

GUIDE TO THE CLAIMS AND DISTRIBUTION PROTOCOL

This document is intended as a guide to understanding the Claims and Distribution Protocol. If anything in this summary is inconsistent with any provisions in the Claims and Distribution Protocol, the provisions in the Claims and Distribution Protocol will apply.

Background

Between 2011 and 2012, class actions were commenced against Sino-Forest and certain other defendants, including one of Sino-Forest's auditors, Ernst & Young LLP ("E&Y"). Subsequently, the plaintiffs in the class actions entered into a settlement with E&Y. Pursuant to the settlement agreement, E&Y will pay \$117,000,000 into a settlement trust to be distributed (after certain deductions and subject to certain exclusions) to the following persons and entities, referred to as "**Securities Claimants**":

All persons, wherever they may reside, who acquired any securities of Sino-Forest including securities acquired in the primary, secondary, and over-the-counter markets.

Q: What is the Claims and Distribution Protocol?

On March 20, 2013, the court approved the quantum of the settlement with E&Y. However, the method of distributing and allocating the \$117,000,000 was left to be determined at a later date. The court ordered that the lawyers representing the Securities Claimants ("**Class Counsel**") were to devise a method of distributing those funds to Securities Claimants. The document that sets out the method of distribution is called the "**Claims and Distribution Protocol**."

Q: How much money will be distributed to Securities Claimants?

The \$117,000,000 must be distributed to a variety of entities. Before being distributed to Securities Claimants, certain expenses must be deducted from that amount. Those expenses include lawyer fees, administration fees and payment to a third-party funder.

The amount that remains after the deduction of those expenses is called the "**EY Compensation Fund**."

Q: How will the money be distributed?

The group of Securities Claimants that held Sino-Forest notes as of January 16, 2013 ("Noteholders") will receive a lump sum payment of \$5,000,000 to be distributed amongst themselves. The Noteholders will not be entitled to any further distributions from the EY Compensation Fund.

PLEASE NOTE: Only notes that were held **as of January 16, 2013** will be treated in this manner. Claims for notes that were disposed of prior to January 16, 2013 will be treated in accordance with the steps below.

The Claims and Distribution Protocol sets out a process for calculating the amount of money that each Securities Claimant will receive from the EY Compensation Fund (after the distribution to Noteholders). There are a number of steps in this calculation.

Step 1: Calculating a Securities Claimant’s loss

The first step is determining the Securities Claimant’s loss from the acquisition of Sino-Forest securities.

To do this, the purchase price of the securities must first be determined. This is done by applying “first-in first-out” methodology (“**FIFO**”) to all purchases of each different type of securities held by a Securities Claimant. The different types of securities are set out at paragraph 10(e) of the Claims and Distribution Protocol. The purchase price of each type of security after applying FIFO is called the adjusted cost base (“**ACB**”) for those particular securities.

For each type of securities purchased, 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)

Step 2: Calculating Offset Profits

The next step is calculating the “**Offset Profits.**” If a Securities Claimant sold securities before June 2, 2011 (the date that the Muddy Waters report was released), that person may have inadvertently profited from the alleged misconduct at Sino-Forest. In order to remove the impact of these sales, profits attributable to the artificial inflation will be offset by subtracting them from losses. This will only apply to securities purchased after March 19, 2007.

Step 3: Calculating Compensable Damages

The damages for each type of securities purchased are reduced by subtracting the Securities Claimant’s Offset Profits for those purchases to obtain “**Compensable Damages**”.

Step 4: Assigning a Risk Adjustment Factor to Determine Compensable Loss

The next step is assigning a “**Risk Adjustment Factor**” to the different types of securities. Sino-Forest issued a variety of securities by different methods at different times. For example, a Securities Claimant may have acquired Sino-Forest i) shares via one or more prospectus offering; ii) notes via one or more offering memorandum; or iii) shares or notes on the secondary

market (e.g. the Toronto Stock Exchange) or on the Over-the-Counter market in the United States.

In addition, different Securities Claimants acquired and disposed of different securities at different times.

The type of security acquired, the method by which they were acquired, and the timing of the acquisition and disposition of those securities gives rise to different legal issues. Accordingly, the legal claims attaching to one type of security may be stronger or weaker than the claims attached to a different type of security. Class Counsel has assessed the relative strengths and weaknesses of different types of claims, and has assigned a different Risk Adjustment Factor to each of them. Stronger claims are assigned a higher Risk Adjustment Factor than weaker claims.

To determine a claimant's "**Compensable Loss**", the Compensable Damages for each type of security is multiplied by the Risk Adjustment Factor found in the table at paragraph 10(e) of the Claims and Distribution Protocol. The sum of those items for each claimant is the Securities Claimant's Compensable Loss.

Step 5: Pro Rata Allocation of Funds

After each Securities Claimant's Compensable Loss is determined, the balance of the EY Compensation Fund (after the \$5,000,000 payment to Noteholders as described above) will be allocated to eligible claimants other than the Noteholders on a *pro rata* basis based upon each claimant's Compensable Loss.

Step 6: Claims under \$5.00

Securities Claimants who's *pro rata* allocation described in Step 6 is less than \$5.00 will not be paid out. Instead, those amounts will be allocated *pro rata* to other eligible Securities Claimants.

Step 7: Payments to Securities Claimants

The claims administrator will make payment to Securities Claimants by either bank transfer or cheque.

Step 8: Remaining Amounts

If a Securities Claimant does not cash a cheque within 6 months after the date of the cheque, the Securities Claimant shall forfeit the right to compensation. Any amounts remaining will be held in the settlement trust and paid out for the purposes of future disbursements in the different class actions.

If there are full and final settlements or judgments in the class actions, then payment of any remaining balance from the settlement trust will be determined by the court.