the US Dollar equivalent of \$110,000,000 based on the Canadian Exchange Rate on the FX Date;

**“New Capital Offering Notes”** means New Second Lien Notes in an aggregate principal amount equal to the New Capital Offering Amount;

**“New Directors”** means the individuals, if any, selected by the Majority Supporting Second Lien Noteholders to be appointed to the board of directors of PNCC on the Effective Date who shall collectively represent no more than 33% of all of the directors on the board of directors of PNCC on the Effective Date;

**“New Second Lien Note Indenture”** means the senior secured notes indenture to be entered into between PNI, the Guarantors and the New Second Lien Trustee on the Effective Date on terms substantially as described in the Circular and/or as may otherwise be agreed by the Applicants and the Requisite Consenting Parties, each acting reasonably, and which shall govern the New Second Lien Notes and pursuant to which the New Second Lien Notes will be issued;

**“New Second Lien Noteholders”** means the holders of the New Second Lien Notes;

**“New Second Lien Notes”** means the US Dollar 10.25% senior secured second lien notes due July 15, 2023 to be issued by PNI pursuant to the New Second Lien Note Indenture on the Effective Date pursuant to and in accordance with this Plan in the aggregate principal amount equal to the Funded Amounts plus the amount of the Backstop Consideration;



**“New Second Lien Notes Participation Form”** means the certification and participation form, substantially in the form attached as Appendix “K” to the Circular, to be circulated to Second Lien Noteholders pursuant to the Interim Order and completed by such Eligible Second Lien Noteholders who wish to participate in the New Capital Offering in advance of the Participation Deadline in order to make certain acknowledgments, agreements and certifications (including as to status as an Eligible Second Lien Noteholder) and to participate in the New Capital Offering;

**“New Second Lien Notes Subscription Summary Form”** means a form to be circulated to Intermediaries of Second Lien Noteholders pursuant to the Interim Order and completed by such Intermediaries and pursuant to which Intermediaries are required to, among other things, indicate the amounts of Committed Second Lien Notes of Electing Eligible Second Lien Noteholders that have an account with such Intermediary and have provided to such Intermediary their New Second Lien Notes Participation Forms pursuant to the Interim Order;

**“New Second Lien Trustee”** means a trustee under the New Second Lien Note Indenture as agreed to by the Applicants and the Majority Supporting Second Lien Noteholders;

**“New Variable Voting Shares”** means the Variable Voting Shares issued on or following the Share Consolidation;

**“New Voting Shares”** means the Voting Shares issued on or following the Share Consolidation;

**“Noteholder Claims”** means, collectively, the First Lien Noteholder Claims and the Second Lien Noteholder Claims;

**“Noteholder Support Agreements”** means, collectively, the First Lien Support Agreement and the Second Lien Support Agreement;

**“Noteholders”** means, collectively, the First Lien Noteholders and the Second Lien Noteholders;

**“Notes”** means, collectively, the First Lien Notes and the Second Lien Notes;

**“Options”** means options to purchase Shares issued and outstanding under the Stock Option Plan up to and including the Effective Date;

**“Order”** means any order of the Court in the CBCA Proceedings;

**“Outside Date”** means December 16, 2016, or such other date as the Applicants and the Requisite Consenting Parties may agree, each acting reasonably;

**“Participation Deadline”** means 12:00 p.m. on September 2, 2016, or such other date as the Applicants and the Requisite Consenting Parties may agree, each acting reasonably;

**“Person”** is to be broadly interpreted and includes any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, Government Entity or any agency, officer or instrumentality thereof or any other entity, wherever situate or domiciled, and whether or not having legal status;

**“Plan”** means this plan of arrangement and any amendments, modifications or supplements hereto made in accordance with the terms hereof or made at the direction of the Court in the Interim Order or Final Order or otherwise with the consent of the Applicants and the Requisite Consenting Parties, each acting reasonably;

**“PNCC”** means Postmedia Network Canada Corporation;

**“PNI”** means Postmedia Network Inc.;

**“Postmedia Parties”** means, collectively, PNCC, PNI, ArrangeCo, 1576626 Ontario Inc. and 7731558 Canada Inc.;

**“Postmedia Released Parties”** means, collectively, the Postmedia Parties, and each of their respective officers, current and former directors, employees, current and former shareholders, auditors, financial advisors, legal counsel and agents;

**“Primary Backstop Commitment”** means, with respect to each Backstop Party, its obligation under the Backstop Commitment Letter to fund its Primary Backstop Commitment Amount;

**“Primary Backstop Commitment Amount”** means, with respect to each Backstop Party, its Backstop Pro Rata Share of the Backstopped Amount;

**“Proxy and Information Agent”** means Kingsdale Shareholder Services;

**“Primary Backstop Commitment Funded Amount”** has the meaning given to that term in Section 2.1(h);

**“Record Date”** means 5:00 p.m. on August 5, 2016;

**“Registered Holder”** means, (i) in respect of the First Lien Notes, the holder of such First Lien Notes as recorded on the books and records of the First Lien Trustee, (ii) in respect of the Second Lien Notes, the holder of such Second Lien Notes as recorded on the books and records of the Second Lien Trustee, and (iii) in respect of the Shares, the holder of such Shares as recorded on the books and records of PNCC or the Transfer Agent;

**“Released Parties”** means, collectively, the Postmedia Parties Released Parties and the Securityholders’ Released Parties;

**“Remaining First Lien Notes”** means the remaining First Lien Notes outstanding in an aggregate principal amount of \$225,000,000 following the First Lien Notes Pay-Down pursuant to Section 5.3(e)(ii) of this Plan;

**“Requisite Consenting Parties”** means the Majority Supporting Second Lien Noteholders and the Supporting First Lien Noteholder;

**“Rights”** means the rights issued pursuant to the Shareholder Rights Plan;

**“RSU Plan”** means PNCC’s restricted share unit plan effective as of July 13, 2010, and as amended and restated on October 27, 2011, and as may be further amended from time to time;

**“RSUs”** means the restricted share units issued and outstanding under the RSU Plan up to and including the Effective Date;

**“Second Lien Collateral Agent”** means BNY Trust Company of Canada in its capacity as collateral agent under the Second Lien Note Indenture;

**“Second Lien Note Indenture”** means the senior secured notes indenture dated July 13, 2010 among PNI, as issuer, PNCC as guarantor, The Bank of New York Mellon as trustee, and BNY Trust Company of Canada as collateral agent, as amended to the date hereof;

**“Second Lien Noteholder Claim”** means any Claim of a Second Lien Noteholder for amounts payable to it under the Second Lien Notes and the Second Lien Note Indenture, including all principal, accrued interest, make-whole, premium and other amounts owing under the Second Lien Notes and the Second Lien Note Indenture;

**“Second Lien Noteholder Pro Rata Share”** means the percentage that a Second Lien Noteholder’s Second Lien Noteholder Claim as at the Effective Date bears to the aggregate of all Second Lien Noteholder Claims as at the Effective Date;

**“Second Lien Noteholders”** means, as the context requires, the Registered Holders or beneficial holders of the Second Lien Notes;

**“Second Lien Noteholders’ Arrangement Resolution”** means the resolution of the Second Lien Noteholders relating to the Arrangement considered at the Second Lien Noteholders’ Meeting, substantially in the form attached as Appendix “B” to the Circular;

**“Second Lien Noteholders’ Meeting”** means the meeting of the Second Lien Noteholders as of the Record Date to be called and held pursuant to the Interim Order for the purpose of considering and voting on the Second Lien Noteholders’ Arrangement Resolution and to consider such other matters as may properly come before such meeting and includes any adjournment(s) or postponement(s) of such meeting;

**“Second Lien Notes”** means the 12.50% senior secured notes issued under the Second Lien Note Indenture due July 15, 2018, as amended to the date hereof;

**“Second Lien Restricted Cash”** means all funds being held by the Second Lien Trustee pursuant to the Second Lien Note Indenture;

**“Second Lien Settlement Shares”** means the New Variable Voting Shares to be issued on the Effective Date in accordance with the steps set out in Section 5.3;

**“Second Lien Support Agreement”** means the support agreement among PNI, PNCC and the Supporting Second Lien Noteholders dated July 7, 2016 (including the term sheet appended thereto), as may be amended from time to time pursuant to its terms;

**“Second Lien Trustee”** means The Bank of New York Mellon in its capacity as trustee under the Second Lien Note Indenture;

**“Secondary Backstop Commitment”** means, with respect to each Initial Backstop Party, its obligation under the Backstop Commitment Letter to fund its Secondary Backstop Commitment Amount;

**“Secondary Backstop Commitment Amount”** means, with respect to each Initial Backstop Party, its Initial Backstop Pro Rata Share of (i) any Electing Noteholder Shortfall, and (ii) any Backstop Shortfall;

**“Secondary Backstop Commitment Funded Amount”** has the meaning given to that term in Section 2.1(h);

**“Securityholders’ Released Parties”** means, collectively, the Trustees in any of their respective capacities under the applicable Indentures, the Second Lien Collateral Agent, the Noteholders, and each of their respective officers, current and former directors, employees, auditors, financial advisors, legal counsel and agents;

**“Share Consolidation”** has the meaning given to such term in Section 5.3(c);

**“Shareholder”** means a holder of Shares.

**“Shareholder Rights Plan”** means the Shareholder Rights Plan Agreement dated as of November 8, 2010 between PNCC and Computershare Trust Company of Canada, as may be amended from time to time;

**“Shareholders’ Arrangement Resolution”** means the resolution of the Shareholders relating to the Arrangement considered at the Shareholders’ Meeting, substantially in the form attached as Appendix “C” to the Circular;

**“Shareholders’ Meeting”** means the meeting of the Shareholders as of the Record Date to be called and held pursuant to the Interim Order for the purpose of considering and voting on the Shareholders’ Arrangement Resolution and to consider such other matters

as may properly come before such meeting and includes any adjournment(s) or postponement(s) of such meeting;

“**Shares**” means, collectively, the Variable Voting Shares and the Voting Shares;

“**Stock Option Plan**” means PNCC’s employee stock option plan effective as of July 13, 2010, as amended and restated on July 12, 2011, October 21, 2015 and January 13, 2016, and as may be further amended from time to time;

“**Subscription Privilege**” means the right of an Eligible Second Lien Noteholder to participate in the New Capital Offering by electing, in accordance with the provisions of the New Second Lien Notes Participation Form, to subscribe for and purchase from PNI up to its pro rata share of New Capital Offering Notes calculated as the percentage, rounded to the nearest tenth of a percent, obtained by dividing (i) the aggregate principal amount of all Second Lien Notes held by an Eligible Second Lien Noteholder on the Record Date by (ii) the aggregate principal amount of all outstanding Second Lien Notes on the Record Date;

“**Supporting First Lien Noteholder**” means Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts managed by it, who has entered into the First Lien Support Agreement dated July 7, 2016, in respect of which the First Lien Support Agreement has not been terminated;

“**Supporting First Lien Noteholder Advisors**” means Bennett Jones LLP and Houlihan Lokey Capital, Inc.;

“**Supporting Second Lien Noteholder Advisor**” means Osler, Hoskin & Harcourt LLP;

“**Supporting Second Lien Noteholders**” means those Second Lien Noteholders who have entered into the Second Lien Support Agreement dated July 7, 2016 (including by way of a joinder agreement with PNCC and PNI), in respect of which the Second Lien Support Agreement has not been terminated;

“**Transfer Agent**” means Computershare Investor Services Inc.;

“**Trustees**” means, collectively, the First Lien Trustee and the Second Lien Trustee;

“**US Dollars**” or “**US\$**” means the lawful currency of the United States of America;

“**US Securities Act**” means the *United States Securities Act of 1933*, as amended from time to time, and the rules and regulations promulgated thereunder, or any successor statute;

“**Variable Voting Shares**” means the Class NC variable voting shares in the capital of PNCC; and

“**Voting Shares**” means the Class C voting shares in the capital of PNCC.

## 1.2 Certain Rules of Interpretation

For the purposes of this Plan:

- (a) Unless otherwise expressly provided herein, any reference in this Plan to an instrument, agreement or an Order or an existing document or exhibit filed or to be filed means such instrument, agreement, Order, document or exhibit as it may have been or may be amended, modified, or supplemented in accordance with its terms;
- (b) The division of this Plan into articles and sections is for convenience of reference only and does not affect the construction or interpretation of this Plan, nor are the descriptive headings of articles and sections intended as complete or accurate descriptions of the content thereof;
- (c) The use of words in the singular or plural, or with a particular gender, including a definition, shall not limit the scope or exclude the application of any provision of this Plan to such Person (or Persons) or circumstances as the context otherwise permits;
- (d) The words “includes” and “including” and similar terms of inclusion shall not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation, but rather shall mean “includes but is not limited to” and “including but not limited to”, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;
- (e) Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends;
- (f) Unless otherwise provided, any reference to a statute or other enactment of parliament, a legislature or other Government Entity includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation;
- (g) References to a specific Recital, Article or Section shall, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specific Recital, Article or Section of this Plan, whereas the terms “this Plan”, “hereof”, “herein”, “hereto”, “hereunder” and similar expressions shall be deemed to refer generally to this Plan and not to any particular Recital, Article, Section or other portion of this Plan and include any documents supplemental hereto; and
- (h) The word “or” is not exclusive.



### **1.3 Governing Law**

This Plan shall be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

### **1.4 Currency**

Unless otherwise stated, all references in this Plan to sums of money are expressed in, and all payments provided for herein shall be made in, Canadian Dollars.

### **1.5 Date for Any Action**

If the date on which any action is required to be taken hereunder by a Person is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

### **1.6 Time**

Time shall be of the essence in this Plan. Unless otherwise specified, all references to time expressed in this Plan and in any document issued in connection with this Plan mean local time in Toronto, Ontario, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day.

## **ARTICLE 2 ELECTIONS AND NEW CAPITAL OFFERING**

### **2.1 Participation In New Capital Offering**

- (a) Each Eligible Second Lien Noteholder shall be entitled to participate in the New Capital Offering pursuant to its Subscription Privilege.
- (b) Pursuant to and in accordance with the Interim Order, the Applicants shall deliver (or cause to be delivered) a New Second Lien Notes Participation Form to each Second Lien Noteholder as of the Record Date, which New Second Lien Notes Participation Form shall include instructions for the completion and submission of such New Second Lien Notes Participation Form and shall set forth certain transfer restrictions applicable to Eligible Second Lien Noteholders in the United States that exercise their Subscription Privilege. Each Eligible Second Lien Noteholder shall have the right, but not the obligation, to irrevocably elect to exercise its Subscription Privilege, provided that participation in the New Capital Offering shall be subject to, among other things, the terms of this Plan, the Interim Order and the New Second Lien Notes Participation Form, conditioned upon the implementation of this Plan and effective on the Effective Date in accordance with Section 5.3. In order to exercise its Subscription Privilege, an Eligible Second Lien Noteholder shall return, or caused to be returned, the duly executed New Second Lien Notes Participation Form to its applicable

Intermediary in accordance with the terms thereof and the Intermediary shall provide the completed New Second Lien Notes Participation Forms received by such Intermediary and a completed New Second Lien Notes Subscription Summary Form to the Proxy and Information Agent by the Participation Deadline. Each Backstop Party shall be deemed to have subscribed for its Committed Pro Rata Share of the New Capital Offering Notes and to be an Electing Eligible Second Lien Noteholder without any need to complete and return the New Second Lien Notes Participation Form.

- (c) The Applicants shall or shall direct the Proxy and Information Agent to, by no later than 11:00 a.m. on the fifth Business Day prior to the expected Effective Date,
  - (i) inform in writing (which may include by e-mail) each of the Intermediaries of the Electing Eligible Second Lien Noteholders (other than Backstop Parties deemed to be Electing Eligible Second Lien Noteholders) of (1) the expected Effective Date, (2) the aggregate principal amount of New Capital Offering Notes that, subject to compliance with the terms and procedures described in this Plan, will be acquired by the Electing Eligible Second Lien Noteholders represented by the applicable Intermediary on the Effective Date based on the Committed Second Lien Notes indicated on the completed New Second Lien Notes Subscription Summary Form provided by the Intermediary; and (3) the sum of the Electing Eligible Second Lien Noteholder Commitment Amounts required to be deposited in cash in escrow with the Escrow Agent by such Intermediary on behalf of the Electing Eligible Second Lien Noteholders represented by such Intermediary by the Funding Deadline in order to purchase such New Capital Offering Notes pursuant to the New Capital Offering; and
  - (ii) inform in writing (which may include by e-mail) each Backstop Party of (1) the expected Effective Date, (2) the aggregate principal amount of New Capital Offering Notes that, subject to compliance with the terms and procedures described in this Plan, will be acquired by such Backstop Party based on its Committed Second Lien Notes; (3) the total Backstopped Amount, (4) the principal amount of New Capital Offering Notes that, subject to compliance with the terms and procedures described in this Plan, will be acquired by such Backstop Party pursuant to its Primary Backstop Commitment (the “**Backstopped Notes**”), and (5) the aggregate of the Electing Eligible Second Lien Noteholder Commitment Amount and the Primary Backstop Commitment Amount required to be deposited in cash in escrow with the Escrow Agent by such Backstop Party by the Funding Deadline in order to purchase such Backstop Party’s New Capital Offering Notes (including the Backstopped Notes) pursuant to the New Capital Offering and the Backstop Commitment Letter.



- (d) Each (i) Intermediary representing Electing Eligible Second Lien Noteholders (other than the Backstop Parties) must deposit, on behalf of such Electing Eligible Second Lien Noteholders, their aggregate Electing Eligible Second Lien Noteholder Commitment Amounts, and (ii) Backstop Party (or its Intermediary as directed by such Backstop Party) must deposit its Electing Eligible Second Lien Noteholder Commitment Amount and its Primary Backstop Commitment Amount in escrow with the Escrow Agent so that it is received by the Escrow Agent by no later than 11:00 a.m. (or such other time as agreed by the Applicants and the Majority Supporting Second Lien Noteholders) on the third Business Day prior to the expected Effective Date (or such other date in advance of the Effective Date as agreed by the Applicants and the Majority Supporting Second Lien Noteholders) (the “**Funding Deadline**”).
- (e) In the event that (i) an Intermediary for Electing Eligible Second Lien Noteholders fails to deliver any portion of the aggregate Electing Eligible Second Lien Noteholder Commitment Amounts required to be delivered by it, and/or (ii) any Additional Backstop Party fails to deliver any portion of its Electing Eligible Second Lien Noteholder Commitment Amount (in its capacity as Electing Eligible Second Lien Noteholder) or Primary Backstop Commitment Amount, the Applicants shall or shall direct the Proxy and Information Agent to, as soon as practicable on the day of the Funding Deadline, inform in writing (which may include by e-mail) each Initial Backstop Party of (w) the amount of any Electing Eligible Second Lien Noteholder Commitment Amounts not validly delivered (the “**Electing Noteholder Shortfall**”), (x) the amount of any Primary Backstop Commitment Amounts not validly delivered (the “**Backstop Shortfall**”), (y) the amount of Backstop Shortfall Notes to be acquired by each Initial Backstop Party pursuant to its Secondary Backstop Commitment, and (z) the Secondary Backstop Commitment Amount required to be deposited in cash in escrow with the Escrow Agent by such Initial Backstop Party by the Backstop Shortfall Funding Deadline in order to purchase such Initial Backstop Party’s Backstop Shortfall Notes pursuant to the New Capital Offering and the Backstop Commitment Letter.
- (f) Each Initial Backstop Party (or its Intermediary as directed by such Initial Backstop Party) must deposit its Secondary Backstop Commitment Amount in escrow with the Escrow Agent so that it is received by the Escrow Agent by no later than 2:00 p.m. (or such other time as agreed by the Applicants and the Majority Supporting Second Lien Noteholders) on the Business Day immediately following the Funding Deadline (or such other date in advance of the Effective Date as agreed by the Applicants and the Majority Supporting Second Lien Noteholders) (the “**Backstop Shortfall Funding Deadline**”).
- (g) Each Electing Eligible Second Lien Noteholder (including each Backstop Party in its capacity as an Electing Eligible Second Lien Noteholder) that complies (including by way of actions to be completed by its Intermediary, as applicable) with Section 2.1(d) (each a “**Funding Second Lien Noteholder**”) shall be deemed to have subscribed for New Capital Offering Notes in an amount equal to the amount of the Electing Eligible Second Lien Noteholder Commitment

Amount deposited in escrow with the Escrow Agent in accordance with Section 2.1(d) (the “**Funding Second Lien Noteholder Funded Amount**”).

- (h) Each Funding Backstop Party shall participate in the New Capital Offering and shall be deemed to have subscribed for Backstopped Notes in an amount equal to the Primary Backstop Commitment Amount deposited in escrow with the Escrow Agent in accordance with Section 2.1(d) (the “**Primary Backstop Commitment Funded Amount**”), and, if applicable shall be deemed to have subscribed for Backstop Shortfall Notes in an amount equal to the Secondary Backstop Commitment Amount deposited in escrow with the Escrow Agent in accordance with Section 2.1(f) (the “**Secondary Backstop Commitment Funded Amount**”).
- (i) On the Effective Date, PNI shall cause to be issued and delivered to each Intermediary representing (i) Funding Second Lien Noteholders, the applicable amount of New Capital Offering Notes to be distributed to such Funding Second Lien Noteholders, (ii) Funding Backstop Parties, the applicable amount of Backstopped Notes and, if applicable, the applicable amount of Backstop Shortfall Notes to be distributed to such Funding Backstop Party, and (iii) Initial Backstop Parties, the applicable amount of Backstop Consideration Notes to be distributed to such Initial Backstop Party, in each case in accordance with Section 4.4.

### ARTICLE 3 TREATMENT OF AFFECTED PARTIES

#### 3.1 Treatment of First Lien Noteholders

- (a) On the Effective Date, and in accordance with the steps and in the sequence set forth in Section 5.3:
  - (i) all accrued and unpaid interest outstanding in respect of the First Lien Notes shall be paid to the First Lien Noteholders in cash;
  - (ii) First Lien Noteholders shall receive their First Lien Noteholder Pro Rata Share of the First Lien Notes Repayment Amount as repayment at par for a portion of the principal amount of the First Lien Notes without any premium or penalty in connection therewith, and all First Lien Noteholder Claims with respect to the First Lien Notes so repaid shall be deemed to be satisfied in full and the First Lien Notes so repaid shall be deemed to be cancelled;
  - (iii) the First Lien Note Indenture shall be amended and restated as the Amended and Restated First Lien Note Indenture, which Amended and Restated First Lien Note Indenture shall include the Indenture Amendments; and
  - (iv) the Remaining First Lien Notes following the First Lien Notes Pay-Down shall be amended and restated to reflect the Indenture Amendments, PNI

shall issue (or cause to be issued) the Amended and Restated First Lien Notes to the First Lien Noteholders, and the First Lien Noteholders shall and shall be deemed to irrevocably and finally exchange their First Lien Notes (and all First Lien Noteholder Claims thereon) for the Amended and Restated First Lien Notes on the Effective Date, provided, however that the First Lien Notes shall not be redeemed, acquired, cancelled, disposed of or extinguished but shall continue in the form of the Amended and Restated First Lien Notes, and the issuance of the Amended and Restated First Lien Notes pursuant to the Amended and Restated First Lien Note Indenture in exchange of the First Lien Notes is not intended to result in a novation or the issuance of new indebtedness of PNI, but rather the same indebtedness as evidenced by the First Lien Notes will continue to exist, with full force and effect, in amended form, under the Amended and Restated First Lien Notes and the Amended and Restated First Lien Note Indenture.

- (b) On the Effective Date, the outstanding fees and expenses of the First Lien Trustee under the First Lien Note Indenture shall be paid pursuant to the First Lien Note Indenture.

### **3.2 Treatment of Second Lien Noteholders**

- (a) On the Effective Date and in accordance with the steps and sequence as set forth in Section 5.3:
  - (i) all accrued and unpaid interest owing in respect of the Second Lien Notes up to July 15, 2016, shall be paid to the Second Lien Noteholders in cash; and
  - (ii) each Second Lien Noteholder shall, and shall be deemed to, irrevocably and finally exchange its Second Lien Notes and Second Lien Noteholder Claim, including all accrued and unpaid interest owing in respect of the Second Lien Notes from and after July 15, 2016, for its Second Lien Noteholder Pro Rata Share of the Second Lien Settlement Shares which shall, and shall be deemed to, be received in full and final settlement of its Second Lien Notes and its Second Lien Noteholder Claim.
- (b) On the Effective Date, and in accordance with the steps and sequence as set forth in in this Plan, Eligible Second Lien Noteholders shall have the right to participate in the New Capital Offering pursuant to their Subscription Privilege.
- (c) After giving effect to the terms of this Section 3.2, the obligations of the Postmedia Parties with respect to the Second Lien Notes and the Second Lien Note Indenture shall, and shall be deemed to, have been irrevocably and finally extinguished, each Second Lien Noteholder shall have no further right, title or interest in or to the Second Lien Notes or its Second Lien Noteholder Claim, and the Second Lien Notes and the Second Lien Note Indenture shall be cancelled.

- (d) The issuance of Second Lien Settlement Shares to Second Lien Noteholders in exchange for Second Lien Notes and Second Lien Noteholder Claims pursuant to this Plan will not be registered under the US Securities Act.
- (e) On the Effective Date, the outstanding fees and expenses of the Second Lien Trustee and the Second Lien Collateral Agent under the Second Lien Note Indenture shall be paid pursuant to the Second Lien Note Indenture.

### **3.3 Treatment of Funding Second Lien Noteholders and Funding Backstop Parties**

- (a) On the Effective Date and in accordance with the steps and sequences set forth in Section 5.3, each Funding Second Lien Noteholder shall receive its New Capital Offering Notes based on its Funding Second Lien Noteholder Funded Amount and each Funding Backstop Party shall receive its Backstopped Notes and, if applicable, Backstop Shortfall Notes based on its Primary Backstop Commitment Funded Amount and, if applicable, its Secondary Backstop Commitment Funded Amount, respectively.
- (b) On the Effective Date and in accordance with the steps and sequence as set forth in Section 5.3, each Initial Backstop Party shall receive its Initial Backstop Pro Rata Share of the Backstop Consideration, and such Backstop Consideration shall be, and shall be deemed to be, used by each Initial Backstop Party to acquire its Initial Backstop Pro Rata Share of the Backstop Consideration Notes.
- (c) The New Second Lien Notes will not be registered under the US Securities Act, or the securities laws of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the US Securities Act.

### **3.4 Treatment of Existing Equity Holders**

- (a) Each Existing Shareholder shall retain its Existing Shares, subject to the Share Consolidation in accordance with Section 5.3(c) of this Plan.
- (b) Pursuant to this Plan and in accordance with the steps and sequences set forth herein, all of the Affected Equity shall be terminated and cancelled and shall be deemed to be terminated and cancelled without the need for any repayment of capital thereof or any other liability, payment or compensation therefor and, for greater certainty, no Affected Equity Holders shall be entitled to receive any interest, dividends, premium or other payment in connection therewith. For certainty, the Shareholder Rights Plan, the Rights, the RSU Plan and the Stock Option Plan, as each may be amended from time to time, whether prior to or after the Effective Time, shall remain in place and unaffected by this Plan.

## **ARTICLE 4 ISSUANCES, DISTRIBUTIONS AND PAYMENTS**

### **4.1 Delivery of Amended and Restated First Lien Notes**

- (a) The delivery of the Amended and Restated First Lien Notes shall be made by way of a global note issued to CDS (or its nominee) in respect of the Amended and Restated First Lien Notes and delivered directly to CDS which, in turn, will make delivery of such Amended and Restated First Lien Notes to the First Lien Noteholders pursuant to the standing instructions and customary practices of CDS.
- (b) The Postmedia Parties shall have no liability or obligation in respect of deliveries of the Amended and Restated First Lien Notes from CDS to First Lien Noteholders.

### **4.2 Issuance of Second Lien Settlement Shares**

All Second Lien Settlement Shares issued and outstanding as part of the implementation of this Plan shall be deemed to be issued and outstanding as fully-paid and non-assessable. The amount added to the stated capital of the Variable Voting Shares as a result of the issuance of Second Lien Settlement Shares in accordance with this Plan shall be equal to the fair market value of the consideration received by PNCC for the issuance of such Second Lien Settlement Shares as set out in Section 5.3(f)(ii).

### **4.3 Delivery of Shares**

- (a) The delivery of the Second Lien Settlement Shares to be distributed under this Plan will be made no later than the second Business Day following the Effective Date (or such other date as the Applicants and the Majority Supporting Second Lien Noteholders may agree, each acting reasonably).
- (b) The Second Lien Notes are held by DTC (as sole registered holder of the Notes on behalf of the Noteholders) through its nominee company CEDE & Co. DTC will surrender, or will cause the surrender of, the certificates representing the Second Lien Notes to the Second Lien Trustee in exchange for Second Lien Settlement Shares as contemplated in this Plan.
- (c) The delivery of Second Lien Settlement Shares to Second Lien Noteholders in exchange for Second Lien Notes will, in each case, be made through the facilities of DTC to DTC participants who, in turn will make delivery of the Second Lien Settlement Shares to the beneficial holders of such Second Lien Notes. None of the Postmedia Parties nor the Second Lien Trustee will have any liability or obligation in respect of any deliveries from DTC, or its nominee, to DTC participants or from DTC participants to beneficial holders.



#### **4.4 Delivery of New Second Lien Notes**

- (a) The delivery of the New Second Lien Notes shall be made by way of a book entry to Intermediaries in respect of the aggregate New Second Lien Notes that Funding Second Lien Noteholders, Funding Backstop Parties and/or the Initial Backstop Parties that have an account with each such Intermediary are entitled to pursuant to this Plan, and such Intermediary, in turn, will make delivery of such New Second Lien Notes to the Funding Second Lien Noteholders, the Funding Backstop Parties and/or the Initial Backstop Parties, as applicable, as contemplated by Section 2.1(i) pursuant to the instructions received by the Intermediaries and customary practices of CDS, DTC or such other depository as agreed by the Applicants and the Majority Supporting Second Lien Noteholders.
- (b) None of the Postmedia Parties nor the New Second Lien Trustee shall have any liability or obligation in respect of any deliveries of the New Second Lien Notes from CDS, DTC or such other depository as agreed by the Applicants and the Majority Supporting Second Lien Noteholders or the Intermediaries to the Funding Second Lien Noteholders, the Funding Backstop Parties or the Initial Backstop Parties, as applicable.

#### **4.5 Delivery of Payments to Noteholders**

- (a) The payment by PNI on the Effective Date of accrued interest owing in respect of the First Lien Notes and the First Lien Notes Repayment Amount in accordance with Sections 5.3(e)(i) and 5.3(e)(ii), respectively, shall be effected through the delivery by PNI of such amounts to the First Lien Trustee for distribution to the First Lien Noteholders in accordance with the First Lien Note Indenture and customary practices.
- (b) The payment by PNI on the Effective Date of accrued interest in respect of the Second Lien Notes up to July 15, 2016 in accordance with Section 5.3(f)(i) shall be effected through the delivery by PNI of such amounts to the Second Lien Trustee for distribution to the Second Lien Noteholders in accordance with the Second Lien Note Indenture and customary practices.
- (c) The Postmedia Parties shall have no liability or obligation in respect of any distributions or deliveries of payments referenced in Section 4.5(a) from the First Lien Trustee to the First Lien Noteholders or of any distributions or deliveries of payments referenced in Section 4.5(b) from the Second Lien Trustee to the Second Lien Noteholders.

#### **4.6 Application of Plan Distributions**

Unless specified otherwise, all amounts paid or payable hereunder on account of the Noteholder Claims (including, for greater certainty, any securities received hereunder) shall be applied as follows: (i) first, in respect of any accrued but unpaid interest on such obligations to which such Noteholder Claims relate, and (ii) second, if such interest has been fully repaid, in respect of the principal amount of such obligations.

## **ARTICLE 5 IMPLEMENTATION**

### **5.1 Corporate Authorizations**

The adoption, execution, delivery, implementation and consummation of all matters contemplated under this Plan involving corporate action of any members of the Postmedia Parties will occur and be effective as of the Effective Date (or such other date as the Applicants and the Requisite Consenting Parties may agree, each acting reasonably), and will be authorized and approved under this Plan and by the Court, where appropriate, as part of the Final Order, in all respects and for all purposes without any requirement of further action by shareholders, directors or officers of the Postmedia Parties. All necessary approvals to take actions shall be deemed to have been obtained from the directors or the shareholders of the Postmedia Parties, as applicable.

### **5.2 Fractional Interests**

- (a) No certificates representing fractional Shares shall be allocated under this Plan, and fractional share interests shall not entitle the owner thereof to vote or to any rights of a Shareholder. Any legal, equitable, contractual and any other rights or claims (whether actual or contingent, and whether or not previously asserted) of any Person with respect to fractional Shares pursuant to this Plan shall be rounded down to the nearest whole number without compensation therefor.
- (b) The Amended and Restated First Lien Notes issued pursuant to this Plan shall be issued in minimum increments of \$1,000 in Canadian Dollars and the New Second Lien Notes issued pursuant to this Plan shall be issued in minimum increments of \$1,000 in US Dollars, and (i) the amount of Amended and Restated First Lien Notes that each First Lien Noteholder shall be entitled to under this Plan shall in each case be rounded down to the nearest multiple of \$1,000 in Canadian Dollars without compensation therefor, and (ii) the amount of New Second Lien Notes that each New Second Lien Noteholder shall be entitled to under this Plan shall in each case be rounded down to the nearest multiple of \$1,000 in US Dollars.

### **5.3 Effective Date Transactions**

Commencing at the Effective Time, the following events or transactions will occur, or be deemed to have occurred and be taken and effected, in the following order in five minute increments (unless otherwise indicated) and at the times set out in this Section 5.3 (or in such other manner or order or at such other time or times as the Applicants and the Requisite Consenting Parties may agree, each acting reasonably), without any further act or formality required on the part of any Person, except as may be expressly provided herein:

- (a) All outstanding DSUs shall be paid out in full in cash.
- (b) All Affected Equity shall be cancelled and extinguished for no consideration.

- (c) The issued and outstanding Shares shall be, and shall be deemed to be, consolidated (the “**Share Consolidation**”) on the basis of one New Variable Voting Share for every 100 Variable Voting Shares outstanding immediately prior to the Effective Time and one New Voting Share for every 100 Voting Shares outstanding immediately prior to the Effective Time (or such other number of Variable Voting Shares and Voting Shares as may be agreed by the Applicants and the Majority Supporting Second Lien Noteholders prior to the Effective Date). Any fractional interests in the consolidated Shares will, without any further act or formality, be cancelled without payment of any consideration therefor. Following the completion of such consolidation, the stated capital of the New Variable Voting Shares shall be equal to the stated capital of the Variable Voting Shares immediately prior to consolidation and the stated capital of the New Voting Shares shall be equal to the stated capital of the Voting Shares immediately prior to consolidation.
  
- (d) The following shall occur concurrently (unless otherwise indicated):
  - (i) the Applicants shall become entitled to the Funded Amounts deposited in escrow with the Escrow Agent pursuant to Sections 2.1(d) and 2.1(f), subject to Section 6.1, and the Escrow Agent shall be deemed instructed to release to PNI the Funded Amounts held by the Escrow Agent;
  
  - (ii) PNI, the Guarantors and the New Second Lien Trustee shall enter into the New Second Lien Note Indenture together with all related documentation as agreed by the Applicants and the Requisite Consenting Parties, each acting reasonably;
  
  - (iii) PNI shall issue to each Funding Second Lien Noteholder its New Capital Offering Notes in consideration for its Funding Second Lien Noteholder Funded Amount;
  
  - (iv) PNI shall issue to each Funding Backstop Party its New Capital Offering Notes in consideration for its Primary Backstop Commitment Funded Amount and, if applicable, its Secondary Backstop Commitment Funded Amount;
  
  - (v) PNI shall pay to each Initial Backstop Party its Initial Backstop Pro Rata Share of the Backstop Consideration, and each Initial Backstop Party shall direct PNI to apply such Backstop Consideration to purchase its Initial Backstop Pro Rata Share of the Backstop Consideration Notes; and
  
  - (vi) following the step in Section 5.3(d)(v), PNI shall issue to each Initial Backstop Party its Initial Backstop Pro Rata Share of the Backstop Consideration Notes in exchange for the Backstop Consideration.



- (e) The following shall occur consecutively:
  - (i) all accrued and unpaid interest in respect of the First Lien Notes shall be paid to the First Lien Noteholders by PNI in cash;
  - (ii) PNI shall pay each First Lien Noteholder its First Lien Noteholder Pro Rata Share of the First Lien Notes Repayment Amount as repayment at par for a portion of the principal amount of the First Lien Notes without any premium or penalty in connection therewith (the “**First Lien Notes Pay-Down**”);
  - (iii) PNI, the Guarantors and the First Lien Note Trustee shall enter into the Amended and Restated First Lien Note Indenture, which shall amend and restate the First Lien Note Indenture; and
  - (iv) the First Lien Notes shall be amended and restated and shall be deemed to be irrevocably and finally exchanged for the Amended and Restated First Lien Notes, and all other First Lien Noteholder Claims (other than the Amended and Restated First Lien Notes) shall be deemed to be irrevocably and finally extinguished.
  
- (f) The following shall occur consecutively:
  - (i) all accrued and unpaid interest in respect of the Second Lien Notes up to July 15, 2016, shall be paid to the Second Lien Noteholders by PNI in cash;
  - (ii) in exchange for, and in full and final settlement of, the Second Lien Noteholder Claims, PNCC shall directly issue, for the benefit of PNI, to each Second Lien Noteholder, its Second Lien Noteholder Pro Rata Share of Second Lien Settlement Shares, which Second Lien Settlement Shares shall be distributed in the manner described in Section 4.3 hereof. Upon issuance of these Second Lien Settlement Shares, the Second Lien Noteholder Claims shall, and shall be deemed to be, irrevocably and finally extinguished and such Second Lien Noteholder shall have no further right, title or interest in and to the Second Lien Notes or its Second Lien Noteholder Claim;
  - (iii) all Second Lien Restricted Cash shall be released by the Second Lien Trustee to PNI;
  - (iv) the Second Lien Notes and the Second Lien Note Indenture shall be cancelled, provided that the Second Lien Note Indenture shall remain in effect solely to allow the Second Lien Trustee to make the distributions set forth in this Plan.
  
- (g) Simultaneously with the step in Section 5.3(f)(ii), in consideration for the issuance and delivery of the Second Lien Settlement Shares to Second Lien

Noteholders by PNCC for the benefit of PNI in accordance with Section 5.3(f)(ii), PNI shall issue to PNCC shares of PNI having an aggregate fair market value equal to the aggregate fair market value of such Second Lien Settlement Shares issued by PNCC to the Second Lien Noteholders.

- (h) The releases referred to in Section 7.1 shall become effective.
- (i) The New Directors, if any, shall be deemed to have been appointed.
- (j) PNI and ArrangeCo shall be amalgamated and continued as one corporation (“Amalco”) under the CBCA in accordance with the following:
  - (i) **Name**. The name of Amalco shall be “Postmedia Network Inc.”;
  - (ii) **Registered Office**. The registered office of Amalco shall be located in the City of Toronto in the Province of Ontario. The address of the registered office of Amalco shall be 365 Bloor Street East, 12<sup>th</sup> Floor, Toronto, Ontario, M4W 3L4;
  - (iii) **Restrictions on Business**. There shall be no restrictions on the business that Amalco may carry on;
  - (iv) **Articles**. The articles of PNI, as in effect immediately prior to the Amalgamation, shall be deemed to be the articles of Amalco;
  - (v) **Directors**. Amalco shall have a minimum of 1 director and a maximum of 10 directors, until changed in accordance with the CBCA. Until changed by shareholders of Amalco, or by the directors of Amalco in accordance with the CBCA, the directors of PNI, as in effect immediately prior to the Amalgamation, shall be deemed to be the directors of Amalco;
  - (vi) **Shares**. All shares of ArrangeCo shall be cancelled without any repayment of capital in respect thereof; no shares will be issued by Amalco in connection with the Amalgamation and all shares of PNI prior to the Amalgamation shall be unaffected and shall continue as shares of Amalco;
  - (vii) **Stated Capital**. The stated capital account of the shares of Amalco will be equal to the stated capital account in respect of the common shares of PNI immediately prior to the Amalgamation;
  - (viii) **By-laws**. The by-laws of PNI, as in effect immediately prior to the Amalgamation, shall be deemed to be the by-laws of Amalco;
  - (ix) **Effect of Amalgamation**. The provisions of subsection 186(a) to (g) of the CBCA shall apply to the Amalgamation with the result that:

- (A) the amalgamation of the amalgamating corporations and their continuance as one corporation becomes effective;
- (B) the property of each amalgamating corporation continues to be the property of Amalco;
- (C) Amalco continues to be liable for the obligations of each amalgamating corporation;
- (D) an existing cause of action, claim or liability to prosecution is unaffected;
- (E) a civil, criminal or administrative action or proceeding pending by or against an amalgamating corporation may be continued to be prosecuted by or against Amalco;
- (F) a conviction against, or ruling, order or judgment in favour of or against, an amalgamating corporation may be enforced by or against Amalco; and
- (G) the Articles of Arrangement are deemed to be the articles of incorporation of Amalco and the Certificate of Arrangement is deemed to be the certificate of incorporation of Amalco.

## **ARTICLE 6 RELEASE OF FUNDS FROM ESCROW**

### **6.1 Release of Funds from Escrow**

The Escrow Agent shall release the Funded Amounts, or portions thereof, as follows and in accordance with the terms of the Escrow Agreement:

- (a) On the Effective Date, the Escrow Agent shall release from escrow to PNI, at the applicable time, the Funded Amounts, together with all interest accrued thereon, pursuant to and in accordance with Section 5.3.
- (b) If this Plan is terminated for any reason or not implemented in accordance with the terms hereof by the Outside Date (as such date may be extended by the Applicants and the Requisite Consenting Parties, each acting reasonably), the Escrow Agent shall as soon as practicable return all Funded Amounts to the applicable Intermediaries of the Funding Second Lien Noteholders and the Funding Backstop Parties, as applicable.
- (c) If any Intermediary representing Funding Second Lien Noteholder or Funding Backstop Party provides to the Escrow Agent more than its applicable Electing Eligible Second Lien Noteholder Commitment Amounts or Backstop Commitment Amount, as applicable, under this Plan, the Escrow Agent shall as

soon as practicable return any excess funds to such Intermediary or Funding Backstop Party, as applicable.

## **ARTICLE 7 RELEASES**

### **7.1 Release of Released Parties**

At the Effective Time, each of the Released Parties shall be released and discharged from all present and future actions, causes of action, damages, judgments, executions, obligations, liabilities and claims of any kind or nature whatsoever (other than liabilities or claims attributable to any of Released Party's gross negligence, fraud or wilful misconduct as determined by the final, non-appealable judgment of a court of competent jurisdiction) arising on or prior to the Effective Date in connection with the Existing Equity, the First Lien Notes, the First Lien Note Indenture, any documents or agreements related to the First Lien Note Indenture, the Second Lien Notes, the Second Lien Note Indenture, any documents or agreements related to the Second Lien Note Indenture, the New Capital Offering, the Backstop Commitment Letter, the CBCA Proceedings, this Plan, the transactions contemplated hereunder and any proceedings commenced with respect to or in connection with this Plan, and any other actions or matters related directly or indirectly to the foregoing, provided that nothing in this paragraph shall release or discharge any of the Released Parties from or in respect of its obligations under this Plan, the Noteholder Support Agreements, the Backstop Commitment Letter, the New Capital Offering or under any Order, or any document ancillary to the foregoing.

## **ARTICLE 8 CONDITIONS PRECEDENT AND IMPLEMENTATION**

### **8.1 Conditions to Plan Implementation**

The implementation of this Plan shall be conditional upon the fulfillment, satisfaction or waiver (to the extent permitted by Section 8.2) of the following conditions:

- (a) The Plan shall have been approved at the Meetings in accordance with the terms of the Interim Order, provided that if the Plan is approved at the First Lien Noteholders' Meeting and the Second Lien Noteholders' Meeting, but is not approved at the Shareholders' Meeting, in each case in accordance with the terms of the Interim Order, then the Share Consolidation shall be, and shall be deemed to be, deleted as a step in this Plan and Shareholder approval of the Plan shall no longer be required;
- (b) The Court shall have granted the Final Order, the operation and effect of which shall not have been stayed, reversed or amended, and in the event of an appeal or application for leave to appeal, final determination shall have been made by the applicable appellate court;
- (c) If determined necessary by the Applicants, acting reasonably, after consultation with the Requisite Consenting Parties, the Final Order shall have been recognized in recognition proceedings pursuant to applicable Law in the United States and all

court materials (including any recognition order granted) in connection with the recognition proceedings shall be form and substance acceptable to the Requisite Consenting Parties;

- (d) No Law shall have been passed and become effective, the effect of which makes the consummation of this Plan illegal or otherwise prohibited;
- (e) There shall be no material Claims against ArrangeCo;
- (f) All conditions to implementation of this Plan set out in the Noteholder Support Agreements shall have been satisfied or waived in accordance with their terms and the Noteholder Support Agreements shall not have been terminated;
- (g) All conditions to implementation of this Plan set out in the Backstop Commitment Letter shall have been satisfied or waived in accordance with their terms, and the Backstop Commitment Letter shall not have been terminated;
- (h) The Funded Amounts shall be equal to the New Capital Offering Amount;
- (i) The Shareholder Rights Plan shall be amended as of the Effective Date on the terms substantially as set out in the Circular, or as may otherwise be acceptable to the Applicants and the Requisite Consenting Parties, each acting reasonably;
- (j) The Applicants shall have paid the reasonable and documented fees and expenses of the Supporting First Lien Noteholder Advisors and the Supporting Second Lien Noteholders Advisor up to and including the Effective Date; and
- (k) The Applicants shall have paid the fees and expenses of the First Lien Trustee under the First Lien Note Indenture, and of the Second Lien Trustee and the Second Lien Collateral Agent under the Second Lien Note Indenture up to and including the Effective Date.

## **8.2 Waiver of Conditions**

The Applicants and the Requisite Consenting Parties may at any time and from time to time waive the fulfillment or satisfaction, in whole or in part, of the conditions set out herein, to the extent and on such terms as such parties may agree, each acting reasonably, provided however that the conditions set out in Sections 8.1(a) and 8.1(b) cannot be waived.

## **8.3 Effectiveness**

This Plan will become effective in the sequence described in Section 5.3 on the filing of the Articles of Arrangement and the issuance of the Certificate of Arrangement, and shall be binding on and enure to the benefit of the Postmedia Parties, the Noteholders, all Existing Equity Holders, the Released Parties, the Escrow Agent, the directors and officers of the Postmedia Parties and all other Persons named or referred to in, or subject to, this Plan and their respective successors and assigns and their respective heirs, executors, administrators and other legal representatives, successors and assigns. The Articles of Arrangement shall be filed and the

Certificate of Arrangement shall be issued in each case with respect to the Arrangement in its entirety. The Certificate of Arrangement shall be conclusive evidence that the Arrangement has become effective and that each of the provisions in Section 5.3 has become effective in the sequence set forth therein. No portion of this Plan shall take effect with respect to any party or Person until the Effective Time.

## **ARTICLE 9 GENERAL**

### **9.1 Deemed Consents, Waivers and Agreements**

At the Effective Time:

- (a) each Noteholder and Existing Equity Holder shall be deemed to have consented and agreed to all of the provisions of this Plan in its entirety (both as a Noteholder and as a holder of Existing Equity, if applicable);
- (b) each Postmedia Party, Noteholder and Existing Equity Holder shall be deemed to have executed and delivered to the other parties all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan in its entirety; and
- (c) all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan in its entirety shall be deemed to have been executed and delivered to the Postmedia Parties.

### **9.2 Waiver of Defaults**

From and after the Effective Time, all Persons shall be deemed to have consented and agreed to all of the provisions of this Plan in its entirety. Without limiting the foregoing, all Persons shall be deemed to have:

- (a) waived any and all defaults or events of default or any non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, lease, licence, guarantee, agreement for sale or other agreement, written or oral, in each case relating to, arising out of, or in connection with, the Notes or the Indentures, the Noteholder Support Agreements, the Backstop Commitment Letter, the Arrangement, the Arrangement Agreement, this Plan, the transactions contemplated hereunder and any proceedings commenced with respect to or in connection with this Plan and any and all amendments or supplements thereto. Any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection with any of the foregoing shall be deemed to have been rescinded and of no further force or effect, provided that nothing shall be deemed to excuse the Postmedia Parties and their respective successors from performing their obligations under this Plan; and



- (b) agreed that, if there is any conflict between the provisions of any agreement or other arrangement, written or oral, existing between such Person and the Applicants and the provisions of this Plan, then the provisions of this Plan take precedence and priority and the provisions of such agreement or other arrangement are deemed to be amended accordingly.

### **9.3 Paramountcy**

From and after the Effective Date, any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, by-laws or other agreement, written or oral, and any and all amendments or supplements thereto existing between one or more of the Noteholders and any of the Postmedia Parties as at the Effective Date shall be deemed to be governed by the terms, conditions and provisions of this Plan and the Final Order, which shall take precedence and priority.

### **9.4 Deeming Provisions**

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

### **9.5 Modification of Plan**

Subject to the terms and conditions of the Noteholder Support Agreements:

- (a) the Applicants reserve the right to amend, restate, modify and/or supplement this Plan at any time and from time to time, provided that (except as provided in subsection (c) below) any such amendment, restatement, modification or supplement must be contained in a written document that is (i) filed with the Court and, if made following the Meetings, approved by the Court, and (ii) communicated to the Noteholders and Shareholders in the manner required by the Court (if so required);
- (b) any amendment, modification or supplement to this Plan may be proposed by the Applicants at any time prior to or at the Meetings, with or without any prior notice or communication (other than as may be required under the Interim Order), and if so proposed and accepted at the Meetings, shall become part of this Plan for all purposes; and
- (c) any amendment, modification or supplement to this Plan may be made following the Meetings by the Applicants, without requiring filing with, or approval of, the Court, provided that it concerns a matter which is of an administrative nature and is required to better give effect to the implementation of this Plan and is not materially adverse to the financial or economic interests of any of the Noteholders or Shareholders.

## 9.6 Notices

Any notice or other communication to be delivered hereunder must be in writing and refer to this Plan and may, as hereinafter provided, be made or given by personal delivery, ordinary mail or email addressed to the respective parties as follows:

- (a) If to the Applicants, or any other of the Postmedia Parties, at:

Postmedia Network Canada Corp.  
c/o Goodmans LLP  
333 Bay Street, Suite 3400  
Toronto, Ontario  
M5H 2S7

Attention: Robert J. Chadwick and Caroline Descours  
Email: rchadwick@goodmans.ca / cdescours@goodmans.ca

- (b) If to the Supporting First Lien Noteholder:

Canso Investment Counsel Ltd.  
100 York Boulevard, Suite 5500  
Richmond Hill, Ontario  
L4B 1J8

Attention: John Laing  
Email: jlaing@cansofunds.com

with a required copy (which shall not be deemed notice) to:

Bennett Jones LLP  
3400 One First Canadian Place, P.O. Box 130  
Toronto, Ontario  
M5X 1A4

Attention: S. Richard Orzy & Sean Zweig  
Email: orzyr@bennettjones.com / zweigs@bennettjones.com

- (c) If to any of the Supporting Second Lien Noteholders or any of the Backstop Parties:

Osler, Hoskin & Harcourt LLP  
100 King Street West, Suite 6200  
Toronto, Ontario  
M5X 1B8

Attention: Marc Wasserman & Martino Calvaruso  
Email: mwasserman@osler.com / mcalvaruso@osler.com



or to such other address as any party above may from time to time notify the others in accordance with this Section 9.6. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by email and any notice or other communication given or made by prepaid mail within the five Business Day period immediately preceding the commencement of such interruption, unless actually received, shall be deemed not to have been given or made. Any such notices and communications so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of emailing, provided that such day in either event is a Business Day and the communication is so delivered or emailed before 5:00 p.m. on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day. The unintentional failure by the Applicants to give a notice contemplated hereunder to any particular Noteholder shall not invalidate this Plan or any action taken by any Person pursuant to this Plan.

### **9.7 Different Capacities**

Subject to the Support Agreements (as defined in the Circular) and the Interim Order, if any Person holds more than one type, series or class of Existing Shares, First Lien Notes or Second Lien Notes, as the case may be, such Person shall have all of the rights given to a holder of each particular type, series or class of Existing Shares, First Lien Notes or Second Lien Notes so held. Subject to the Support Agreements (as defined in the Circular) and the Interim Order, nothing done by a Person acting in its capacity as a holder of a particular type, series or class of Existing Shares, First Lien Notes or Second Lien Notes, as the case may be, affects such Person's rights as a holder of another type, series or class of Existing Shares, First Lien Notes or Second Lien Notes.

### **9.8 Consent of Requisite Consenting Parties**

For the purposes of this Plan:

- (a) any matter requiring the agreement, waiver, consent or approval of the Majority Supporting Second Lien Noteholders shall be deemed to have been agreed to, waived, consented to or approved by such Majority Supporting Second Lien Noteholders if such matter is agreed to, waived, consented to or approved in writing by Osler, Hoskin & Harcourt LLP, provided that Osler, Hoskin & Harcourt LLP expressly confirms in writing (which can be by way of e-mail) that it is providing such agreement, consent, waiver or approval on behalf of the Majority Supporting Second Lien Noteholders; and
- (b) any matter requiring the agreement, waiver, consent or approval of the Supporting First Lien Noteholder shall be deemed to have been agreed to, waived, consented to or approved by the Supporting First Lien Noteholder if such matter is agreed to, waived, consented to or approved in writing by Bennett Jones LLP, provided that Bennett Jones LLP expressly confirms in writing (which can be by way of e-mail) that it is providing such agreement, consent, waiver or approval on behalf of the Supporting First Lien Noteholder.

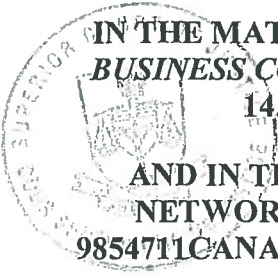
## **9.9 Further Assurances**

Notwithstanding that the transactions and events set out herein will occur and be deemed to occur in the order set out in this Plan without any further act or formality, each of the Persons named or referred to in, affected by or subject to, this Plan will make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them to carry out the full intent and meaning of this Plan and to give effect to the transactions contemplated herein.

6615494

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE MR. ) MONDAY, THE 12<sup>TH</sup>  
JUSTICE NEWBOULD ) DAY OF SEPTEMBER, 2016



**IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, C. C-44, AS AMENDED AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE**

**AND IN THE MATTER OF A PROPOSED ARRANGEMENT OF POSTMEDIA NETWORK CANADA CORPORATION, POSTMEDIA NETWORK INC. AND 9854711 CANADA LIMITED AND INVOLVING 1576626 ONTARIO INC. AND 7731558 CANADA INC.**

**FINAL ORDER**

**THIS APPLICATION** made by Postmedia Network Canada Corp. (“PNCC”), Postmedia Network Inc. (“PNI”) and 9854711 Canada Limited (collectively, with PNCC and PNI, the “Applicants”) pursuant to section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the “CBCA”) was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Notice of Application issued on August 5, 2016, the affidavit of Douglas Lamb sworn August 3, 2016, the supplementary affidavit of Doug Lamb sworn September 7, 2016, together with the exhibits thereto, and the Interim Order of the Honourable Mr. Justice Penny dated August 5, 2016 (the “Interim Order”), and

**ON HEARING** the submissions of counsel for the Applicants, certain Second Lien Noteholders and Canso Investment Counsel Ltd., and on being advised that the Director

appointed under the CBCA does not consider it necessary to appear on this application, and no one appearing and making submissions for any other person,

1. **THIS COURT ORDERS** that all capitalized terms not otherwise defined herein shall be as defined in the Plan of Arrangement attached as Schedule “A” to this Order (the “**Plan of Arrangement**”).

2. **THIS COURT DECLARES** that (a) the Arrangement, as described in the Plan of Arrangement, is an arrangement within the meaning of section 192 of the CBCA, and (b) the Arrangement, as described in the Plan of Arrangement, including, without limitation, the terms and conditions of the issuance of Second Lien Settlement Shares in exchange for Second Lien Notes, is fair and reasonable.

3. **THIS COURT ORDERS** that the Arrangement, as described in the Plan of Arrangement, shall be and is hereby approved.

4. **THIS COURT ORDERS** that each of the Postmedia Parties, the Trustees, the Transfer Agent, CDS and DTC are authorized to take all steps and actions necessary or appropriate to implement the Plan of Arrangement and the Arrangement and the other transactions contemplated thereby in accordance with and subject to the terms of the Plan of Arrangement, including (a) to enter into any agreements or other documents which are to come into effect in connection with the Arrangement, (b) in the Trustees’ capacities as collateral agents, to execute and deliver such releases, terminations and discharges of security and liens as are required to give effect to the Plan of Arrangement and the Arrangement, and (c) with respect to the Second Lien Trustee, to release the Second Lien Restricted Cash to PNI in accordance with the Plan of Arrangement.

5. **THIS COURT ORDERS** that as of the Effective Date, the Plan of Arrangement and all associated steps and transactions are hereby approved, binding and effective as set out in the Plan of Arrangement, and on the terms and conditions set forth in this Order, upon the Postmedia Parties, the Noteholders, the Trustees, the Shareholders, the holders of Affected Equity and all other Persons affected by the Plan of Arrangement.

6. **THIS COURT ORDERS** that each of the Second Lien Noteholders is hereby deemed to have provided notice to PNCC that the Second Lien Settlement Shares issued to each such Second Lien Noteholder pursuant to Section 5.3(f) of the Plan of Arrangement are not converted into New Voting Shares upon issuance of such Second Lien Settlement Shares to such Second Lien Noteholder on the Effective Date, provided that this Order shall not be deemed to restrict the ability of the holders of Second Lien Settlement Shares to convert their Second Lien Settlement Shares into New Voting Shares following the Effective Date to the extent otherwise permitted.

7. **THIS COURT ORDERS** that from and after the Effective Time, all Persons shall be deemed to have waived any and all defaults or events of default or any non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, lease, licence, guarantee, agreement for sale or other agreement, written or oral, in each case relating to, arising out of, or in connection with, the Notes or the Indentures, the Noteholder Support Agreements, the Backstop Commitment Letter, the Arrangement, the Arrangement Agreement, the Plan of Arrangement, the transactions contemplated under the Plan of Arrangement and any and all proceedings commenced with respect to or in connection with the Plan of Arrangement and any and all amendments or supplements thereto. Any and all notices of default and demands for payment

or any step or proceeding taken or commenced in connection with any of the foregoing shall be deemed to have been rescinded and of no further force or effect, provided that nothing shall be deemed to excuse the Postmedia Parties and their respective successors from performing their obligations under the Plan of Arrangement.

8. **THIS COURT ORDERS** that from and after the Effective Time, all Persons shall be deemed to have agreed that, if there is any conflict between the provisions of any agreement or other arrangement, written or oral, existing between such Person and any of the Postmedia Parties and the provisions of the Plan of Arrangement, then the provisions of the Plan of Arrangement take precedence and priority and the provisions of such agreement or other arrangement are deemed to be amended accordingly.

9. **THIS COURT ORDERS** that from and after the Effective Date, at the time and in the sequence set forth in the Plan of Arrangement, each of the Released Parties shall be released and discharged from all present and future actions, causes of action, damages, judgments, executions, obligations, liabilities and claims of any kind or nature whatsoever (other than liabilities or claims attributable to any of Released Party's gross negligence, fraud or wilful misconduct as determined by the final, non-appealable judgment of a court of competent jurisdiction) arising on or prior to the Effective Date in connection with the Existing Equity, the First Lien Notes, the First Lien Note Indenture, any documents or agreements related to the First Lien Note Indenture, the Second Lien Notes, the Second Lien Note Indenture, any documents or agreements related to the Second Lien Note Indenture, the New Capital Offering, the Backstop Commitment Letter, the Plan of Arrangement, the transactions contemplated under the Plan of Arrangement, the CBCA Proceedings and any other proceedings commenced with respect to or in connection with the Plan of Arrangement, and any other actions or matters



related directly or indirectly to the foregoing, provided that nothing in this paragraph shall release or discharge any of the Released Parties from or in respect of its obligations under the Plan of Arrangement, the Noteholder Support Agreements, the Backstop Commitment Letter, the New Capital Offering or under any Order, or any document ancillary to the foregoing.

10. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court or judicial, regulatory or administrative body having jurisdiction in Canada, the United States or other country, to give effect to this Order and to assist the Applicants and its agents in carrying out the terms of this Order. All courts and all judicial, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants as may be necessary or desirable to give effect to this Order or to assist the Applicants and their agents in carrying out the terms of this Order.

11. **THIS COURT ORDERS** and authorizes, in addition to the orders and authorizations under paragraphs 51 and 52 of the Interim Order, any of the Applicants or a senior officer of one or more of the Applicants, as necessary, to act as the representative or foreign representative (the "**Foreign Representative**") of any of the Applicants or other Postmedia Parties in connection with carrying out the terms of this Order, including for, among other things, the purpose of having these proceedings recognized in the United States or any other country, and seeking judicial assistance to enforce the terms of this Order in the United States or such other country.

  
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IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE CANADA  
BUSINESS CORPORATIONS ACT, R.S.C. 1985, C. C-44, AS AMENDED, AND RULES  
14.05(2) AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE  
AND IN THE MATTER OF A PROPOSED ARRANGEMENT OF POSTMEDIA  
NETWORK CANADA CORPORATION, POSTMEDIA NETWORK INC. AND  
9854711CANADA LIMITED AND INVOLVING 1576626 ONTARIO INC. AND 7731558  
CANADA INC.

Court File No: CV-16-11476-00CL

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE-**  
**COMMERCIAL LIST**

Proceeding commenced at Toronto

**FINAL ORDER**

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