

# **SINO-FOREST SECURITIES LITIGATION**

## **NOTICE OF PROPOSED SETTLEMENT WITH INDEPENDENT DIRECTORS**

**William Ardell, James Bowland, James Hyde and Garry West**

**TO:** the Class, as defined below

**READ THIS NOTICE CAREFULLY AS IT MAY AFFECT YOUR LEGAL RIGHTS.  
YOU MAY NEED TO TAKE PROMPT ACTION**

### **IMPORTANT DEADLINES**

**Objection Deadlines** (for those who wish to object or make submissions regarding the proposed settlement with the Independent Directors. See pages 3 & 4 for more details)

**March 22, 2016**

### **Background of Sino-Forest Class Action and CCAA Proceeding**

In June and July of 2011, class actions were commenced in the Ontario Superior Court of Justice (the "Ontario Proceeding") and the Quebec Superior Court (the "Quebec Proceeding") by certain plaintiffs (the "Canadian Plaintiffs") against Sino-Forest Corporation ("Sino-Forest"), its officers and directors, its auditors, a consulting company, its senior officers and directors, and its underwriters.

Since that time, the litigation has been vigorously contested. On March 30, 2012, Sino-Forest obtained creditor protection under the *Companies' Creditors Arrangement Act* (the "CCAA"), and the Ontario Superior Court ordered a stay of proceedings against the company and other parties (the "CCAA Proceeding"). Orders and other materials relevant to the CCAA Proceeding can be found at the CCAA Monitor's website at <http://cfcanada.fticonsulting.com/sfc/> (the "Monitor's Website").

On December 10, 2012, the Court approved Sino-Forest's Plan of Compromise and Arrangement (the "Plan"). Pursuant to the Plan, all claims against the Independent Directors were limited to the proceeds of the responsive insurance policies that were available to pay such claims.

Shortly prior to the commencement of the CCAA Proceeding, the Plaintiffs entered into a settlement agreement with Pöyry (Beijing) Consulting Company Limited (the "Pöyry Settlement"). The Pöyry Settlement was approved by courts in Ontario and Québec, and January 15, 2013 was fixed as the date by which members of the class could opt of the Ontario

Proceeding. The opt out period has now expired. No person may now opt out of the Ontario Proceeding.

To date, the claims in the Proceedings against the defendants Ernst & Young, David J. Horsley, and the underwriters have also been settled and approved by the Ontario Superior Court. Those settlements have been recognized by the United States Bankruptcy Court in the Chapter 15 Proceeding.

On January 12, 2015, the Ontario Superior Court certified the Ontario Proceeding and granted leave to the Plaintiffs to pursue claims made pursuant to Part XXIII.1 of the Ontario *Securities Act* (and equivalent legislation in other Provinces) as against Sino-Forest, BDO Limited, Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, and Garry J. West.

### **Who Acts for the Class**

Koskie Minsky LLP and Siskinds LLP (collectively, “Class Counsel”) represent the Class in the Ontario Proceeding. If you want to be represented by another lawyer, you may hire one to appear in court for you at your own expense.

You will not have to directly pay any fees or expenses to Class Counsel. However, Class Counsel will seek to have their fees and expenses paid from any money obtained for the class or paid separately by the defendants.

### **Proposed Settlement with the Independent Directors**

The Plaintiffs have entered into a proposed settlement with the Independent Directors (the “Settlement Agreement”). The Settlement Agreement would settle all claims which were made or which could have been made against the Independent Directors in relation to Sino-Forest including the allegations in the Ontario Proceeding. The Independent 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, Allen T.Y. Chan, Kai Kit Poon, Edmund Mak, Simon Murray, and Peter Wang.

For an update on CCAA orders affecting Sino-Forest, please see the Monitor’s Website. 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](http://www.kmlaw.ca/sinoforestclassaction) and on [www.sinosettlement.com](http://www.sinosettlement.com) (collectively, the “Class Action Websites”).

The Settlement Agreement, if approved and its conditions fulfilled, provides that CAD\$250,000 (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 and disbursements.

The settlement was reached based on considerations and considerable challenges related to the claims against the Independent Directors, and the very limited insurance funds available (keeping in mind that pursuant to the CCAA Plan of Compromise and Arrangement, all claims against the Independent Directors are limited only to available insurance proceeds). For further

information regarding all the factors in favour of the Independent Directors Settlement, please see the affidavit of Garth Myers and other settlement approval materials on the class action websites.

In return, the Ontario Proceeding will be dismissed against the Independent Directors. Such order will be final and binding and there will be no ability to pursue a claim against the Independent Directors through an opt-out process under class proceedings or similar legislation.

The proposed settlement with the Independent Directors is subject to court approval, as discussed below.

### **Who is Entitled to Make a Claim in the Independent Directors Settlement**

Unlike previous settlements in the Ontario Proceeding, only claims on behalf of members of the Class in the Ontario Proceeding will be considered for compensation in the Independent Directors Settlement.

The "Class" is defined as:

- (i) 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
- (ii) 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;

"**Securities**" means Sino's common shares and notes;

"**Class Period**" means the period from and including March 19, 2007 to and including June 2, 2011;

"**December 2009 Offering Memorandum**" means Sino's Final Offering Memorandum, dated December 10, 2009, relating to the distribution of Sino's 4.25% Convertible Senior Notes due 2016 which Sino filed on SEDAR on December 11, 2009;

"**December 2009 Prospectus**" means Sino's Final Short Form Prospectus, dated December 10, 2009, which Sino filed on SEDAR on December 11, 2009;

"**Excluded Persons**" means the defendants, 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 an Individual Defendant;

**“Individual Defendants”** means Allen T.Y. Chan, W. Judson Martin, Kit Kai Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, and Garry J. West, collectively;

**“June 2007 Prospectus”** means Sino’s Short Form Prospectus, dated June 5, 2007, which Sino filed on SEDAR on June 5, 2007;

**“July 2008 Offering Memorandum”** means the Final Offering Memorandum dated July 17, 2008, relating to the distribution of Sino’s 5% Convertible Senior Notes due 2013 which **Sino** filed on **SEDAR** as a schedule to a material change report on July 25, 2008;

**“June 2009 Prospectus”** means Sino’s Final Short Form Prospectus, dated June 1, 2009, which Sino filed on SEDAR on June 1, 2009;

**“June 2009 Offering Memorandum”** means Sino’s Exchange Offer Memorandum dated June 24, 2009, relating to an offer to exchange Sino’s Guaranteed Senior Notes due 2011 for new 10.25% Guaranteed Senior Notes due 2014 which Sino filed on SEDAR as a schedule to a material change report on June 25, 2009;

**“October 2010 Offering Memorandum”** means the Final Offering Memorandum dated October 14, 2010, relating to the distribution of Sino’s 6.25% Guaranteed Senior Notes due 2017;

**“Offering”** means the primary distributions of Sino’s Securities that occurred during the Class Period including the public offerings of Sino’s common shares pursuant to the June 2007, June 2009 and December 2009 Prospectuses, as well as the offerings of Sino’s notes pursuant to the July 2008, June 2009, December 2009, and October 2010 Offering Memoranda, collectively;

**Hearing to Approve the Settlement Agreement, and Class Counsel Fees on March 29, 2016 in Toronto, Ontario**

On March 29, 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 i) the Independent Directors Settlement Agreement; and ii) the fees and expense reimbursement requests of Class Counsel; (together, the “Ontario Approval Motion”). The hearing will be held at the Canada Life Building, 330 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario. The exact courtroom number will be available on a notice board on the 8<sup>th</sup> Floor.

At the Ontario Approval Motion, the court will determine whether the Independent Directors Settlement Agreement is fair, reasonable, and in the best interests of the Class. 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 Securities Claimants:

Siskinds LLP and Koskie Minsky LLP:

Amount requested: \$43,750 plus disbursements (expenses), plus taxes

The court materials in support of these fee and disbursement requests will be posted on the Class Action Websites prior to the Distribution Protocol and Fee Hearing.

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

All members of the Class may attend the hearing of the Ontario Approval Motion and ask to make submissions regarding the proposed settlement with the Independent Directors.

**Persons intending to object to the approval of the Independent Directors Settlement Agreement, the Allocation and Distribution protocol or fee and expense application are required to deliver a Notice of Objection, substantially in the form that can be found on the Class Action Websites, and, if this Notice is received by mail or email, enclosed with this Notice (the “Notice of Objection”), to Siskinds LLP by regular mail, courier, or email transmission, to the contact information indicated on the Notice of Objection, so that it is received by no later than March 22, 2016. Copies of the Notices of Objection sent to Siskinds LLP will be filed with the Ontario Superior Court.**

### **Further Information**

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

Garth Myers, Jonathan Ptak  
Koskie Minsky LLP  
20 Queen St. West, Suite 900, Box 52, Toronto, ON, M5H 3R3  
Re: Sino-Forest Class Action  
Tel: 1.866.474.1739 (within North America)  
Tel: 416.595.2158 (outside North America)  
Email: sinoforestclassaction@kmlaw.ca

Charles Wright, Daniel E.H. Bach  
Siskinds LLP  
680 Waterloo Street, P.O. Box 2520 London, ON N6A 3V8  
Re: Sino-Forest Class Action  
Tel: 1.800.461.6166 x 2380 (within North America)  
Tel: 519.672.2251 x 2380 (outside North America)  
Email: sinoforest@siskinds.com

### **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

**NOTICE OF OBJECTION**

**ONLY USE THIS FORM IF YOU DO NOT LIKE THE INDEPENDENT DIRECTORS SETTLEMENT OR THE COUNSEL FEE APPLICATION AND WISH TO OBJECT**

**TO: SISKINDS LLP**  
680 Waterloo Street  
PO Box 2520  
London, ON N6A 3V8

Attention: Nicole Young

Email: sinoforest@siskinds.com

**RE: SINO-FOREST CORPORATION — INDEPENDENT DIRECTORS SETTLEMENT**

I, \_\_\_\_\_ (please check all boxes that apply):  
(insert name)

- am a current shareholder of Sino-Forest Corporation
- am a former shareholder of Sino-Forest Corporation
- am a current noteholder of Sino-Forest Corporation
- am a former noteholder of Sino-Forest Corporation
- other (please explain)

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I acknowledge that pursuant to the order of Mr. Justice Morawetz dated February 17, 2016 (the “Order”), persons wishing to object to the Independent Directors Settlement, or the counsel fee application are required to complete and deliver this Notice of Objection to Siskinds LLP by mail, courier or email to be received by no later than 5:00 p.m. (Eastern Time) on March 22, 2016.

I hereby give notice that I object to the Independent Directors Settlement, or the counsel application for the following reasons (please attach extra pages if you require more space):

**ONLY SUBMIT AN OBJECTION IF YOU DO NOT LIKE THE INDEPENDENT DIRECTORS SETTLEMENT, OR THE COUNSEL FEE APPLICATION AND WISH TO OBJECT**

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- I DO NOT intend to appear at the hearing of the motion to approve the Independent Directors Settlement, or the Counsel Fee Application, and I understand that my objection will be filed with the court prior to the hearing of the motion at 8:30 a.m. on March 29, 2016, at 330 University Ave., 8th Floor Toronto, Ontario.
  
- I DO intend to appear, in person or by counsel, and to make submissions at the hearing of the motion to approve the Independent Directors Settlement, or the Counsel Fee Application, at 8:30 a.m. on March 29, 2016, at 330 University Ave., 8th Floor Toronto, Ontario.

**MY ADDRESS FOR SERVICE IS:**

**MY LAWYER'S ADDRESS FOR SERVICE IS (if applicable):**

Name:

Name:

Address:

Address:

Tel.:

Tel.:

Fax:

Fax:

Email:

Email:

**Date:** \_\_\_\_\_

**Signature:** \_\_\_\_\_