

SINO-FOREST CORPORATION ~~CLASS ACTION~~¹

**~~TO CURRENT AND FORMER SINO FOREST SHAREHOLDERS AND
NOTEHOLDERS~~²**

~~Notice of Proposed Settlement with Ernst & Young LLP~~³

[NOTICE OF PROPOSED SETTLEMENT WITH ERNST & YOUNG LLP](#)⁴

TO: Everyone, including non-Canadians, who acquired Sino-Forest Corporation (“Sino-Forest”) securities (including shares and/or notes) in the primary or secondary market in any jurisdiction between March 31, 2006 and August 26, 2011 (the “E&Y Settlement Class”) and to everyone, including non-Canadians, who has, had, could have had or may have a claim of any kind against Ernst & Young LLP, Ernst & Young Global Limited or any of its member firms and any person or entity affiliated or connected thereto (“Ernst & Young”), in relation to Sino-Forest, Ernst & Young’s audits of Sino-Forest’s financial statements and any other work performed by Ernst & Young related to Sino-Forest.

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 Québec Superior Court (the “Québec Proceeding”) (collectively, the “Proceedings”) by certain plaintiffs (the “Plaintiffs”) against Sino-Forest, its senior officers and directors, its underwriters, a consulting company, and its auditors, including Ernst & Young. In January 2012, a proposed class action was commenced against Sino-Forest and other defendants in the Southern District of New York (the “US Action”). The actions alleged that the public filings of Sino-Forest contained false and misleading statements about Sino-Forest’s assets, business, and transactions.

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”), within which proceeding the Ontario Superior Court ordered a stay of proceedings against the company and other parties, including Ernst & Young (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”)⁵.

On December 10, 2012, a Plan of Arrangement was approved by the court in the CCAA Proceeding. As part of this Plan of Arrangement, the court approved a framework by which the Plaintiffs may enter into settlement agreements with any of the third-party defendants to the Proceedings. The Plan expressly contemplates the Ernst & Young Settlement (as defined in the Plan), approval of which is now sought.

Who	Acts	For	the	E&Y	Settlement	Class
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Koskie Minsky LLP, Siskinds LLP, and Siskinds Desmeules, senci (“Class Counsel”) represent the E&Y Settlement Class in the Proceedings. 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 and expenses to Class Counsel. However, if this action succeeds or there is a monetary settlement, 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 Ernst & Young

The Plaintiffs have entered into a proposed settlement with Ernst & Young (the “Settlement Agreement”). The proposed settlement would settle, extinguish and bar⁶ all claims, globally, against Ernst & Young in relation to Sino-Forest including⁷ the allegations in the Proceedings. Ernst & Young does not admit to any wrongdoing or liability. The terms of the⁸ proposed settlement does⁹ do¹⁰ not involve the resolution of any claims against Sino-Forest or any of the other defendants. For an update on CCAA orders affecting Sino-Forest, please see the CCAA Monitor’s website: www.cfcanada.fticonsulting.com/sfc.¹¹ A complete copy of the Settlement Agreement and other information about these proceedings is available at: www.kmlaw.ca/sinoforestclassaction and www.classaction.ca¹² (the “Class Action Website”)¹³.

The proposed settlement, if approved and its conditions fulfilled, provides that Ernst & Young will pay CAD\$117,000,000.00 ~~for the benefit~~¹⁴ to a Settlement Trust to be administered in accordance with orders of the court. It is the intention of Class Counsel to seek the court’s approval of a plan of allocation that distributes the settlement funds, net of counsel fees and other administrative costs and expenses, to members¹⁵ of the E&Y Settlement Class. In return, the action will be dismissed against Ernst & Young, and there will be an order forever barring claims against it ~~regarding~~¹⁶ in relation to Sino-Forest including¹⁷ any allegations relating to the Proceedings.

The settlement agreement with Ernst & Young is subject to court approval, as discussed below.

Hearings to Approve Settlement on [January](#)¹⁸ [February](#)¹⁹ 4, 2013 in Toronto, Ontario and Subsequent Hearings in Ontario, Quebec and the United States.

On [January](#)²⁰ [February](#)²¹ 4, 2013 at [10:00](#)²³ a.m. ([Eastern Time](#))²⁴, there will be a settlement approval hearing before the Ontario Superior Court of Justice. The hearing will be heard 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.

If the settlement approval motion which is being heard by the Ontario Superior Court of Justice on [January](#)²⁵ [February](#)²⁶ 4, 2013 (the "[Ontario](#)²⁷ [Settlement](#)²⁸ Approval Motion") is granted, then there will be a further hearing at a later date before the Ontario Superior Court of Justice (the "Ontario Allocation/Fee Motion") at which Class Counsel will seek that Court's approval of (1) the plan for allocating the net Ernst & Young settlement fund among the members of the E&Y Settlement Class; and (2) the fees and expense reimbursement requests of Class Counsel.

In addition, if the [Ontario](#)²⁹ [Settlement](#)³⁰ Approval Motion is granted, then there may be additional hearings at later dates in the Quebec Superior Court (the "Quebec Motion") and in the [United States Bankruptcy Court for the](#)³¹ Southern District of New York (the "US Motion") at which ~~counsel to the plaintiffs in the Quebec Proceeding and the US Action, respectively, may seek the~~³² recognition and implementation of the [Ontario](#)³³ [Settlement](#)³⁴ Approval Motion and the Ernst & Young Settlement [may be sought](#)³⁵.

If the [Ontario](#)³⁶ [Settlement](#)³⁷ Approval Motion is granted, then a further notice will be disseminated to members of the E&Y Settlement Class advising them of the time and place of the Ontario Allocation/Fee Motion and any Quebec Motion and/or US Motion.

Members of the E&Y Settlement Class, and everyone, including non-Canadians, who has, had, could have had or may have a claim of any kind against Ernst & Young, in relation to Sino-Forest, Ernst & Young's audits of Sino-Forest's financial statements and any other work performed by Ernst & Young related to Sino-Forest, may attend at the hearing of the [Ontario](#)³⁸ [Settlement](#)³⁹ Approval Motion and ask to make submissions regarding the proposed settlement with Ernst & Young.

~~**Any person who wishes to object to the Ernst & Young Settlement Agreement must provide written notice to Class Counsel at the addresses below by NO LATER THAN FOUR (4) DAYS BEFORE THE SETTLEMENT APPROVAL HEARING.**~~⁴⁰

[Persons intending to object to the Ernst & Young Settlement Agreement are required to: \(a\) deliver a Notice of Objection, substantially in the form that can be found on the Monitor's Website and the Class Action Website, and, if this Notice is received by mail, enclosed with this Notice \(the "Notice of Objection"\), to the Monitor, by regular mail, courier or email transmission, to the coordinates indicated on the Notice of Objection, so that it is received by no later than 5:00 p.m. \(Eastern Time\) on January 18, 2013; and](#)

(b) comply with the litigation timetable set forth below. Copies of the Notices of Objection sent of the Monitor will be filed with the court.⁴¹

Litigation Timetable⁴²

By order of the Ontario Superior Court of Justice, persons intending to participate in the Settlement Approval Motion must comply with the following timetable:⁴³

1. Motion materials are to be delivered no later than January 11, 2013.⁴⁴⁴⁵
2. Responding motion materials are to be delivered by January 18, 2013.⁴⁶⁴⁷
3. Cross-examinations on affidavits (if any) are to be conducted on January 24 and 25, 2013.⁴⁸⁴⁹
4. Written Submissions are to be exchanged on January 30, 2013.⁵⁰⁵¹

Further Information

If you would like additional information or to object to the Ernst & Young Settlement Agreement, please contact Koskie Minsky LLP, Siskinds LLP, or Siskinds Desmeules LLP at the addresses below:

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**

Email: **sinoforestclassaction@kmlaw.ca**

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**

Email: **nicole.young@siskinds.com**

Siskinds Desmeules, sencrl

43 Rue Buade, Bureau 320, Québec City, Québec, G1R 4A2

Re: Sino-Forest Class Action

Tel: **418.694-2009**

Email: **simon.hebert@siskindsdesmeules.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 Court. All inquiries should be directed to Class Counsel.

DISTRIBUTION OF THIS NOTICE HAS BEEN AUTHORIZED BY THE ONTARIO
SUPERIOR COURT OF JUSTICE