

SETTLEMENT AGREEMENT

Made as of the 28th day of July, 2016

Between

The Trustees of the Labourers' Pension Fund of Central and Eastern Canada, The Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario, Sjunde Ap-Fonden, David Grant, Robert Wong, Davis New York Venture Fund, Inc. and Davis Selected Advisers L.P. (the "**Ontario Plaintiffs**"), in their capacities as representative plaintiffs in the Action commenced in relation to Sino-Forest Corporation and certified in the Ontario Superior Court, Court File No. CV-15-525189-00CP, (the "**Ontario Action**"), Guining Liu (the "**Quebec Plaintiff**"), in its capacity as representative plaintiff in a proposed class action commenced in relation to Sino-Forest Corporation in the Quebec Superior Court, Court File No. 200-06-000132-111 (the "**Quebec Action**"), David Leopard and IMF Finance SA (the "**U.S. Plaintiffs**") in their capacities as plaintiffs named in a Verified Class Action Complaint in an action commenced in relation to Sino-Forest Corporation in the Supreme Court of the State of New York, County of New York, Index No. 65028/2012 (the "**U.S. Action**")

and

W. Judson Martin, Edmund Mak, Simon Murray, and Peter Wang

and

William Ardell, James Bowland, James Hyde and Garry West

(the "**Parties**")

MINUTES OF SETTLEMENT AND RELEASE

PART I - Settlement of Claims Against Martin, Mak, Muray, Wang, Ardell, Bowland, Hyde and West

1. Capitalized terms not otherwise defined shall have the meanings attributed to those terms in **Schedule "A"**.
2. These Minutes of Settlement and Release represent the agreement amongst the Parties, reached on July 28, 2016 (the "**Settlement and Release**"), to resolve in accordance with the terms more particularly set out herein any actions, causes of action, claims and/or

demands, known or unknown, which have been made against W. Judson Martin, Edmund Mak, Simon Murray, Peter Wang, William Ardell, James Bowland, James Hyde and Garry West (the "**Directors**") or which could have been made against the Directors by the Ontario Plaintiffs, the Quebec Plaintiffs, and the U.S. Plaintiffs (the "**Class Action Plaintiffs**"), based upon, arising out of, in relation to, in connection with or in any way related to Sino-Forest Corporation and its affiliates and subsidiaries, in the context of these proceedings or otherwise (collectively, the "**Claims**").

3. This Settlement Agreement is conditional on:
 - (a) the approval of an Order by the Superior Court of Quebec granting leave to discontinue the Quebec Action against the Directors (the "**Quebec Discontinuance Order**");
 - (b) the approval of an Order by the United States District Court of for the Southern District of New York granting leave to dismiss the U.S. Action against W. Judson Martin, Edmund Mak, William Ardell, James Bowland, James Hyde and Garry West with prejudice (the "**U.S. Dismissal Order**"); and
 - (c) an Order in the Ontario Superior Court of Justice expanding the Ontario Class as follows:
 - (a) 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 the Excluded Persons;
 - (b) 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;

- (c) all persons or entities who, from March 19, 2007 through August 26, 2011 purchased the common stock of Sino-Forest Corporation on the over-the-counter market and who were damaged thereby; and
- (d) all persons or entities who, from March 19, 2007 through August 26, 2011, purchased debt securities issued by Sino-Forest other than in Canada and who were damaged thereby.

(collectively, the "**Directors Settlement Class**")

- (d) an Order in the Ontario Superior Court of Justice certifying the Directors Settlement Class for settlement purposes and approving the Settlement and Release for the Directors Settlement Class materially in the form attached hereto as **Schedule "B"** (the "**Settlement Order**").
4. To the extent that such documents have not already been provided, the Directors shall provide all relevant documents in their possession to the Ontario Plaintiffs within 30 days of the Effective Date (defined below).
 5. Subject to the conditions herein, the terms of the Settlement and Release are binding on the Parties.
 6. The Directors make no admissions of liability and waive no defences available to them, with respect to the Claims or otherwise.

PART II - Implementation of the Settlement

7. The Parties shall use their best efforts to effectuate this settlement and obtain the Settlement Order, the Quebec Discontinuance Order and the U.S. Dismissal Order completely, promptly and finally.
8. The Ontario Plaintiffs will bring a motion to the Ontario Superior Court of Justice and the Quebec Superior Court for orders approving a notice program regarding the hearing to approve the Settlement and Release and the Quebec Discontinuance Order (the "**Notice Program**").

9. The Notice Program will be distributed as follows:
- (a) Koskie Minsky LLP, Siskinds LLP, Siskinds Desmeules sncrl and Cohen Milstein ("**Class Counsel**") shall provide or cause to be provided a copy of the notice (the "**Notice**") substantially in the form attached hereto as **Schedule "C"** directly, either electronically or by mail, to all individuals or entities who have contacted Class Counsel and counsel for the plaintiff in the Quebec Action, Siskinds Desmeules sncrl ("**Desmeules**"), regarding this action, and to any person or entity who requests a copy of the notice, provided such person has furnished his, her or its contact information to Class Counsel;
 - (b) copies of the Notice will be posted on the websites of Class Counsel;
 - (c) the Notice will be sent to the Service List in the Sino-Forest CCAA Proceeding;
 - (d) direct mailing of the Notice to all individuals and entities that have submitted claim forms in connection with the settlement with Ernst & Young LLP; and
 - (e) copies of the short-form notice (the "**Short Form Notice**") substantially in the form attached hereto as **Schedule "D"** will be published in the following publications:
 - (a) *The Globe and Mail*, in English, in one weekday print publication; and
 - (b) *La Presse*, in French, in one weekday digital publication.
10. The costs of the Notice Program attributable to the Directors Settlement and Release, to a maximum of \$50,000, will be paid by Chubb Insurance Company of Canada ("**Chubb**") pursuant to policy no. DO024464 issued by ACE-INA Insurance (now part of Chubb) (the "**ACE Policy**") on behalf of the Directors other than W. Judson Martin and by W. Judson Martin personally from the Class Settlement Fund (defined below) within fifteen (15) days of the costs being incurred irrespective of whether the Settlement and Release is approved by the Court (the "**Notice Cost**"). If the Settlement and Release is not approved, the Notice Cost will be non-refundable up to \$50,000 and the costs of the Notice Program exceeding \$50,000 shall be paid by Class Counsel

11. The Settlement and Release will become effective (the "**Effective Date**") when the Settlement Order, the Quebec Discontinuance Order and the U.S. Dismissal Order have been obtained and either: (a) all appeal rights have expired or (b) the applicable appellate courts of final jurisdiction have upheld the Settlement Order, the Quebec Discontinuance Order and the U.S. Dismissal Order.
12. In consideration of the undertakings and releases set out herein, an amount of CDN \$749,900 shall be paid to the Class Action Plaintiffs by Chubb pursuant to the ACE Policy on behalf of Edmund Mak, Simon Murray, Peter Wang, William Ardell, James Bowland, James Hyde and Garry West and an amount of CDN \$100 shall be paid to the Class Action Plaintiffs by W. Judson Martin personally (the "**Class Settlement Fund**") by means of deposits into an interest bearing trust account with a Canadian Schedule 1 bank in Ontario (the "**Settlement Trust**"), within seven (7) days following the Effective Date.¹
13. Upon payment of the Class Settlement Fund, the action under Court File No. CV-11-431153-00CP shall be dismissed as against the Directors but without prejudice to the Ontario Plaintiffs' right to proceed with the Ontario Action against other named defendants (subject to any limitations set out herein).
14. The Class Settlement Fund, together with the settlement funds paid on behalf of William Ardell, James Bowland, James Hyde and Garry West pursuant to the order of Justice Morawetz dated March 29, 2016 (the "**Independent Directors' Settlement**"), represents the full monetary contribution or payment of any kind to be made by W. Judson Martin

¹ These funds are addition to the settlement funds already paid by William Ardell, James Bowland, James Hyde and Garry West in accordance with the order of Justice Morawetz dated March 29, 2016.

and by Chubb on behalf of Edmund Mak, Simon Murray, Peter Wang, William Ardell, James Bowland, James Hyde, and Garry West in respect of the Claims against the Directors and is paid in full and final settlement of the Claims and all causes of action against the Directors inclusive of damages, costs, interest, legal fees, taxes (inclusive of any GST, HST, or any other taxes which may be payable in respect of the Settlement), all costs associated with the distribution of the Class Settlement Fund, all costs associated with the administration of the Settlement and any other monetary costs or amounts associated with the Settlement or otherwise.

15. Following the Effective Date:

- (a) no further proceedings shall be commenced or continued by the Class Action Plaintiffs against the Directors or against Chubb in respect of any Claims, other than as necessary to complete the Settlement;
- (b) the Class Action Plaintiffs agree not to claim from the non-settling Defendants in the Class Actions that portion of any damages which corresponds to the proportionate share of liability of the Directors, proven at trial or otherwise, such that the Directors and Chubb are not further exposed to the Claims, by any person or entity;
- (c) the Class Action Plaintiffs and the Directors will agree to a form of bar order as contained in the Settlement Order; and
- (d) the Class Action Plaintiffs and their respective counsel agree not to assist or cooperate with any other party in the Class Actions or any other proceeding in advancing Claims against the Directors or against Chubb. However, irrespective of this provision, the Class Action Plaintiffs reserve all rights with respect to the prosecution of the claims remaining against the non-settling Defendants.

16. This Settlement Agreement shall be terminated in the event that:

- (a) any of the Settlement Order, the Quebec Discontinuance Order and the U.S. Dismissal Order is not granted by the courts; or
- (b) any of the Settlement Order, the Quebec Discontinuance Order and the U.S. Dismissal Order is reversed on appeal and the reversal becomes final.

17. In the event this Settlement Agreement is terminated in accordance with paragraph 16, the parties shall take any and all steps to implement this paragraph 17:
- (a) the Parties will be restored to their respective positions prior to the execution of this Settlement Agreement;
 - (b) this Settlement Agreement will have no further force and effect and no effect on the rights of the Parties; and
 - (c) any Orders granted in the course of approving this Settlement Agreement, including any orders regarding the Notice of this Settlement Agreement, shall be set aside and declared null and void and of no force or effect and anyone shall be estopped from asserting otherwise.
18. For greater certainty, in the event of a termination of this Settlement Agreement, nothing herein shall be deemed to alter the terms of the Independent Directors' Settlement or any releases granted thereunder.

PART III - Opt Out Period

19. Following the approval of the Settlement Order, the following persons who were not part of the class certified on September 25, 2012 but who are members of the Directors Settlement Class, and who have not yet been granted the opportunity to opt out of this class action will be given the opportunity to opt out of the Directors Settlement Class:
- (a) all persons or entities who, from March 19, 2007 through August 26, 2011 purchased the common stock of Sino-Forest Corporation on the over-the-counter market other than in Canada and who were damaged thereby; and
 - (b) all persons or entities who, from March 19, 2007 through August 26, 2011, purchased debt securities issued by Sino-Forest other than in Canada and who were damaged thereby.
- (the "**New Class Members**")
20. Notice of settlement approval and opt out forms (the "**Approval and Opt Out Form**") will be distributed as follows:

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- (a) Class Counsel shall provide or cause to be provided a copy of an Approval and Opt Out Form directly, either electronically or by mail, to all individuals or entities who have been identified as New Class Members;
- (b) copies of the Approval and Opt Out Form will be posted on the websites of Class Counsel;
- (c) Cohen Milstein shall provide or cause to be provided a copy of the Approval and Opt Out Form directly, either electronically or by mail, to all individuals or entities who have contacted Cohen Milstein regarding this action, and to any person or entity who requests a copy of the notice, provided such person has furnished his, her or its contact information to Cohen Milstein;

(the "**Opt Out Notice Program**")

- 21. The period during which the New Class Members may opt out will begin running from the date that the Opt Out Notice Program is complete and will end sixty (60) days thereafter.
- 22. In order for the New Class Members to opt out of the Directors Settlement Class, they must send by a written election to opt out, signed by the New Class Member or the New Class Member's designee, by mail, courier, fax or email to the NPT Ricepoint Class Action Services (the "**Opt-Out Administrator**").
- 23. These Minutes of Settlement and Release may be executed by the parties or their counsel in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures by facsimile or email shall be effective as original signatures.

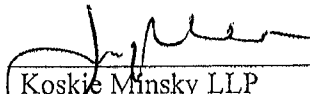
Date

Sept 13, 2016



Siskinds LLP
Lawyers for the Ontario Plaintiffs

Date *SEPT 13/14*


Koskie Minsky LLP
Lawyers for the Ontario Plaintiffs

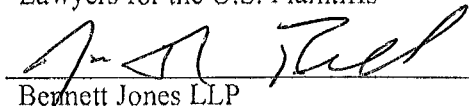
Date

Siskinds Desmeules sncrl
Lawyers for the Quebec Plaintiff

Date

Cohen Milstein Sellers & Toll PLLC
Lawyers for the U.S. Plaintiffs

Date *Sept. 13/16*


Bennett Jones LLP
Lawyers for W. Judson Martin, Edmund
Mak, Simon Murray and Peter Wang

Date

Chubb Insurance Company of Canada

Date

Osler, Hoskin & Harcourt LLP
Lawyers for William Ardell, James
Bowland, James Hyde and Garry West

Date

Koskie Minsky LLP
Lawyers for the Ontario Plaintiffs

Date

09/13/16

Siskinds Desmeules sncrl
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Lawyers for the Quebec Plaintiff

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Lawyers for the U.S. Plaintiffs

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Mak, Simon Murray and Peter Wang

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Bowland, James Hyde and Garry West

- 9 -

Date

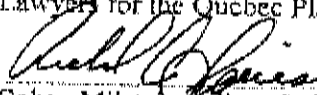
Koskie Minsky LLP
Lawyers for the Ontario Plaintiffs

Date

Siskinds Desmeules sencl
Lawyers for the Quebec Plaintiff

Date

9/13/16


Cohen Milstein Sellers & Toll PLLC
Lawyers for the U.S. Plaintiffs

Date

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Lawyers for W. Judson Martin, Edmund
Mak, Simon Murray and Peter Wang

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Bowland, James Hyde and Garry West

Date Koskie Minsky LLP
Lawyers for the Ontario Plaintiffs

Date

Siskinds Desmeules sncrl
Lawyers for the Quebec Plaintiff

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Mak, Simon Murray and Peter Wang

Date

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Date


Osler, Hoskin & Harcourt LLP
Lawyers for William Ardell, James
Bowland, James Hyde and Garry West

Schedule "A"

"**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;

"**SEDAR**" means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;