

Re Sino-Forest Corporation and Trustees of Labourers' Fund v. Sino-Forest

**CLAIMS AND DISTRIBUTION PROTOCOL
Distribution Of EY Compensation Fund To Securities Claimants**

1. The following definitions apply in this Schedule:
 - (a) "2011 Notes" means the aggregate principal amount of US\$300,000,000 of 9.125% Guaranteed Senior Notes due 2011.
 - (b) "ACB" means the adjusted cost base for the purchase of share or notes (as the case may be), inclusive of brokerage commissions.
 - (c) "Allocation System" means the method of determining the Compensable Loss assigned to a claim in order determine the amount of compensation to be awarded for that claim (as set out below). This is based on the Securities Claimant's estimated losses attributable to misrepresentations in Sino-Forest's public disclosure and risk adjustments to account for the liability risks for different categories of Securities Claimants.
 - (d) "Claims Administrator" means NPT RicePoint Class Action Services Inc.
 - (e) "Claim Form" means a written claim in the prescribed form seeking compensation from the EY Compensation Fund.
 - (f) "Claimant" means any person, other than the Noteholders, making a claim as purporting to be a Securities Claimant or on behalf of a purported Securities Claimant, with proper authority (as determined by the Claims Administrator or Class Counsel).
 - (g) "Class Counsel Fees" means the aggregate of the fees and disbursements of Koskie Minsky LLP, Siskinds LLP, Paliare Roland Rothstein Rosenberg LLP, Siskinds, Desmeules senclr, Kessler, Topaz, Meltzer & Check, LLP and Cohen Millstein Sellers & Toll PLLC (including taxes) as provided in the EY Allocation Order;
 - (h) "Compensable Damages" mean the amount of a Claimant's damages for each type of purchase of securities after accounting for Offset Profits for those purchases.
 - (i) "Compensable Loss" is the sum of the Claimant's damages after Offset Profits are deducted and risk adjustments applied for each type of purchase.
 - (j) "Distribution Record Date" has the meaning ascribed to that term in the Plan.
 - (k) "Excluded Claims" means
 - (i) a claim by or on behalf of any Noteholder in respect of Notes held as of the Distribution Record Date;
 - (ii) a claim in respect of a purchase in the June 2007 offering of shares or any earlier offering other than the May 2004 offering;

- (iii) a claim in respect of a purchase in any note offering that occurred before the offering for the 2011 Notes on August 17, 2004;
 - (iv) a claim by on behalf of any person or entity for securities purchased on or after August 26, 2011; and
 - (v) a claim by or on behalf of any person or entity that is as of the date of the EY Settlement Approval Order a named defendant to any of the Class Actions (as defined in the Plan), Albert Ip, Alfred C.T. Hung, George Ho and Simon Yeung and their past and present subsidiaries, affiliates officers, directors, senior employees, partners, legal representatives heirs predecessors, successors and assigns, and any individual who is a member of the immediate family of Allen T.Y. Chan a.k.a. Tak Yuen Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West, Albert Ip, Alfred C.T. Hung, George Ho and Simon Yeung.
- (l) “EY Allocation Order” means the order approving the claims process for the distribution of the Ernst & Young settlement.
 - (m) “EY Compensation Fund” means the Settlement Fund less Class Counsel Fees, costs of administration of the Settlement Trust (including taxes), payment to Claims Funding International and any expenses and taxes relating to the notice of the settlement approval hearing, notice of the fee and allocation hearing and notice of this claims and distribution protocol.
 - (n) “EY Settlement Approval Order” means the order of Morawetz J. dated March 20, 2013, approving the Ernst & Young settlement.
 - (o) “FIFO” means the method applied to the holdings of Securities Claimants who made multiple purchases or sales such that sales of securities will be matched, in chronological order, first against securities first purchased.
 - (p) “Initial Consenting Noteholders” has the meaning ascribed to that term in the Plan.
 - (q) “Notes” has the meaning ascribed to that term in the Plan.
 - (r) “Noteholders” has the meaning ascribed to that term in the Plan.
 - (s) “Offset Profits” means the total increase in inflation of each security sold by a Securities Claimant prior to June 2, 2011 where such security was purchased after March 19, 2007. Such inflation for Sino-Forest securities shall be determined by Frank Torchio of Forensic Economics, in consultation with Class Counsel.
 - (t) “Ontario Class Action” means the action commenced against Sino-Forest Corporation and others in the Ontario Superior Court of Justice, bearing (Toronto) Court File No. CV-11-431153-00CP.
 - (u) “Plan” means the Plan of Compromise and Reorganization of Sino-Forest Corporation, sanctioned and approved pursuant to the Plan Sanction Order of Morawetz J. dated December 10, 2012.

- (v) “Quebec Class Action” means the action commenced against Sino-Forest Corporation and others in the Quebec Superior Court, bearing Court File No. 200-06-000132-111.
- (w) “Risk Adjusted Damages” mean the Compensable Damages for each type of purchase of securities, after it has been adjusted by a risk adjustment.
- (x) “Risk Adjusted Loss” means the sum of the Risk Adjusted Damages for each type of purchase of securities.
- (y) “Sale Price” means the price at which the Claimant disposed of shares or notes, taking into account any commissions paid in respect of the disposition, such that the Sale Price reflects the economic benefit the Claimant received on disposition.
- (z) “Securities Claimants” have the meaning ascribed to that term in the EY Settlement Approval Order.
- (aa) “Settlement Fund” has the meaning ascribed to that term in the EY Settlement Approval Order”
- (bb) “Settlement Trust” has the meaning ascribed to that term in the EY Settlement Approval Order”
- (cc) “Tradegate Purchasers” means all Securities Claimants who acquired shares over the Tradegate Exchange and who are not members of the Ontario Class Action, Quebec Class Action or US Class Action.
- (dd) “US Class Action” means the action commenced against Sino-Forest Corporation and others in the United States District Court (SDNY), bearing Court File No. 1:12-cv-01726-VM.

2. The Claims Administrator shall distribute the EY Compensation Fund as set out below.

Goal

3. The goal is to divide the EY Compensation Fund among Securities Claimants who submit valid and timely claims provided that Noteholders are not required to submit a claim in order to receive their allocation of the EY Compensation Fund provided in paragraph 8. This division among Securities Claimants, other than Noteholders who shall receive the allocation provided in paragraph 8, is based on a *pro rata* distribution that takes into account the risk adjustments of the Allocation System.

Deadline for Claims

4. Any person, other than the Noteholders, who wishes to claim compensation shall deliver to or otherwise provide the Claims Administrator a Claim Form by February 14, 2014 or such other date set by the Court. If the Claims Administrator does not receive a Claim

Form from a Claimant by the deadline, then the Claimant shall not be eligible for any compensation whatsoever.

Processing Claim Forms

5. The Claims Administrator shall review each Claim Form and verify that the Claimant is eligible for compensation, as follows:
 - (a) For a Claimant claiming as a Securities Claimant, the Claims Administrator shall be satisfied that (i) the Claimant is a Securities Claimant; and (ii) the claim is not an Excluded Claim.
 - (b) For a Claimant claiming on behalf of a Securities Claimant or a Securities Claimant's estate, the Claims Administrator shall be satisfied that (i) the Claimant has authority to act on behalf of the Securities Claimant or the Securities Claimant's estate in respect of financial affairs; (ii) the person or estate on whose behalf the claim was submitted is a Securities Claimant; and (iii) the claim is not an Excluded Claim.
6. The Claims Administrator shall review the Claim Forms and assign the Compensable Loss to the claims prescribed by the Allocation System.
7. The Claims Administrator shall take reasonable measures to verify that the Claimants are eligible for compensation and that the information in the Claim Forms is accurate. The Claims Administrator may make inquiries of the Claimants in the event of any concerns, ambiguities or inconsistencies in the Claim Forms.

Allocation and Payment of EY Compensation Fund

8. \$5,000,000 of EY Compensation Fund shall be allocated to the Noteholders. Such amount shall be paid to counsel to the Initial Consenting Noteholders (Goodmans LLP) in trust, for the benefit of the Noteholders as soon as practicable following final court approval of this Claims and Distribution Protocol.
9. Tradegate Purchasers who filed CCAA claims shall be treated as domiciled in Canada for the purposes of paragraph 10. Tradegate Purchasers who did not file CCAA claims shall be assigned a risk adjustment of 0.01 notwithstanding any other provision of this protocol.
10. As soon as possible after (i) all timely Claim Forms have been processed; (ii) the time to request a reconsideration for disallowed claims under paragraph 20 below has expired;

and (iii) all administrative reviews under paragraphs 21-22 have concluded, the Claims Administrator shall determine each Claimant's Risk Adjusted Loss as follows:

- (a) The ACB for each security purchased are determined using FIFO on a per security, per account, basis.
- (b) the securities purchased are divided into the types of securities described in the chart at paragraph 10(e).
- (c) For each type of purchase of securities, the damages for those purchases are calculated as follows:

Time of Sale of Securities	Damages
Sold before June 2, 2011	No damages
Sold from June 3 to August 25, 2011	(#of securities sold) X (ACB - Sale Price)
Sold or held after August 25, 2011	
<i>Shares</i>	(#of shares sold or held) X (ACB per share - CAD\$1.40)
<i>2013 Notes</i>	(#of notes sold or held) X (ACB per note - USD\$283)
<i>2014 Notes</i>	(#of notes sold or held) X (ACB per note - USD\$276.20)
<i>2016 Notes</i>	(#of notes sold or held) X (ACB per note - USD\$283)
<i>2017 Notes</i>	(#of notes sold or held) X (ACB per note - USD\$289.80)

- (d) The damages for each type of purchase are reduced by subtracting the Claimant's Offset Profits for those purchases to obtain the Compensable Damages.
- (e) The Compensable Damages for each type of purchase are multiplied by the risk adjustment in the following chart to obtain the Risk Adjusted Damages:

Type of Purchase	Risk Adjustment
A. Share Purchases	
<u>(a) Primary Market (Mar. 2007-Aug. 2011)</u>	
June 09 and December 09 offering	1.00
<u>(b) Secondary Market (Mar. 2007-Aug. 2011)</u>	
<u>Canadian market or Canadian resident¹</u>	
March 19, 2007-March 17, 2008	0.10
March 18, 2008-August 11, 2008	0.30
August 12, 2008-June 2, 2011	0.45
June 3, 2011-August 25, 2011	0.15

¹ This is a reference to any purchase (a) on the Toronto Stock Exchange or any secondary market in Canada; or (b) by a person who is currently a Canadian resident or was at time of purchase.

If CCAA claim filed	0.25
<u>Over-The-Counter (OTC) Market in the US</u>	
March 19, 2007-March 17, 2008	0.10
March 18, 2008-August 25, 2011	0.35
<u>(c) Pre-Mar. 2007 Acquisitions (primary or secondary)</u>	
Shares acquired before March 19, 2007	0.01
If CCAA claim filed	0.10
<i>B. Note Purchases (excluding the Noteholders)</i>	
<u>(a) Primary Market (2013, 2014, 2016, 2017 notes)</u>	
2013, 2014, 2016, 2017 notes (Canadian) ²	0.15
2017 notes (non-Canadian)	0.10
2013, 2014 and 2016 notes (non-Canadian)	0.01
If CCAA claim filed	0.10
<u>(b) Secondary Market (2013, 2014, 2016, 2017 notes)</u>	
<u>Canadian market or Canadian resident (2013, 2014, 2016, 2017 notes)</u>	
July 17, 2008-August 11, 2008	0.20
August 12, 2008-June 2, 2011	0.35
June 3, 2011-August 25, 2011	0.15
If CCAA claim filed	0.25
<u>Non-Canadian market and non-Canadians (2013, 2014, 2016, 2017 notes)</u>	
July 17, 2008- August 25, 2011	0.25
<u>(c) 2011 Notes (primary or secondary)</u>	
Purchase of 2011 Notes	0.01

(f) The Compensable Loss is equal to the sum of the Risk Adjusted Damages for each type of purchase.

11. As soon as is practicable thereafter, the Administrator shall allocate the net amount of the EY Compensation Fund (after the payment in paragraph 8) to the eligible Claimant on a *pro rata* basis based upon each Claimant's Compensable Loss.

² This is a reference to any primary market note purchase (a) in a distribution in Canada; or (b) by a person who is currently a Canadian resident or was at time of purchase.

12. The Claims Administrator shall make payments to the eligible Claimants based on the allocation under paragraphs 10 and 11, subject to the following:
 - (a) The Claims Administrator shall not make payments to Claimants whose allocation under paragraphs 10 and 11 is less than \$5.00. Such amount shall instead be allocated *pro rata* to the other eligible Claimants.
 - (b) All Claimants, other than class members of the US Class Action that are not members of the Ontario or Quebec Class Actions, are required to pay 5% of any recovery, up to a maximum of \$5,000,000 in aggregate, to Claims Funding International (“CFI”). The Claims Administrator shall reserve 5% of the allocation to Claimants, other than class members of the US Class Action that are not members of the Ontario or Quebec Class Actions, for payment to CFI, up to a maximum of \$5,000,000.
 - (c) The Claims Administrator shall make payment to a Claimant by either bank transfer or by cheque to the Claimant at the address provided by the Claimant or the last known postal addresses for the Claimant. If, for any reason, a Claimant does not cash a cheque within 6 months after the date of the cheque, the Claimant shall forfeit the right to compensation and the funds shall be distributed in accordance with paragraph 13.

Remaining Amounts

13. If there are amounts remaining after payment to Securities Claimants have been made under paragraphs 10 to 12 and all other financial commitments have been met pursuant to the EY Allocation Order or in order to implement the settlement, then the remaining amount shall be held in the Settlement Trust and paid out for the purposes of future disbursements in the Ontario, Quebec or US Class Actions.
14. If there has been full and final settlements of the Ontario, Quebec and US Class Actions or final judgments against the defendants in those actions (such that there is no prospect of additional amounts being added to the Settlement Trust), then payment of any remaining balance from the Settlement Trust shall be determined by further motion before the Court.

Completion of Claim Form

15. If, for any reason, a living Securities Claimant is unable to complete the Claim Form then it may be completed by the Securities Claimant’s personal representative or a member of the Securities Claimant’s family.

Irregular Claims

16. The claims process is intended to be expeditious, cost effective and “user friendly” and to minimize the burden on Securities Claimants. The Claims Administrator shall, in the absence of reasonable grounds to the contrary, assume the Securities Claimants to be acting honestly and in good faith.
17. Where a Claim Form contains minor omissions or errors, the Claims Administrator shall correct such omissions or errors if the information necessary to correct the error or omission is readily available to the Claims Administrator.
18. The claims process is also intended to prevent fraud and abuse. If, after reviewing any Claim Form, the Claims Administrator believes that the claim contains unintentional errors which would materially exaggerate the Compensable Loss to be awarded to the Claimant, then the Claims Administrator may disallow the claim in its entirety or make such adjustments so that an appropriate Compensable Loss is awarded to the Claimant. If the Claims Administrator believes that the claim is fraudulent or contains intentional errors which would materially exaggerate the Compensable Loss to be awarded to the Claimant, then the Claims Administrator shall disallow the claim in its entirety.
19. Where the Claims Administrator disallows a claim in its entirety, the Claims Administrator shall send to the Claimant at the address provided by the Claimant or the Claimant’s last known email or postal address, a notice advising the Claimant that he or she may request the Claims Administrator to reconsider its decision. For greater certainty, a Claimant is not entitled to a notice or a review where a claim is allowed but the Claimant disputes the determination of Compensable Loss or his or her individual compensation.
20. Any request for reconsideration must be received by the Claims Administrator within 21 days of the date of the notice advising of the disallowance. If no request is received within this time period, the Claimant shall be deemed to have accepted the Claims Administrator’s determination and the determination shall be final and not subject to further review by any court or other tribunal.
21. Where a Claimant files a request for reconsideration with the Claims Administrator, the Claims Administrator shall advise Class Counsel of the request and conduct an

administrative review of the Claimant's complaint.

22. Following its determination in an administrative review, the Claims Administrator shall advise the Claimant of its determination. In the event the Claims Administrator reverses a disallowance, the Claims Administrator shall send the Claimant at the Claimant's last known postal address, a notice specifying the revision to the Claims Administrator's disallowance.
23. The determination of the Claims Administrator in an administrative review is final and is not subject to further review by any court or other tribunal.
24. Data from each Claim Form shall be retained such that a Claimant is not required to file further claim forms in any future settlement or distribution.
25. The failure to file a timely valid Claim Form shall not prejudice any person's ability to file a claim form in any future settlement or distribution.
26. Any matter not referred to above shall be determined by analogy by the Claims Administrator in consultation with Class Counsel.