

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

D. KINGSLEY SNELGROVE

Plaintiff

- and -

CATHAY FOREST PRODUCTS CORP., ANTHONY NG  
LUC PERRON, JOHN DUNCANSON, JOHN HOUSSER  
RAYMOND LO and PAUL WONG

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**PLAN OF ALLOCATION**

(Supplement to the Settlement Agreement, dated August 21, 2013)

**DEFINED TERMS**

1. For the purposes of this Plan of Allocation, the definitions set out in the Settlement Agreement dated August 21, 2013 apply to and are incorporated herein and, in addition, the following definitions apply:
  - (a) “**Acquisition Expense**” means the total monies paid by the Claimant (including brokerage commissions) to acquire Eligible Shares;
  - (b) “**Allocation Pool**” means the Settlement Amount remaining in the Escrow Account after payment of Administration Expenses and Class Counsel Fees. For greater certainty, Allocation Pool includes the after tax amount of any accrued interest income on the Settlement Amount;
  - (c) “**Claimant**” means a Class Member who submits a properly completed Claim Form and all required supporting documentation to the Administrator, on or before the Claims Bar Deadline;

- (d) “**Disposition Proceeds**” means the total proceeds paid to the Claimant (without deducting any commissions paid in respect of the dispositions) in consideration of the sale of all of his/her/its Eligible Shares; provided, however, that with respect to any Eligible Shares that the Claimant continues to hold, they shall be deemed to have been disposed of for nil consideration (i.e., disposed of for CAD \$0.00);
- (e) “**FIFO**” means the principle of first-in, first-out, wherein securities are deemed to be sold in the same order that they were purchased (i.e. the first Shares/Eligible Shares purchased are deemed to be the first Shares/Eligible Shares sold); and which requires, in the case of a Claimant who held Shares at the commencement of the Class Period, that those Shares be deemed to have been sold completely before Eligible Shares are sold or deemed sold;
- (f) “**Net Loss**” means that the Claimant’s Disposition Proceeds are less than the Claimant’s Acquisition Expense; and
- (g) “**Nominal Entitlement**” means an Authorized Claimant’s nominal damages as calculated pursuant to the formulae set forth herein, and which forms the basis upon which each Authorized Claimant’s *pro rata* share of the Allocation Pool is determined.

#### **CALCULATION OF NET LOSS AND NOMINAL ENTITLEMENT**

2. The Allocation Pool will be distributed in accordance with this Plan of Allocation.
3. A Claimant must have sustained a Net Loss in order to be eligible to receive a payment from the Allocation Pool. A Claimant that has not suffered a Net Loss as calculated under this Plan of Allocation will not be entitled to receive any portion of the Allocation Pool.
4. The Administrator shall first determine whether a Claimant has sustained a Net Loss. If the Claimant has sustained a Net Loss, they become an Authorized Claimant, and the Administrator will go on to calculate the Authorized Claimant’s Nominal Entitlement.

5. The Administrator will apply FIFO to distinguish the sale of Shares held at the beginning of the Class Period from the sale of Eligible Shares and will continue to apply FIFO to determine the purchase transactions which correspond to the sale of Eligible Shares.
6. The date of a purchase, sale or deemed disposition shall be the trade date, as opposed to the settlement date of the transaction or the payment date.
7. The Administrator shall account for any splits or consolidations that occur during and after the Class Period, such that Authorized Claimants' holdings for the purposes of the calculations are completed in units equivalent to those traded during the Class Period.
8. The Administrator will use the data, derived from applying FIFO, in the calculation of an Authorized Claimant's Nominal Entitlement according to the formulae below. The formulae reflect the opinion of the Plaintiff's valuation and damages expert, based on certain assumptions (aside from liability).<sup>1</sup>

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<sup>1</sup> Namely, that:

- (a) Share prices were artificially inflated between November 9, 2009 and February 4, 2011;
- (b) Cathay shareholders who purchased Shares in the Class Period and held those Shares through either or both of December 1, 2010 and February 4, 2011 sustained damages;
- (c) for Shares purchased from November 9, 2009 to and including November 30, 2010 and held through December 1, 2010, damage per Share is equivalent to the artificial inflation of CAD \$0.08 per Share removed on December 1, 2010;
- (d) for Shares purchased on or after December 1, 2010 and held on February 4, 2011, damage per Share is equivalent to notional artificial inflation of CAD \$0.38 per Share that is very likely to have been removed on February 4, 2011 if Shares had continued to trade publicly at that time; and
- (e) for Shares purchased from November 9, 2009 to and including November 30, 2010 and held through both of December 1, 2010 and February 4, 2011, damage per Share is equivalent to the aggregate of the per Share artificial inflation amounts in (c) and (d) above, i.e. damage per Share is CAD \$0.46.

9. An Authorized Claimant's Nominal Entitlement will be calculated as follows:
- I. **No Nominal Entitlement shall be recognized for any Eligible Shares *purchased and disposed of before December 1, 2010;***
  - II. **For Eligible Shares *purchased before December 1, 2010 and disposed of from December 1, 2010 to January 31, 2011, the Nominal Entitlement shall be the lesser of:***
    - A. an amount equal to the number of Eligible Shares thus disposed of, multiplied by the difference between the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof) and the price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
    - B. the sum of the Eligible Shares disposed of multiplied by CAD \$0.08.
  - III. **No Nominal Entitlement shall be recognized for any Eligible Shares *purchased and disposed of between December 1, 2010 and January 31, 2011.***
  - IV. **For Eligible Shares *purchased from December 1, 2010 to and including January 31, 2011 and still held on February 4, 2011, the Nominal Entitlement shall be the lesser of:***
    - A. an amount equal to the number of Eligible Shares held on February 4, 2011 multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or
    - B. the sum of Eligible Shares held on February 4, 2011 multiplied by CAD \$0.38.
  - V. **For Eligible Shares *purchased before December 1, 2010 and still held on February 4, 2011, the Nominal Entitlement shall be the lesser of:***

- A. an amount equal to the number of Eligible Shares held on February 4, 2011 multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or
  - B. the sum of Eligible Shares held on February 4, 2011 multiplied by CAD \$0.46.
10. In determining whether a Claimant has sustained a Net Loss and calculating an Authorized Claimant's Nominal Entitlement, transactions in Eligible Shares in any foreign currency shall be converted to Canadian currency, based on the Bank of Canada noon exchange rate between the Canadian dollar and the foreign currency on the date on which the Administrator calculates the Nominal Entitlements of Authorized Claimants. All Nominal Entitlements shall be recorded in Canadian currency.

#### **FINAL DISTRIBUTION**

11. Each Authorized Claimant's actual compensation shall be the portion of the Allocation Pool equivalent to the ratio of his, her or its Nominal Entitlement to the total Nominal Entitlements of all Authorized Claimants multiplied by the Allocation Pool, as calculated by the Administrator.
12. Compensation shall be paid to Authorized Claimants in Canadian currency.
13. The Administrator will not distribute entitlements of less than CAD \$5.00 to Class Members. Such amounts will instead be redistributed *pro rata* to the other Authorized Claimants.
14. The Administrator shall be authorized to distribute the Allocation Pool in accordance with this Plan of Allocation upon having received and reviewed the Claim Forms submitted by the Claims Bar Deadline without further order of the Court.
15. If, one hundred eighty (180) days from the date on which the Administrator distributes the Allocation Pool to Authorized Claimants, the Escrow Account remains in a positive balance (whether due to tax refunds, uncashed cheques, or otherwise), the Administrator shall, if feasible, reallocate such balance among the Authorized Claimants in an equitable

and economic fashion. In the event any such remaining balance is less than CAD \$25,000.00 or less than \$5.00 per Claimant, the Administrator will donate such balance to the Small Investor Protection Association (Canada), *cy pres*.