

SINO-FOREST SECURITIES LITIGATION

NOTICE OF PROPOSED SETTLEMENT WITH BDO LIMITED

- and -

NOTICE OF APPROVAL OF DISTRIBUTION PROTOCOL(S) FOR THE BDO, HORSLEY AND DIRECTORS SETTLEMENT FUNDS

- and -

NOTICE OF DISCONTINUANCE OF QUEBEC ACTION

- and -

NOTICE OF EXPANSION OF ONTARIO PROCEEDING TO INCLUDE QUEBEC CLASS MEMBERS

TO: the Expanded Ontario Class (defined below on page 3).

**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) See pages 5 & 6 for more details)

November 9, 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. BDO Limited was not named as a defendant in the Quebec Proceeding.

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**”).

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 out of the Ontario Proceeding. At that time, the Ontario Proceeding included Quebec residents:

All persons and entities, wherever they may reside, who acquired Sino-Forest common shares, notes or other securities, as defined in the Ontario *Securities Act*, during the period from and including March 19, 2007 to and including June 2, 2011:

(b) by distribution in Canada or on the TSX or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino-Forest securities outside of Canada,

excluding 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 (the "**Excluded Persons**").

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

On January 12, 2015, the Ontario Superior Court: (a) certified the Ontario Proceeding; (b) 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; and (c) amended the class definition in the Ontario Proceeding as follows:

(i) all persons and entities, wherever they may reside, who acquired Sino-Forest's securities from and including March 19, 2007 to and including June 2, 2011 (the "Class Period") on the TSX or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired Sino-Forest'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's securities outside of Canada, except: those persons resident or domiciled in the Province of Quebec at the time they acquired Sino-Forest'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'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's securities by offering outside of Canada, except the Excluded Persons.

To date, the settlements with the defendants Ernst & Young, David J. Horsley, Credit Suisse Securities (Canada) Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (successor by merger to Banc of America Securities LLC) (the "Underwriters"), William Ardell, James Bowland, James Hyde and Garry West have been approved by the court.

For an update on CCAA orders affecting Sino-Forest, please see the Monitor's Website.

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 BDO (the "BDO Settlement")

The Plaintiffs have entered into a proposed settlement with BDO. The BDO Settlement is conditional on: (a) the approval of an order by the Superior Court of Quebec granting leave to discontinue the Quebec Action; and (b) an order in the Ontario Superior Court of Justice expanding the Ontario Class for BDO as follows:

(a) all persons and entities, wherever they may reside, who acquired Sino'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'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's Securities outside of Canada; and

(b) all persons and entities, wherever they may reside, who acquired Sino'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's Securities by offering outside of Canada, except the Excluded Persons (the "**Expanded Ontario Class**").

The BDO Settlement would settle all claims which were made or which could have been made against BDO in relation to Sino-Forest on behalf of the Expanded Ontario Class. BDO does 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, W. Judson Martin, Edmund Mak, Simon Murray, and Peter Wang.

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 BDO Settlement, if approved and its conditions fulfilled, provides that CAD\$8,774,348.63 (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.

The settlement was reached based on a consideration of the legal challenges related to the claims against BDO. For further information regarding all the factors in favour of the BDO Settlement, please visit the Class Action Websites.

As part of the settlement, the Ontario Proceeding will be dismissed against BDO. Such order will be final and binding on the Expanded Class Members and there will be no ability to pursue a claim against BDO for these matters. The proposed settlement with BDO is subject to court approval, as discussed below.

Who is Entitled to Make a Claim in the BDO Settlement and the Directors Settlement

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

Hearing to: (a) Expand the Ontario Class; (b) Approve the BDO Settlement; (c) approve Class Counsel Fees; (d) Approve the Distribution Protocol(s) of the BDO, Horsley, and the Independent Directors Settlement Funds; and (e) To Include the Expanded Ontario Class in the Independent Directors Settlement in Toronto, Ontario

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 Expanded Ontario Class and the extension of the Independent Directors Settlement (defined below) to the Expanded Ontario Class; (b) the BDO Settlement Agreement; (c) the fees and expense reimbursement requests of Class Counsel; (d) the method of distribution of the BDO, Horsley, and the Independent Directors settlement funds ("**Distribution Protocol**"); and (e) inclusion of the Expanded Ontario Class in the Independent Directors Settlement (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 BDO 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: \$1,535,511.00 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.

On March 29, 2016, the Ontario Superior Court approved the settlement in the Ontario Proceeding with William E. Ardell, James P. Bowland, James M.E. Hyde, and Garry J. West (the "**Independent Directors Settlement**"). At the Ontario Approval Motion, Class Counsel will also seek an order extending the Independent Directors Settlement to the Expanded Ontario Class, which includes Quebec residents. No additional compensation will be paid by the Independent Directors. This order will settle all claims which were made or which could have been made against the Independent Directors in relation to Sino-Forest on behalf of the Expanded Ontario Class.

On July 24, 2014, the Ontario Superior Court approved a settlement with David J. Horsley ("**Horsley Settlement**").

The settlement funds from the Independent Directors Settlement and Horsley Settlement have not yet been distributed to class members. Class Counsel have prepared proposed Distribution Protocol(s) which sets out, among other things the method by which the claims administrator will calculate the amount of compensation to be distributed to each class member from those settlement funds.

At the Ontario Approval Motion, the court will be asked to determine whether the Distribution Protocol(s) for the BDO Settlement, the Horsley Settlement, and the Independent Directors Settlement are fair and reasonable.

The court materials in support of: (a) the BDO Settlement; (b) Class Counsel fees and disbursements; (c) the Distribution Protocol(s); and (d) the expansion of the Ontario class and the discontinuance of the Quebec Action 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 BDO, the Independent Directors, the discontinuance of the Quebec Action, the expansion of the Ontario class, and the Distribution Protocol(s).

Hearing to Discontinue the Quebec Action

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. 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.

Persons intending to object to the approval of:

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

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 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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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