

SINO-FOREST SECURITIES LITIGATION

NOTICE OF PROPOSED SETTLEMENT WITH W. JUDSON MARTIN, EDMUND MAK, SIMON MURRAY, and PETER WANG and NOTICE OF EXPANDED SETTLEMENT WITH WILLIAM ARDELL, JAMES BOWLAND, JAMES HYDE and GARRY WEST and NOTICE OF OPT OUT

The plaintiffs have entered into a proposed settlement (the "**Directors Settlement**") with W. Judson Martin, Edmund Mak, Simon Murray, Peter Wang, William Ardell, James Bowland, James Hyde and Garry West (the "**Directors**").

The Directors Settlement is conditional on: (a) the approval of an order by the Superior Court of Quebec granting leave to discontinue the Quebec Action against the Directors; (b) the approval of an order by the United States District Court for the Southern District of New York granting leave to fully and finally dismiss the U.S. Action as against W. Judson Martin, and Edmund Mak and others; and (c) an order in the Ontario Superior Court of Justice expanding the Ontario Class as follows:

- (a) all persons and entities, wherever they may reside, who acquired Sino-Forest Corporation's Securities during the Class Period on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired Sino-Forest Corporation's Securities during the Class Period who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino-Forest Corporation's Securities outside of Canada, except the Excluded Persons;
- (b) all persons and entities, wherever they may reside, who acquired Sino-Forest Corporation's Securities during the Class Period by distribution in Canada in an Offering, or are resident of Canada or were resident of Canada at the time of acquisition and acquired Sino-Forest Corporation's Securities by offering outside of Canada, except the Excluded Persons;
- (c) all persons or entities who, from March 19, 2007 through August 26, 2011 purchased the common stock of Sino-Forest Corporation on the over-the-counter market and who were damaged thereby; and
- (d) all persons or entities who, from March 19, 2007 through August 26, 2011, purchased debt securities issued by Sino-Forest other than in Canada and who were damaged thereby.

(collectively, the "**Directors Settlement Class**")

The court has previously approved a settlement agreement in the Ontario class action with William Ardell, James Bowland, James Hyde and Garry West (the "**Independent Directors**" and the "**Independent Directors Settlement**") for the benefit of the following class, which represents the class advanced in the Ontario class action:

all persons and entities, wherever they may reside, who acquired Sino-Forest Corporation's Securities during the Class Period on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired Sino-Forest Corporation's Securities during the Class

Period who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino-Forest Corporation's Securities outside of Canada, except: those persons resident or domiciled in the Province of Quebec at the time they acquired Sino-Forest Corporation's Securities, and who are not precluded from participating in a class action by virtue of Article 999 of the Quebec Code of Civil Procedure, RSQ, c C-25, and except the Excluded Persons; and

all persons and entities, wherever they may reside, who acquired Sino-Forest Corporation's Securities during the Class Period by distribution in Canada in an Offering, or are resident of Canada or were resident of Canada at the time of acquisition and acquired Sino-Forest Corporation's Securities by offering outside of Canada, except the Excluded Persons;

(the "**Independent Directors Settlement Class**")

An agreement has been reached to expand the class of persons and entities that may participate in the Independent Directors Settlement to the Directors Settlement Class, which includes persons and entities on behalf of whom claims are asserted in Quebec class action and the New York class action, *Leopard v. Chan, et. al.*, Case No. 1:12-cv-01726 (AT) (S.D.N.Y.) (the "U.S. Class Action").

The Directors Settlement resolves all claims which were made or which could have been made against the Directors in relation to Sino-Forest on behalf of the Directors Settlement Class, and which includes those class members in the U.S. Class Action. The Directors do not admit to any wrongdoing or liability. The terms of the proposed settlements do not involve the resolution of any claims against Sino-Forest Corporation, Allen T.Y. Chan or Kai Kit Poon.

A complete copy of the proposed Settlement Agreement and other information about these Proceedings is available on the website of Koskie Minsky LLP, at www.kmlaw.ca/sinoforestclassaction and on www.sinosettlement.com (collectively, the "**Class Action Websites**").

The Directors Settlement, if approved and its conditions fulfilled, provides that CAD\$750,000 (the "**Settlement Amount**") shall be paid into an interest bearing trust account until such time that it is distributed to class members pursuant to orders of the Ontario Superior Court and to pay legal fees, disbursements, and administrative expenses.

On December 10, 2012, the Court approved Sino-Forest's Plan of Compromise and Arrangement (the "**Plan**"). Pursuant to the Plan, all claims against W. Judson Martin, Edmund Mak, Simon Murray, and Peter Wang were limited to the proceeds of the responsive insurance policies that were available to pay such claims.

The Directors Settlement was reached based on considerations and considerable challenges related to the claims against the Directors, and the very limited insurance funds available (keeping in mind that pursuant to the Plan, all recovery against the Directors is limited only to available insurance proceeds). For further information regarding all the factors in favour of the Directors Settlement, please see the Class Action Websites.

As part of the settlement, the Ontario Proceeding will be dismissed against W. Judson Martin, Edmund Mak, Simon Murray, and Peter Wang. Such order will be final and binding on the

members of the Directors Settlement Class and there will be no ability to pursue a claim against W. Judson Martin, Edmund Mak, Simon Murray, and Peter Wang for these matters.

Hearing to (a) Expand the Ontario Class; (b) Approve the Directors Settlement; (c) Approve Class Counsel Fees; and (d) Approve the Distribution Protocol of the Directors Settlement

On November 16, 2016, at 8:30 a.m. (ET), there will be a hearing before the Ontario Superior Court of Justice at which Class Counsel will seek that Court's approval of: (a) the expansion of the Ontario Class to the Directors Settlement Class; (b) the Directors Settlement Agreement; (c) the fees and expense reimbursement requests of Class Counsel; and (d) the method of distribution of the Directors Settlement funds ("**Distribution Protocol**") (together, the "**Ontario Approval Motion**").

The hearing will be held at the Canada Life Building, 330 University Avenue, 8th Floor, Toronto, Ontario. The exact courtroom number will be available on a notice board on the 8th Floor.

At the Ontario Approval Motion, the court will determine whether the Directors Settlement is fair, reasonable, and in the best interests of the class members.

At that hearing, Class Counsel will also seek court approval of its request for fees and expense reimbursements ("**Class Counsel Fees**"). As is customary in class actions, Class Counsel is prosecuting and will continue to prosecute this class action on a contingent fee basis. Class Counsel is paid only where there is recovery for the class, and Class Counsel funds the out-of-pocket expenses of conducting the litigation in the interim. Class Counsel will be requesting the following fees and disbursements to be deducted from the Settlement Amount before it is distributed to Class:

Siskinds LLP and Koskie Minsky LLP:

Amount requested: Up to \$131,250.00 plus disbursements (expenses), plus taxes

Expenses incurred or payable relating to notification, implementation, and administration of the settlement ("**Administration Expenses**") will also be paid from the Settlement Amount.

At the Ontario Approval Motion, the court will be asked to determine whether the Distribution Protocol for the Directors Settlement is fair and reasonable.

The court materials in support of these motions will be posted on the Class Action Websites prior to the hearing.

All members of the Class may attend the hearing of the Ontario Approval Motion and ask to make submissions regarding the proposed settlement with W. Judson Martin, Edmund Mak, Simon Murray, and Peter Wang, the discontinuance of the Quebec Action against the Directors, the expansion of the Ontario class, and the Distribution Protocol.

Hearing to Discontinue the Quebec Action

On November 17, 2016, at 10:00 a.m. (ET), there will be a hearing before the Quebec Superior Court of Justice at which Class Counsel will seek that Court's approval of the discontinuance of the Quebec Action against the Directors. The hearing will be held at Palais de justice de Québec, 300, boulevard Jean-Lesage, Québec, Québec G1K 8K6. All members of the Class may attend the hearing of the Quebec discontinuance motion Approval Motion and ask to make submissions regarding the discontinuance of the Quebec Action against the Directors.

Persons intending to object to the approval of:

- (a) the Directors Settlement Agreement;**
- (b) the Distribution Protocol;**
- (c) the Class Counsel Fees request;**
- (d) the expansion of the Ontario class; or**
- (e) the Quebec Discontinuance against the Directors.**

are required to deliver by mail or email a Notice of Objection, substantially in the form that can be found on the Class Action Websites to Siskinds LLP no later than November 9, 2016. Copies of the Notices of Objection sent to Siskinds LLP will be filed with the Ontario Superior Court and the Quebec Superior Court.

Further Information

If you would like additional information, please contact Koskie Minsky LLP or Siskinds LLP using the information below:

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Re: Sino-Forest Class Action
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Interpretation

If there is a conflict between the provisions of this notice and the Settlement Agreement, the terms of the Settlement Agreement will prevail.

Please do not direct inquiries about this notice to the Ontario Superior Court. All inquiries should be directed to Class Counsel.

DISTRIBUTION OF THIS NOTICE HAS BEEN AUTHORIZED BY THE ONTARIO
SUPERIOR COURT OF JUSTICE AND THE QUEBEC SUPERIOR COURT OF JUSTICE