

FOREST OIL CORP
Form PRER14A
August 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A

Amendment No. 1

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

Forest Oil Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than The Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common Stock, par value \$0.10 per share, of Forest Oil Corporation

Preferred Stock, par value \$0.01 per share, of Forest Oil Corporation

(2) Aggregate number of securities to which transaction applies:

163,711,510 shares of Common Stock

1,664,249 shares of Preferred Stock (convertible into 166,424,900 shares of Common Stock)

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The underlying value of the transaction was determined based upon the market value of shares of Forest Oil Corporation common stock and the number of shares of Forest Oil Corporation common stock to be issued in the transaction as follows: (A) \$2.285, the average of the high and low prices per share of Forest Oil Corporation common stock on July 14, 2014, as quoted on the New York Stock Exchange multiplied by (B)(x) 163,711,510, the number of shares of Forest Oil Corporation common stock to be issued in the transaction plus (y) 166,424,900, the number of shares of Forest Oil Corporation common stock issuable upon conversion of the 1,664,249 shares of Forest Oil Corporation preferred stock to be issued in the transaction.

(4) Proposed maximum aggregate value of transaction:

\$754,361,697

(5) Total fee paid:

\$97,162

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

\$34,148

(2) Form, Schedule or Registration Statement No.:

Form S-4

(3) Filing Party:

New Forest Oil Inc.

(4) Date Filed:

May 29, 2014

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SUBJECT TO COMPLETION, DATED AUGUST 7, 2014

SHARE ISSUANCE PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Forest Oil Corporation Shareholder:

Forest Oil Corporation (Forest), Sabine Investor Holdings LLC (Sabine Investor Holdings) and FR XI Onshore AIV, LLC (AIV Holdings) have entered into a merger agreement providing for a combination of Forest's business with the business of Sabine Oil & Gas LLC (Sabine). In the transaction, Sabine Investor Holdings and AIV Holdings will contribute all of the equity interests of Sabine Oil & Gas Holdings LLC (Sabine Holdings) to Forest, with Sabine Holdings becoming a wholly owned subsidiary of Forest. In exchange for the contribution, Sabine Investor Holdings and AIV Holdings will receive shares of Forest common stock and convertible common-equivalent preferred stock, collectively representing approximately a 73.5% economic interest in Forest and 80% of the total voting power in Forest. Forest's current shareholders will continue to hold their shares of Forest common stock, which, following the transaction, will represent approximately a 26.5% economic interest in Forest and 20% of the total voting power in Forest.

Forest common shares are currently listed on the New York Stock Exchange (the NYSE) under the ticker symbol FST, and after the combination transaction is completed, Forest common shares will continue to be listed on the NYSE. Neither Sabine Holdings nor the Sabine units are listed on any national securities exchange.

To approve the combination transaction, Forest shareholders are being asked to approve the issuance of Forest stock to Sabine Investor Holdings and AIV Holdings as required by NYSE rules (the share issuance proposal), to approve an amendment to Forest's certificate of incorporation to increase the number of authorized common shares (the authorized share proposal) and three related proposals. The approval of the share issuance proposal requires the affirmative vote of holders of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote. The approval of the authorized share proposal requires the affirmative vote of holders of a majority of the outstanding Forest common shares. This proxy statement is being used to solicit proxies for a special meeting of Forest common shareholders to approve both proposals and each other proposal described in this proxy statement. **The Forest board has unanimously approved the merger agreement and determined that the combination transaction is advisable and in the best interests of Forest and its shareholders, and unanimously recommends that Forest shareholders vote FOR the share issuance proposal, the authorized share proposal and the other proposals to be voted on at the special meeting.**

We urge you to read this document, including the annexes, and the documents incorporated by reference carefully and in their entirety. In particular, you should consider the matters discussed under Risk Factors beginning on page A-121, which contains a description of certain risks you may wish to consider in evaluating the combination transaction.

Your vote is very important. We will not complete the combination transaction unless you approve the share issuance proposal and, unless Forest and Sabine Investor Holdings agree otherwise, the authorized share proposal. Whether or not you expect to attend the special meeting, the details of which are described in this document, please vote immediately by submitting your proxy by telephone, through the Internet or by completing, signing, dating and returning your signed proxy card(s) in the enclosed pre-paid envelope.

Sincerely,

Patrick R. McDonald
President and Chief Executive Officer
Forest Oil Corporation

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this document or determined if this document is truthful or complete. Any representation to the contrary is a criminal offense.

This document is dated [], 2014 and is first being mailed to Forest common shareholders on or about [], 2014.

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FOREST OIL CORPORATION

707 17th Street, Suite 3600

Denver, Colorado 80202

NOTICE OF FOREST OIL CORPORATION SHAREHOLDERS MEETING

TO BE HELD ON [], 2014

To Forest Oil Corporation Shareholders:

A special meeting of shareholders of Forest Oil Corporation will be held on [], 2014, at [], at []. The purpose of the special meeting is to allow Forest common shareholders to consider and vote upon the following proposals:

Share Issuance Proposal. A proposal to approve the issuance of 163,711,510 common shares and 1,664,249 Series A convertible common-equivalent preferred shares (convertible into 166,424,900 common shares) to Sabine Investor Holdings and FR XI Onshore AIV, LLC, pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of May 5, 2014, and amended and restated as of July 9, 2014, by and among Sabine Investor Holdings LLC, FR XI Onshore AIV, LLC, Sabine Oil & Gas Holdings LLC, Sabine Oil & Gas Holdings II LLC (SOGH II), Sabine Oil & Gas LLC and Forest Oil Corporation, and to approve, in the event the authorized share proposal is not approved, the issuance of 1,137,113 Series B convertible common-equivalent preferred shares to Sabine Investor Holdings LLC and FR XI Onshore AIV, LLC in lieu of 113,711,300 common shares underlying such Series B convertible common-equivalent preferred shares. If the share issuance proposal is approved, based on the shares currently outstanding and the shares issuable pursuant to the merger agreement, we estimate that approximately 283,000,000 common shares will be issued and outstanding. If the share issuance proposal is not approved, based on the shares currently outstanding and the shares issuable pursuant to the merger agreement, we estimate that approximately 169,000,000 common shares will be issued and outstanding;

Authorized Share Proposal. A proposal to approve an amendment to the Forest certificate of incorporation to increase the number of authorized Forest common shares to 650,000,000 shares;

Name Change Proposal. A proposal to approve an amendment to the Forest certificate of incorporation to change the name of Forest to Sabine Oil & Gas Corporation ;

2014 LTIP Proposal. A proposal to approve the adoption of the Forest Oil Corporation 2014 Long Term Incentive Plan (the 2014 LTIP);

Section 162(m) Proposal. A proposal to approve certain material terms of the 2014 LTIP for purposes of complying with the requirements of Section 162(m) of the Internal Revenue Code; and

Adjournment Proposal. A proposal to approve the adjournment or postponement of the special meeting, if necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the share issuance proposal or the authorized share proposal.

Your vote is very important. The approval of the share issuance proposal requires the affirmative vote of holders of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote. The approval of the authorized share proposal and the name change proposal requires the affirmative vote of holders of a majority of the outstanding Forest common shares. The approval of each other proposal requires the affirmative vote of holders of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote. We will not complete the combination transaction unless

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you approve the share issuance proposal and, unless Forest and Sabine Investor Holdings otherwise agree, the authorized share proposal. **The Forest board of directors recommends that you vote FOR all of the proposals.**

Only holders of record of Forest common shares at the close of business on [], 2014, the record date, are entitled to receive this notice and to vote at the special meeting.

Whether or not you plan to attend the special meeting, please read the accompanying document and then cast your vote as instructed in your proxy card, as promptly as possible. You can also cast your vote by using the telephone or Internet. If you have any questions, would like additional copies of the document or need assistance with voting your Forest common shares, please contact Forest's proxy solicitor, Innisfree M&A Incorporated, toll-free at (877) 456-3463.

Sincerely,

Patrick R. McDonald
President and Chief Executive Officer

[], 2014

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REFERENCES TO ADDITIONAL INFORMATION

This document incorporates important business and financial information about Forest from documents that are not included in or delivered with this document. You can obtain documents incorporated by reference in this document, other than certain exhibits to those documents, by requesting them in writing or by telephone from the appropriate company at the following address:

Forest Oil Corporation
707 17th Street, Suite 3600
Denver, Colorado 80202
Email: IR@forestoil.com

You will not be charged for any of these documents that you request. **Forest common shareholders requesting documents should do so by [], 2014, in order to receive them before the special meeting.**

For more information, see **Where You Can Find More Information** on page 171 of this document.

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QUESTIONS AND ANSWERS ABOUT THE FOREST SPECIAL MEETING

The questions and answers below highlight only selected procedural information from this document. They do not contain all of the information that may be important to you. You should read carefully the entire document and the additional documents incorporated by reference into this document to fully understand the voting procedures for the Forest special meeting.

Q: Why am I receiving these materials?

A: On July 9, 2014, Sabine Investor Holdings, AIV Holdings, certain of their affiliated entities and Forest entered into an amended and restated merger agreement, which we refer to throughout this documents as the merger agreement, providing for a combination of Forest's and Sabine's businesses.

In the combination transaction, Sabine Investor Holdings and AIV Holdings will contribute all of the equity interests of Sabine Holdings to Forest, with Sabine Holdings becoming a wholly owned subsidiary of Forest. In exchange for the contribution, (i) Sabine Investor Holdings and AIV Holdings will receive 123,837,490 and 39,874,020 shares of Forest common stock, respectively, and (ii) Sabine Investor Holdings and AIV Holdings will receive 1,258,900 and 405,349 shares of Forest Series A convertible common-equivalent preferred stock, respectively. Sabine Holdings and Sabine will subsequently merge into Forest, with Forest surviving the merger.

As a result of the combination transaction, current Forest common shareholders will continue to hold their shares of Forest common stock, which will (based on the number of Forest common shares outstanding as of May 5, 2014) represent approximately 42% of the issued and outstanding Forest common shares, representing approximately a 26.5% economic interest in Forest and 20% of the total voting power in Forest, and Sabine Investor Holdings and AIV Holdings will collectively hold approximately 58% of the issued and outstanding Forest common shares and 100% of the issued and outstanding Forest Series A convertible common-equivalent preferred shares, collectively representing approximately a 73.5% economic interest in Forest and 80% of the total voting power in Forest. If the 2014 LTIP Proposal is approved, Forest expects to issue approximately [] shares of Forest common stock under the 2014 LTIP, which will dilute the ownership percentages in Forest common shares listed above as well as the voting power of current Forest common shareholders, but will not affect the collective voting power of Sabine Investor Holdings and AIV Holdings, which will remain at 80%.

This document is being sent to Forest common shareholders in connection with a special meeting of Forest common shareholders to vote upon approval of the issuance of common shares and convertible common-equivalent preferred shares to Sabine and other proposals related to the combination transaction.

Q: What am I being asked to vote on?

A: Forest common shareholders are being asked to consider and vote on the following proposals:

Share Issuance Proposal. A proposal to approve the issuance of 163,711,510 common shares and 1,664,249 Series A convertible common-equivalent preferred shares (convertible into 166,424,900 common shares) to

Sabine Investor Holdings and AIV Holdings in exchange for all of the equity interests of Sabine Holdings, which is currently owned directly or indirectly by Sabine Investor Holdings and AIV Holdings, and to approve, in the event the authorized share proposal is not approved, the issuance of 1,137,113 Series B convertible common-equivalent preferred shares to Sabine Investor Holdings and AIV Holdings in lieu of 113,711,300 common shares underlying such Series B convertible common-equivalent preferred shares. If the share issuance proposal is approved, based on the shares currently outstanding and the shares issuable pursuant to the merger agreement, we estimate that approximately 283,000,000 common shares will be issued and outstanding. If the share issuance proposal is not approved, based on the shares currently outstanding and the shares issuable pursuant to the merger agreement, we estimate that approximately 169,000,000 common shares will be issued and outstanding;

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Authorized Share Proposal. A proposal to approve an amendment to the Forest certificate of incorporation to increase the number of authorized Forest common shares to 650,000,000 shares;

Name Change Proposal. A proposal to approve an amendment to the Forest certificate of incorporation to change the name of Forest to Sabine Oil & Gas Corporation ;

2014 LTIP Proposal. A proposal to approve the adoption of the Forest Oil Corporation 2014 Long Term Incentive Plan;

Section 162(m) Proposal. A proposal to approve certain material terms of the 2014 LTIP for purposes of complying with the requirements of Section 162(m) of the Internal Revenue Code; and

Adjournment Proposal. A proposal to approve the adjournment or postponement of the special meeting, if necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the share issuance proposal or the authorized share proposal.

Q: What vote is required to approve each of the proposals?

A: The approval of each of the share issuance proposal, the 2014 LTIP proposal, the Section 162(m) proposal and the adjournment proposal requires the affirmative vote of holders of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote.

The approval of the authorized share proposal and the name change proposal requires the affirmative vote of holders of a majority of the outstanding Forest common shares.

Q: What if I do not vote my shares or if I abstain from voting?

A: The approval of each of the share issuance proposal, the 2014 LTIP proposal, the Section 162(m) proposal and the adjournment proposal requires the affirmative vote of holders of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote. As a result, if you abstain from voting on any of these proposals, your Forest common shares will be counted as present for purposes of establishing a quorum, but the abstention will have the same effect as a vote against that proposal. If you fail to vote on any of these proposals, your Forest common shares will not be counted as present and, therefore, will not affect the adoption of such proposal, except to the extent that your failure to vote prevents a quorum for voting on such proposal.

The approval of the authorized share proposal and the name change proposal requires the affirmative vote of holders of a majority of the outstanding Forest common shares. As a result, if you do not vote your Forest common shares or abstain from voting, it will have the same effect as a vote against the authorized share proposal and the name change proposal.

The Forest board of directors recommends that you vote FOR all of the proposals.

Q: What proposals must be passed in order for the combination transaction to be completed?

A: The obligations of the parties to complete the combination transaction are conditioned upon approval of the share issuance proposal and, unless Forest and Sabine Investor Holdings otherwise agree, the authorized share proposal. We will not complete the combination transaction unless you approve the share issuance proposal and, unless Forest and Sabine Investor Holdings otherwise agree, the authorized share proposal.

The Forest board of directors recommends that you vote FOR all of the proposals.

Q: What will happen if the authorized share proposal is not approved?

A: The authorized share proposal is a condition to the consummation of the combination transaction. If, however, the authorized share proposal is not approved and Forest and Sabine Investor Holdings mutually

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agree to waive this condition, then in exchange for the contribution, Sabine Investor Holdings and AIV Holdings will instead receive shares of Forest Series B convertible common-equivalent preferred stock in lieu of a portion of the Forest common stock that would have been received by them if there were available for issuance a sufficient amount of authorized but unissued common shares. As a result, Sabine Investor Holdings and AIV Holdings would receive (i) 37,822,023 and 12,178,187 shares of Forest common stock, (ii) 1,258,900 and 405,349 shares of Forest Series A convertible common-equivalent preferred stock and (iii) 860,155 and 276,958 shares of Forest Series B convertible common-equivalent preferred stock, respectively.

In that case, upon consummation of the combination transaction, and based upon the number of Forest common shares currently outstanding, current Forest common shareholders would continue to hold their shares of Forest common stock, which shares will represent approximately 70% of the issued and outstanding Forest common shares, approximately a 26.5% economic interest in Forest and 20% of the total voting power in Forest, and Sabine Investor Holdings and AIV Holdings will collectively hold approximately 30% of the issued and outstanding Forest common shares, 100% of the issued and outstanding Forest Series A convertible common-equivalent preferred shares and 100% of the issued and outstanding Forest Series B convertible common-equivalent preferred shares, collectively representing approximately a 73.5% economic interest in Forest and 80% of the total voting power in Forest. If the 2014 LTIP Proposal is approved, Forest expects to issue approximately [] shares of Forest common stock under the 2014 LTIP, which will dilute the ownership percentages in Forest common shares listed above as well as the voting power of current Forest common shareholders, but will not affect the collective voting power of Sabine Investor Holdings and AIV Holdings, which will remain at 80%.

Q: How does the Forest board recommend that I vote on the matters to be considered at the special meeting?

A: The Forest board unanimously recommends that Forest common shareholders vote:

FOR the share issuance proposal;

FOR the authorized share proposal;

FOR the name change proposal;

FOR the 2014 LTIP proposal;

FOR the Section 162(m) proposal; and

FOR the adjournment proposal.

See The Forest Special Meeting Recommendation of the Forest Board.

In considering the recommendation of the Forest board, you should be aware that some of Forest's executive officers and directors have interests in the combination transaction that are different from, or in addition to, the interests of

Forest common shareholders generally. See Proposal No. 1 The Share Issuance Interests of Forest's Executive Officers and Directors in the Combination Transaction.

Q: Will there be any changes to my Forest common shares as a result of the combination transaction?

A: No. All Forest common shares will remain outstanding after the combination transaction, and no changes will be made to the Forest common shares currently outstanding as a result of the combination transaction.

Q: What will happen to my outstanding Forest equity-based awards in the combination transaction?

A: In the combination transaction, each Forest stock option that is outstanding immediately prior to the effective time of the combination transaction will, as of the effective time of the combination transaction, automatically be cancelled and converted into the right to receive an amount of cash, without interest, equal to the product of (1) the total number of Forest common shares subject to such Forest stock option and

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(2) the excess, if any, of (a) the closing price of Forest common shares on the NYSE on the last trading day prior to closing date of the combination transaction, over (b) the exercise price per Forest common share applicable to such Forest stock option (with the aggregate amount of such payment rounded down to the nearest cent), less such amounts as are required to be deducted and withheld under any provision of state, local or foreign tax law with respect to the making of such payment. Each Forest stock option for which the exercise price per Forest common share applicable to such Forest stock option equals or exceeds the closing price of Forest common shares on the NYSE on the last trading day prior to the closing date of the combination transaction will be cancelled pursuant to the merger agreement for no consideration.

In the combination transaction, each Forest performance unit award that is outstanding immediately prior to the effective time of the combination transaction will automatically become fully vested and will be settled in cash or shares in accordance with the terms of the applicable award agreement for such Forest performance unit award (including concluding the performance period as of the closing date of the combination transaction for purposes of measuring achievement of performance conditions).

In the combination transaction, each Forest phantom unit award that is outstanding immediately prior to the effective time of the combination transaction will automatically become fully vested and will be settled in accordance with the terms of the applicable award agreement for such phantom unit award.

In the combination transaction, each Forest restricted share that is outstanding immediately prior to the effective time of the combination transaction will automatically become fully vested and the restrictions with respect thereto will lapse.

Q: When and where will the special meeting be held?

A: The special meeting will be held at [] on [], 2014 at [], subject to any adjournments or postponements.

Q: Who is entitled to vote at the special meeting?

A: The record date for the Forest special meeting is [], 2014. Only record holders of Forest common shares at the close of business on the record date for the Forest special meeting are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. No other shares of Forest capital stock are entitled to notice of and to vote at the special meeting.

Q: How do I submit my proxy for the special meeting?

A: If you were a holder of record of Forest common shares at the close of business on the record date, you may vote in person by attending the special meeting or, to ensure that your shares are represented at the special meeting, you may authorize a proxy to vote by:

By Internet. Shareholders who received a notice about the Internet availability of the proxy materials may submit their proxy over the Internet by following the instructions on the notice. Shareholders who have received a paper copy of a proxy card or voting instruction card by mail may submit proxies over the Internet by following the instructions on the proxy card or voting instruction card. Internet voting will be available until [] on [], 2014 or, if the special meeting is continued, adjourned or postponed, until [] on the day immediately before such continued, adjourned or postponed meeting.

By Telephone. Shareholders of record may submit proxies by telephone, by calling the number included in the materials received from Computershare Shareowner Services LLC and following the instructions. In addition, you will need to have the control number that appears on your notice available when voting. Shareholders who are beneficial owners of their shares and who have received a voting instruction card may vote by calling the number specified on the voting instruction card provided by their broker, trustee, or nominee. Telephone voting will be considered at the special meeting if completed prior to [] on [], 2014 or, if the special meeting is continued, adjourned or postponed, until [] on the day immediately before such continued, adjourned or postponed special meeting.

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By Mail. Shareholders who have received a paper copy of a proxy card or voting instruction card by mail may submit proxies by completing, signing, and dating their proxy card or voting instruction card and mailing it in the accompanying pre-addressed envelope. Proxy cards submitted by mail and received by Forest after [], 2014 at [] may not be considered unless the special meeting is continued, adjourned or postponed, and then only if received before the date and time the continued, adjourned or postponed special meeting is held.

If you hold Forest common shares in street name through a bank, broker or other nominee, please follow the voting instructions provided by your bank, broker or other nominee to ensure that your Forest common shares are represented at the special meeting.

Q: How many votes do I have?

A: Forest common shareholders have one vote per share on each matter to be acted upon.

Q: If my Forest common shares are held in street name by my bank, broker or other nominee, will my bank, broker or other nominee automatically vote my shares for me?

A: No. If your Forest common shares are held in street name, you must instruct the broker, bank, nominee or other holder of record on how to vote your shares. Your broker, bank, nominee or other holder of record will vote your shares only if you provide instructions on how to vote by filling out the voting instruction form sent to you by your broker, bank, nominee or other holder of record with this document.

Please follow the voting instructions provided by your bank, broker or other nominee so that it may vote your Forest common shares on your behalf. Please note that you may not vote your Forest common shares held in street name by returning a proxy card directly to Forest or by voting in person at the special meeting unless you first obtain a legal proxy from your bank, broker or other nominee.

Q: What will happen if I return my proxy card without indicating how to vote?

A: If you submit your proxy via the Internet, by telephone or by mail, the officers named on your proxy card will vote your shares in the manner you requested if you correctly submitted your proxy. If you are a shareholder of record and sign your proxy card and return it without indicating how to vote on any particular proposal, the Forest common shares represented by your proxy will be voted in favor of that proposal.

Q: May I vote in person?

A: Yes. If you are a Forest common shareholder of record at the close of business on [], 2014, you may attend the special meeting and vote your Forest common shares in person, in lieu of submitting your proxy by telephone or Internet or returning your signed proxy card. If you hold your Forest common shares in street name through a bank, broker or other nominee, you must provide a legal proxy at the special meeting in order to vote in person,

which legal proxy you must obtain from your bank, broker or other nominee.

Q: What do I do if I want to change my vote after I have delivered my proxy card?

A: If you are a record holder of Forest common shares, you may change or revoke your proxy at any time prior to the vote on the matters at the special meeting or, if the special meeting is continued, adjourned or postponed, the date and time of such continued, adjourned or postponed meeting by (1) delivering to Forest's Corporate Secretary at Forest's principal executive office, located at 707 17th Street, Suite 3600, Denver, Colorado 80202, a written revocation that must be received by Forest prior to the date and time of the special meeting, or, if the special meeting is continued, adjourned or postponed, the date and time of such continued, adjourned or postponed meeting, (2) submitting another valid proxy card with a later date by mail, (3) voting by submitting a proxy by telephone or Internet prior to the date and time of the special meeting, or, if the special meeting is continued, adjourned or postponed, the date and time of such

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continued, adjourned or postponed meeting, or (4) attending the special meeting in person and giving Forest's Inspector of Elections notice of your intent to vote your shares in person.

If your shares are held in street name by a broker, bank or other nominee, please refer to the information forwarded to you by your broker, bank or other nominee for instructions on revoking or changing your proxy. If you intend to revoke your voting instructions you must ensure that such revocation is received by Forest's Corporate Secretary prior to the date and time of the special meeting, or, if the special meeting is continued, adjourned or postponed, by the date and time of such continued, adjourned or postponed meeting.

Any revocation received as of or after the vote on the matters at the special meeting or, if the special meeting is continued, adjourned or postponed, the date and time of such continued, adjourned or postponed meeting will not be effective. Attendance at the special meeting will not, by itself, revoke a proxy. Only your last submitted proxy card will be considered. Please cast your vote FOR the proposals, following the instructions in your proxy card, as promptly as practicable.

Q: What happens if I sell my Forest common shares after the record date but before the special meeting?

A: If you transfer your Forest common shares after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting (provided, that such shares remain outstanding on the date of the special meeting).

Q: Am I entitled to exercise appraisal rights under the New York Business Corporation Law if I do not vote in favor of the share issuance proposal and the authorized share proposal?

A: No. Under applicable law, no appraisal rights will be available to holders of Forest common shares in connection with the combination transaction.

Q: When do you expect to complete the combination transaction?

A: Sabine and Forest currently expect to complete the combination transaction in the fourth quarter of 2014. However, no assurance can be given as to when, or whether, the combination transaction will be completed.

Q: Who can help answer my questions?

A: If you need assistance in completing your proxy card or have questions regarding the special meeting, please contact Innisfree M&A Incorporated toll-free at (877) 456-3463. Banks and brokers may call collect at (212) 750-5833.

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SUMMARY

This summary highlights information contained elsewhere in this document and may not contain all of the information that is important to you. You are urged to carefully read the entire document and the other documents referred to in this document to fully understand the combination transaction. See [Where You Can Find More Information](#).

Information about the Companies (Page 132)

Sabine Oil & Gas LLC

Sabine is an independent oil and natural gas company engaged in the acquisition, development, exploitation and exploration of oil and natural gas properties onshore in the United States. Sabine and its subsidiaries' operations are focused in three core areas: East Texas, targeting the Cotton Valley Sand and the Haynesville Shale formations; South Texas, targeting the Eagle Ford Shale formation; and North Texas, targeting the Granite Wash formation. Sabine's principal offices are at 1415 Louisiana Street, Suite 1600, Houston, TX 77002, and its telephone number is (832) 242-9600.

SOGH II is the sole member of Sabine Oil & Gas LLC, and Sabine Holdings is the sole member of SOGH II. Neither SOGH II nor Sabine Holdings have operations separate from their investment in Sabine.

Additional information about Sabine Holdings, SOGH II and Sabine and its subsidiaries is included elsewhere in this document. See [Information About the Companies](#) [Information About Sabine](#).

Forest Oil Corporation

Forest is an independent oil and gas company engaged in the acquisition, exploration, development, and production of oil, natural gas and natural gas liquids (NGLs) primarily in North America. Forest was incorporated in New York in 1924, as the successor to a company formed in 1916, and has been a publicly held company since 1969. Forest's total estimated proved oil and natural gas reserves as of December 31, 2013 were approximately 625 Bcfe, all of which are located in the United States. Forest's principal executive offices and corporate headquarters are located at 707 17th Street, Suite 3600, Denver, Colorado 80202. Forest's telephone number at that address is (303) 812-1400.

Additional information about Forest and its subsidiaries is included in documents incorporated by reference into this document. See [Where You Can Find More Information](#).

The Forest Special Meeting (Page 27)

The special meeting will be held at [] on [], 2014 at [], local time, subject to any adjournments or postponements.

The Forest board has established [], 2014 as the record date for the special meeting. Only record holders of Forest common shares at the close of business on the record date for the special meeting are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. At the close of business on the record date, there were [] Forest common shares outstanding and entitled to vote, which includes [] of restricted shares beneficially owned by employees, officers and directors of Forest subject to vesting. Holders of Forest common shares have one vote per share on each matter to be acted upon.

The purpose of the special meeting is to vote upon the following proposals:

Share Issuance Proposal. A proposal to approve the issuance of 163,711,510 common shares and 1,664,249 Series A convertible common-equivalent preferred shares (convertible into 166,424,900 common shares) to

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Sabine Investor Holdings and AIV Holdings in exchange for all of the equity interests of Sabine Holdings, which is currently owned directly or indirectly by Sabine Investor Holdings and AIV Holdings and to approve, in the event the authorized Share Proposal is not approved, the issuance of 1,137,113 Series B convertible common-equivalent preferred shares to Sabine Investor Holdings and AIV Holdings in lieu of 113,711,300 common shares underlying such Series B convertible common-equivalent preferred shares. If the share issuance proposal is approved, based on the shares currently outstanding and the shares issuable pursuant to the merger agreement, we estimate that approximately 283,000,000 common shares will be issued and outstanding. If the share issuance proposal is not approved, based on the shares currently outstanding and the shares issuable pursuant to the merger agreement, we estimate that approximately 169,000,000 common shares will be issued and outstanding;

Authorized Share Proposal. A proposal to approve an amendment to the Forest certificate of incorporation to increase the number of authorized Forest common shares to 650,000,000 shares;

Name Change Proposal. A proposal to approve an amendment to the Forest certificate of incorporation to change the name of Forest to Sabine Oil & Gas Corporation ;

2014 LTIP Proposal. A proposal to approve the adoption of the 2014 LTIP;

Section 162(m) Proposal. A proposal to approve certain material terms of the 2014 LTIP for purposes of complying with the requirements of Section 162(m) of the Internal Revenue Code; and

Adjournment Proposal. A proposal to approve the adjournment or postponement of the special meeting, if necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the share issuance proposal or the authorized share proposal.

The required vote to approve each proposal generally is as set forth in the table below.

Proposal	Vote Required
Share Issuance Proposal (Item 1)	Affirmative vote of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote
Authorized Share Proposal (Item 2)	Affirmative vote of a majority of the outstanding Forest common shares
Name Change Proposal (Item 3)	Affirmative vote of a majority of the outstanding Forest common shares
2014 LTIP Proposal (Item 4)	Affirmative vote of the majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote
Section 162(m) Proposal (Item 5)	Affirmative vote of the majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote

Adjournment Proposal (Item 6)

Affirmative vote of the majority of the Forest common shares present
(in person or by proxy) at the special meeting and entitled to vote

The Merger Agreement (Page 64)

Overview

On July 9, 2014, Sabine Investor Holdings, AIV Holdings, certain of their affiliated entities, and Forest entered into an amended and restated merger agreement, which amended and restated the merger agreement

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originally entered into by Sabine Investor Holdings, Forest, New Forest Oil Inc. (Holdco) and certain of their affiliated entities on May 5, 2014. We refer to this amended and restated merger agreement throughout as the merger agreement . Pursuant to the terms and subject to the conditions set forth in the merger agreement, Forest and Sabine Holdings agreed to combine their businesses. In the combination transaction, Sabine Investor Holdings will contribute all of the equity interests of Sabine Holdings and AIV Holdings will contribute all of the equity interests in two other holding companies, FR NFR Holdings, Inc. and FR NFR, PI, Inc., to Forest, with Sabine Holdings becoming a wholly owned subsidiary of Forest. FR NFR Holdings, Inc. and FR NFR PI, Inc. will subsequently merge with and into Forest, with Forest surviving. Sabine Holdings, SOGH II and Sabine will subsequently merge with and into Forest, with Forest surviving and the operating subsidiaries of Sabine becoming subsidiaries of Forest.

The following diagram illustrates the structure of the combination transaction, assuming the contribution by AIV Holdings of all of the Forest shares it will receive in connection with the combination transaction to Sabine Investor Holdings immediately following the consummation of the combination transaction:

Before the Combination Transaction

Table of Contents***After the Combination Transaction******Consideration to Forest Shareholders and Sabine Investor Holdings***

Sabine Investor Holdings and AIV Holdings will contribute, directly or indirectly, all of the equity interests of Sabine Holdings to Forest, with Sabine Holdings becoming a wholly owned subsidiary of Forest. In exchange for the contribution, (i) Sabine Investor Holdings and AIV Holdings will receive 123,837,490 and 39,874,020 shares of Forest common stock, respectively and (ii) Sabine Investor Holdings and AIV Holdings will receive 1,258,900 and 405,349 shares of Forest Series A convertible common-equivalent preferred stock, respectively. Upon consummation of the combination transaction, current Forest common shareholders will continue to hold their shares of Forest common stock, which shares will represent (based on the number of Forest common shares outstanding as of May 5, 2014) approximately 42% of the issued and outstanding Forest common shares, approximately a 26.5% economic interest in Forest and 20% of the total voting power in Forest, and Sabine Investor Holdings and AIV Holdings will collectively hold approximately 58% of the issued and outstanding Forest common shares and 100% of the issued and outstanding Forest Series A convertible common-equivalent preferred shares, collectively representing approximately a 73.5% economic interest in Forest and 80% of the total voting power in Forest. If the 2014 LTIP Proposal is approved, Forest expects to issue approximately [] shares of Forest common stock under the 2014 LTIP, which will dilute the ownership percentages in Forest common shares listed above as well as the voting power of current Forest common shareholders, but will not affect the collective voting power of Sabine Investor Holdings and AIV Holdings, which will remain at 80%.

The authorized share proposal is a condition to the consummation of the combination transaction. If the authorized share proposal is not approved and Forest and Sabine Investor Holdings mutually agree to waive this condition, then in exchange for the contribution, Sabine Investor Holdings and AIV Holdings will instead receive shares of Forest Series B convertible common-equivalent preferred stock in lieu of a portion of the Forest common stock that would have been received by them if there were available for issuance a sufficient amount of authorized but unissued common shares. As a result, Sabine Investor Holdings and AIV Holdings would receive (i) 37,822,023 and 12,178,187 shares of Forest common shares, (ii) 1,258,900 and 405,349 shares of Forest Series A convertible common-equivalent preferred stock and (iii) 860,155 and 276,958 shares of Forest Series B convertible common-equivalent preferred stock, respectively. In that case, upon consummation of the combination transaction, and based upon the number of Forest common shares currently outstanding, current Forest common shareholders would hold approximately 70% of the issued and outstanding Forest common shares, representing approximately a 26.5% economic interest in Forest and 20% of the total voting power in Forest, and Sabine Investor Holdings and AIV Holdings will collectively hold approximately 30% of the issued and outstanding Forest common shares, 100% of the issued and outstanding Forest Series A convertible

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common-equivalent preferred shares and 100% of the issued and outstanding Forest Series B convertible common-equivalent preferred shares, collectively representing approximately a 73.5% economic interest in Forest and 80% of the total voting power in Forest.

Pursuant to the merger agreement, at the completion of the combination transaction, Forest's bylaws will be amended and, in the event the authorized share proposal or the name change proposal is approved, its certificate of incorporation will be amended as approved. In addition, following completion of the combination transaction, Sabine Investor Holdings and AIV Holdings intend to use their voting power to cause Forest to be reincorporated in Delaware (from New York), with the result that Forest and its shareholders will be governed by Delaware law instead of New York law. See Comparison of Rights of Forest Shareholders Before and After the Combination Transaction.

Treatment of Forest Equity-Based Awards

Forest Stock Options

Each Forest stock option that is outstanding immediately prior to the effective time of the combination transaction will, as of the effective time of the combination transaction automatically be cancelled and converted into the right to receive an amount of cash, without interest, equal to the product of (1) the total number of Forest common shares subject to such Forest stock option and (2) the excess, if any, of (a) the closing price of Forest common shares on the NYSE on the last trading day prior to the closing date, over (b) the exercise price per Forest common share applicable to such Forest stock option (with the aggregate amount of such payment rounded down to the nearest cent), less such amounts as are required to be deducted and withheld under any provision of state, local or foreign tax law with respect to the making of such payment. Each Forest stock option for which the exercise price per Forest common share applicable to such Forest stock option equals or exceeds the closing price of Forest common shares on the NYSE on the last trading day prior to closing date will be cancelled pursuant to the merger agreement for no consideration.

Forest Performance Unit Awards

Each Forest performance unit award that is outstanding immediately prior to the effective time of the combination transaction will automatically become fully vested at the effective time of the combination transaction and will be settled following the effective time of the combination transaction in cash or shares in accordance with the terms of the applicable award agreement for such Forest performance unit award (including concluding the performance period as of the closing date for purposes of measuring achievement of performance conditions).

Forest Phantom Unit Awards

Each Forest phantom unit award that is outstanding immediately prior to the effective time of the combination transaction will automatically become fully vested at the effective time of the combination transaction and will be settled following the effective time of the combination transaction in accordance with the terms of the applicable award agreement for such phantom unit award.

Forest Restricted Shares

Each Forest restricted share that is outstanding immediately prior to the effective time of the combination transaction will automatically become fully vested at the effective time of the combination transaction and the restrictions with respect thereto will lapse.

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Recommendation of the Forest Board (Page 28)

The Forest board unanimously recommends that Forest common shareholders vote:

FOR the share issuance proposal;

FOR the authorized share proposal;

FOR the name change proposal;

FOR the 2014 LTIP proposal;

FOR the Section 162(m) proposal; and

FOR the adjournment proposal.

See The Forest Special Meeting Recommendation of the Forest Board.

The Forest board has unanimously approved the merger agreement and determined that the combination transaction is advisable and in the best interests of Forest and its shareholders. In determining whether to approve the merger agreement and the transactions contemplated thereby, the Forest board considered the factors described in the section entitled Proposal No. 1 The Share Issuance Reasons for the Recommendation to Forest Shareholders by the Forest Board.

Opinion of Forest's Financial Advisor (Page 46)

In connection with the transactions contemplated by the merger agreement, dated May 5, 2014 (referred to as the original merger agreement), J.P. Morgan Securities LLC (J.P. Morgan), Forest's financial advisor, delivered to the Forest board on May 5, 2014, its oral opinion, which was subsequently confirmed in writing on May 5, 2014, as to the fairness, from a financial point of view and as of the date of such opinion and based upon and subject to the factors, assumptions, limitations and qualifications set forth in such opinion, of the exchange ratio in the proposed transactions contemplated by the original merger agreement to the holders of Forest common stock. While there is no longer an exchange ratio in the merger agreement, the exchange ratio under the original merger agreement would have resulted in Forest's current shareholders, on the one hand, and Sabine Investor Holdings and AIV Holdings, on the other hand, receiving the same percentage economic common-equivalent interest in the post-closing combined company of approximately 26.5% and 73.5% respectively as they will hold or receive as of the closing of the combination transaction under the merger agreement. For more information, see Proposal No. 1 The Share Issuance Background of the Combination Transaction. The full text of J.P. Morgan's written opinion dated May 5, 2014, which sets forth the assumptions made, matters considered and limits on the review undertaken, is attached as Annex F to this document and is incorporated herein by reference. The holders of Forest common stock are urged to read the opinion in its entirety. J.P. Morgan's written opinion is addressed to the Forest board, is directed only to the exchange ratio in the proposed transactions contemplated by the original merger agreement and does not constitute a recommendation to

any Forest shareholder as to how such shareholder should vote or act with respect to the transactions contemplated by the original merger agreement, the merger agreement or any other matter.

For a description of the opinion that Forest received from J.P. Morgan, see Proposal No. 1 The Share Issuance Opinion of J.P. Morgan Securities LLC, Forest's Financial Advisor.

Interests of Forest's Executive Officers and Directors in the Combination Transaction (Page 57)

Certain members of Forest's board and executive officers may be deemed to have interests in the combination transaction that are in addition to, or different from, the interests of other Forest common shareholders. The Forest board was aware of these interests and considered them, among other matters, in

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approving the merger agreement and the combination transaction and in making the recommendation that the Forest common shareholders approve the share issuance proposal, the authorized share proposal and the related proposals. These interests include:

with respect to executive officers and directors, all Forest stock options will be cashed-out and all unvested Forest restricted shares will be vested;

with respect to executive officers, all Forest performance unit awards will become vested based on performance through the closing and will be settled in accordance with their terms and all Forest phantom unit awards will become vested and will be settled in accordance with their terms;

change-in-control severance agreements with Forest's executive officers (other than Mr. Schelin) provide for severance benefits in the event of certain qualifying terminations of employment following the combination transaction, and a letter agreement with Mr. Schelin provides for a severance payment in the event of certain qualifying terminations of employment; and

Forest's directors and executive officers are entitled to continued indemnification and insurance coverage under the merger agreement.

For additional information, see Proposal No. 1 The Share Issuance Interests of Forest's Executive Officers and Directors in the Combination Transaction.

No Appraisal Rights (Page 62)

Under applicable law, no appraisal rights will be available to holders of Forest common shares in connection with the combination transaction.

Public Trading Markets; Listing of Forest Common Shares (Page 62)

Forest common shares are currently listed on the NYSE under the ticker symbol FST, and after the combination transaction is completed, Forest common shares will continue to be listed on the NYSE. If the name change proposal is approved, Forest intends to apply to change its ticker symbol on the NYSE from FST to SABO. Neither Sabine's nor Sabine Holdings' units are listed on any national securities exchange or otherwise publicly traded.

Directors and Management of Forest Following the Combination Transaction (Page 85)

Following the combination transaction, the Forest board of directors will consist of 10 directors, eight of whom will be designated by Sabine Investor Holdings. The directors will be classified with respect to their terms of office by dividing them into three classes. At each annual meeting of shareholders, directors to replace those whose terms expire at such annual meeting will be elected to hold office until the third succeeding annual meeting. The initial term of the directors will end with the first, second or third annual shareholders' meeting to be held by Forest following the combination transaction. Thereafter, the directors will serve three-year terms.

David Sambrooks, the current chief executive officer and a director of Sabine, will be the chief executive officer and a director of Forest, and Patrick McDonald, the current chief executive officer and a director of Forest, is also expected to serve as a director following the combination transaction. It is expected that the other members of the Forest board of directors other than Mr. Sambrooks and Mr. McDonald will be independent directors for purposes of the NYSE's listing requirements. On or prior to the completion of the combination transaction, Forest will cause the individuals indicated under Directors and Management of Forest Following the Combination Transaction to be elected or appointed as officers of Forest as specified in that section.

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Impact on Forest's Debt (Page 62)

The combination transaction, if completed, will result in a change of control as defined in Forest's existing credit agreement and existing indentures. The occurrence of a change of control is an event of default under Forest's existing credit agreement. Sabine has obtained committed debt financing sufficient to refinance Forest's existing credit agreement. The occurrence of a change of control triggers an obligation for Forest to make a change of control offer for each series of its outstanding notes at a price of 101% of the outstanding principal amount thereof, plus accrued and unpaid interest, if any, following the occurrence of a change of control transaction, pursuant to the terms of the relevant indentures. Sabine has obtained committed bridge financing sufficient to finance the purchase of any such notes which are required to be purchased in connection with such change of control offer.

Accounting Treatment (Page 62)

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), Forest will account for the combination transaction using the acquisition method of accounting (acquisition accounting) with Sabine as the acquiring entity. Under the acquisition method of accounting, Sabine's assets and liabilities will retain their carrying values and Forest's assets and liabilities will be recorded at their fair values measured as of the acquisition date. The excess of the purchase price over the estimated fair values of Forest's net assets acquired, if applicable, will be recorded as goodwill.

Regulatory Approvals Required for the Combination Transaction (Page 61)

It is a condition to the completion of the combination transaction that the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act) terminate or expire. On May 23, 2014, Forest and Sabine Investor Holdings each filed the required notification and report forms under the HSR Act with the Federal Trade Commission (FTC) and the Antitrust Division of the U.S. Department of Justice (Antitrust Division) with respect to Sabine Investor Holdings' acquisition of voting securities in Forest. The FTC, which administers the HSR Act, granted early termination of the waiting period applicable to Sabine Investor Holdings' acquisition of voting securities in Forest on June 5, 2014. At any time before or after the completion of the combination transaction, the Antitrust Division, the FTC or state Attorneys General could take action under the antitrust laws as deemed necessary or desirable in the public interest, including without limitation seeking to enjoin the completion of the combination transaction or to permit completion only subject to divestitures of assets, regulatory concessions or other conditions.

Agreement Not to Solicit Other Offers (Page 69)

As more fully described in this document and in the merger agreement, and subject to the terms and conditions described in the merger agreement, Forest agreed that it will not, and will cause its subsidiaries and its and their respective directors and officers not to directly or indirectly:

solicit, initiate, knowingly encourage, or knowingly facilitate any inquiries regarding certain alternative acquisition proposals;

conduct or engage in any discussions, disclose any nonpublic information, or afford access to the business, properties, assets, books or records of Forest with respect to, or assist, facilitate or cooperate with any third party

with respect to any such alternative acquisition proposals; or

enter into any agreement relating to any such alternative acquisition proposals.

Notwithstanding the foregoing, Forest and its representatives may take certain actions with respect to any such alternative acquisition proposal if:

the Forest common shareholders have not yet approved the share issuance proposal and the authorized share proposal;

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Forest did not breach the non-solicitation provisions of the merger agreement; and

before taking any such actions, the Forest board determines in good faith, after consultation with its financial advisor and outside legal counsel, that such alternative acquisition proposal constitutes a superior proposal or is reasonably likely to lead to a superior proposal, as described in more detail under The Merger Agreement and Other Transaction Agreements Agreement Not to Solicit Other Offers.

The Forest board is permitted to change its recommendation for the combination transaction and/or terminate the merger agreement in order to enter into a definitive agreement with respect to a superior proposal if:

Forest has given Sabine Investor Holdings at least three business days notice of its intention to take such action;

Forest has negotiated in good faith to enable Sabine Investor Holdings to revise the terms of the merger agreement such that it would cause the superior proposal to no longer constitute a superior proposal;

the Forest board will have considered in good faith any changes to the merger agreement proposed in writing by Sabine Investor Holdings and will have determined that the third-party proposal nonetheless remains a superior proposal; and

in the case of a termination of the merger agreement, Forest has paid to Sabine Holdings a \$15.0 million termination fee.

Termination of the Merger Agreement (Page 73)

The merger agreement may be terminated at any time prior to the effective time of the combination transaction:

by mutual written consent of Sabine Investor Holdings and Forest;

by either Sabine Investor Holdings or Forest:

if any governmental entity of competent jurisdiction has issued any order, decree, ruling or injunction or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the combination transaction and such order, decree, ruling or injunction or other action has become final and nonappealable, subject to certain additional requirements;

if the combination transaction has not been completed prior to 5:00 p.m., Houston time, on December 31, 2014 (the End Date), subject to certain exceptions; or

if the special meeting has concluded and Forest common shareholders have not approved the share issuance proposal;

by Forest:

if any of the representations or warranties of the Sabine parties was or becomes inaccurate or any breach by any Sabine party or AIV Holdings of any covenant or other agreement of such parties contained in the merger agreement occurs and such inaccuracy or breach (i) would result in certain closing conditions being incapable of being satisfied and (ii) is not curable, or, if curable has not been cured prior to the earlier of the business day prior to the End Date or the date that is 60 days after the date that notice of such inaccuracy or breach is provided to Sabine Investor Holdings by Forest, subject to certain additional requirements; or

to enter into a definitive agreement with respect to a superior proposal (in which case Forest must pay Sabine Holdings a \$15.0 million termination fee concurrently with such termination);

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by Sabine Investor Holdings:

if any of the representations or warranties of Forest was or becomes inaccurate or any breach by Forest of any covenant or other agreement of the parties contained in the merger agreement occurs and such inaccuracy or breach (i) would result in certain closing conditions being incapable of being satisfied and (ii) is not curable, or, if curable has not been cured prior to the earlier of the business day prior to the End Date or the date that is 60 days after the date that notice of such inaccuracy or breach is provided to Forest by Sabine Investor Holdings, subject to certain additional requirements;

if the Forest board of directors changes its recommendation for the combination transaction; or

if Forest engaged in a willful and material breach of its non-solicitation obligations.

Termination Fee (Page 75)

As more fully described in this document and in the merger agreement, and subject to the terms and conditions described in the merger agreement, the merger agreement requires Forest to pay Sabine Holdings a \$15.0 million termination fee if:

Sabine Investor Holdings terminates the merger agreement because of a Forest Recommendation Change or because Forest engaged in a willful and material breach of its non-solicitation obligations;

Sabine Investor Holdings terminates the merger agreement because of Forest's willful and material breach of its obligation with respect to holding the special meeting pursuant to the merger agreement and such breach would result in certain closing conditions not being capable of being satisfied and is not curable or, if curable, has not been cured prior to the earlier of the business day prior to the End Date or the date that is 60 days after the date that notice of such inaccuracy or breach is provided to Forest by Sabine Investor Holdings;

(1) prior to the special meeting, there has been publicly announced, disclosed or otherwise made known a bona fide acquisition proposal for Forest that has not been withdrawn at least five days prior to the special meeting, (2) Forest terminates the merger agreement because the Forest special meeting has concluded and the Forest common shareholders did not approve the share issuance proposal and the authorized share proposal, and (3) within 12 months after such termination, Forest enters into a definitive agreement with respect to or consummates an acquisition proposal involving at least 50% of the assets or equity of Forest; or

Forest terminates the merger agreement to enter into a definitive agreement with respect to a superior proposal.

Material U.S. Federal Income Tax Consequences (Page 119)

The combination transaction will not result in any U.S. federal income tax consequences to Forest common shareholders with respect to their Forest common shares. See Material U.S. Federal Income Tax Consequences.

Holders of Forest common shares should consult their own tax advisors to determine the tax consequences of the combination transaction to them, including the effects of U.S. federal, state, local and foreign tax laws.

Comparison of Rights of Forest Shareholders Before and After the Combination Transaction (Page 141)

Pursuant to the merger agreement, at the completion of the combination transaction, Forest's bylaws will be amended and, in the event the authorized share proposal or the name change proposal is approved, its certificate of incorporation will be amended as approved. In addition, following completion of the combination transaction, Sabine Investor Holdings and AIV Holdings intend to use their voting power to cause Forest to be reincorporated in Delaware (from New York), with the result that Forest and its shareholders will be governed by Delaware law instead of New York law. See Comparison of Rights of Forest Shareholders Before and After the Combination Transaction.

Table of Contents**SABINE SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following selected historical consolidated financial data are derived from Sabine's audited consolidated financial statements as of and for each of the years ended December 31, 2013, 2012 and 2011, Sabine's unaudited consolidated financial statements as of and for each of the years ended December 31, 2010 and 2009 and from Sabine's unaudited consolidated financial statements as of and for the three months ended March 31, 2014 and 2013, respectively, all of which have been prepared in accordance with U.S. GAAP. This information is not necessarily indicative of future results. You should read this data in conjunction with Sabine's Management's Discussion and Analysis of Financial Condition and Results of Operations, and with Sabine's audited financial statements for the years ended December 31, 2013, 2012 and 2011 and its unaudited financial statements for the three months ended March 31, 2014 and 2013, each of which are included in Annex A to this document.

	Three Months Ended March 31		2013	Year Ended December 31,			
	2014	2013		2012	2011	2010	2009
	(unaudited)	(unaudited)		(in thousands)			
	(unaudited)	(as restated) ⁽¹⁾		(as restated) ⁽¹⁾	(as restated) ⁽¹⁾	(unaudited)	(unaudited)
Total revenues	\$ 112,717	\$ 67,696	\$ 354,978	\$ 177,446	\$ 201,552	\$ 133,452	\$ 82,894
Total operating expenses	67,966	50,379	246,656	843,627	58,182	108,700	626,801
Total operating income (loss) including noncontrolling interests	44,751	17,317	108,322	(666,181)	143,370	24,752	(543,907)
Total other income (expenses)	(46,437)	(42,892)	(97,745)	(20,618)	31,813	69,544	61,088
Less: Net income (loss) applicable to noncontrolling interests				17	(117)	(260)	(516)
Net income (loss) applicable to controlling interest	\$ (1,686)	\$ (25,575)	\$ 10,577	\$ (686,782)	\$ 175,066	\$ 94,036	\$ (483,335)
Balance sheet data (at period end):							
Cash and cash equivalents	891	24,256	11,821	6,193	4,306	4,437	2,489
Total property, plant and	1,527,971	1,293,600	1,380,042	1,256,210	1,351,815	648,044	326,248

equipment, net							
Total assets	1,812,596	1,605,542	1,678,719	1,560,559	1,529,069	801,552	442,876
Long-term debt, including current portion	1,348,880	1,297,607	1,243,312	1,242,538	764,782	440,153	264,500
Total member s capital	199,324	174,858	201,010	200,433	624,128	247,207	93,129
Total liabilities and member s capital	1,812,596	1,605,542	1,687,719	1,560,559	1,529,069	801,552	442,876
Net cash flow provided by (used in):							
Operating activities	51,652	22,197	217,198	144,166	159,032	105,715	82,704
Investing activities	(166,371)	(53,887)	(193,809)	(687,385)	(680,922)	(325,389)	(307,982)
Financing activities	103,789	49,753	(17,761)	545,106	521,759	221,622	223,644

The following table presents a non-GAAP financial measure, Adjusted EBITDA, which we use in our business. This measure is not calculated or presented in accordance with US GAAP.

We believe the presentation of Adjusted EBITDA provides useful information to investors to evaluate the operations of the business excluding certain items and for the reasons set forth below. Adjusted EBITDA should not be considered an alternative to net income, operating income, cash flow operating activities or any other measure of financial performance presented in accordance with US GAAP. Our Adjusted EBITDA may not be comparable to similarly titled measures of another company because all companies may not calculate Adjusted EBITDA in the same manner.

We use Adjusted EBITDA for the following purposes:

to assess the financial performance of our assets, without regard to financing methods, capital structure or historical cost basis;

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to assess our operating performance and return on capital as compared to those of other companies in our industry, without regard to financing or capital structure;

to assess the viability of acquisition and capital expenditure projects and the overall rates of return on alternative investment opportunities;

to assess the ability of our assets to generate cash sufficient to pay interest costs, pay distributions and support indebtedness;

for various purposes, including strategic planning and forecasting;

the indenture governing the 2017 Notes contains covenants that, among other things, limit Sabine's ability and the ability of the Sabine's restricted subsidiaries to incur additional indebtedness unless the ratio of adjusted consolidated EBITDA to adjusted consolidated interest expense over the trailing four fiscal quarters will be at least 2.0 to 1.0 (subject to exceptions for borrowings within certain limits under the Credit Facility); and

the Credit Facility requires Sabine to comply with certain financial covenants which involve maintaining certain ratios, including an interest coverage ratio at the end of each quarter which defined as a ratio of adjusted EBITDA for the period of four fiscal quarters then ending to interest expense for such period of not less than 2.5 to 1.0.

	Three Months Ended		Year Ended December 31,				
	2014	2013	2013	2012	2011	2010	2009
	(unaudited)		(in thousands)				
	(unaudited)	(as restated) ⁽¹⁾	(as restated) ⁽¹⁾	(as restated) ⁽¹⁾	(as restated) ⁽¹⁾	(unaudited)	(unaudited)
Reconciliation of consolidated net income (loss) to Adjusted EBITDA							
Net income (loss) applicable to controlling interests	\$ (1,686)	\$ (25,575)	\$ 10,577	\$ (686,782)	\$ 175,066	\$ 94,036	\$ (483,335)
Adjustments to derive adjusted EBITDA							
Interest, net of capitalized interest	25,827	23,318	99,471	49,387	39,632	33,468	9,392
Depletion, depreciation and amortization	39,925	26,172	137,068	91,353	75,424	47,547	39,561

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Impairments			1,125	664,438	4,192	1,711	540,084
Gain on bargain purchase					(99,548)	(372)	
Other	(1,501)	1	1,739	599	439	1,156	8,662
Amortization of deferred rent	(27)	(133)	(249)	(532)	(406)	(320)	(140)
Accretion	217	209	952	862	628	493	407
Loss (gain) on derivative instruments	20,941	34,691	46,545	75,734	(1,272)	(51,996)	(18,272)
Option premium amortization	(6,156)	(289)	(1,171)	(56)		3,239	3,918
Net (income) loss applicable to noncontrolling interests				(17)	117	260	516
Adjusted EBITDA	\$ 77,540	\$ 58,394	\$ 296,057	\$ 194,986	\$ 194,272	\$ 129,222	\$ 100,793

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	Three Months Ended March 31		2013	Year Ended December 31,			
	2014	2013		2012	2011	2010	2009
	(unaudited)	(unaudited)		(in thousands)	(in thousands)	(unaudited)	(unaudited)
	(unaudited)	(as restated) ⁽¹⁾		(as restated) ⁽¹⁾	(as restated) ⁽¹⁾	(unaudited)	(unaudited)
Reconciliation of net cash flows from operating activities to Adjusted EBITDA							
Net cash flow provided by operating activities	51,652	22,197	217,198	144,166	159,032	105,715	82,704
Interest adjustments	31,516	20,768	79,556	42,995	35,357	17,190	8,451
Working capital and other adjustments	(5,628)	15,429	(697)	7,825	(117)	6,317	9,638
Adjusted EBITDA	77,540	58,394	296,057	194,986	194,272	129,222	100,793

(1) Revised for the effects of the restatement of the years ended December 31, 2012 and 2011. Please see Note 2 of Sabine's consolidated financial statements included in Annex A to this document for additional information about the reasons for the restatement and reconciliations for the restated periods commencing on or after January 1, 2011. The financial statements relating to the years ended December 31, 2010 and 2009 have also been restated, but such financial statements are unaudited.

Table of Contents**FOREST SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following selected historical consolidated financial data are derived from Forest's audited consolidated financial statements as of and for each of the years ended December 31, 2013, 2012, 2011, 2010 and 2009 and from Forest's unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2014 and 2013, respectively, all of which have been prepared in accordance with U.S. GAAP. This information is not necessarily indicative of future results. You should read this data in conjunction with (i) Forest's Item 1

Business Acquisition and Divestiture Activities, which discusses divestitures that affect the comparability of the results for the years presented below and is included in Forest's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and (ii) Forest's Management's Discussion and Analysis of Financial Condition and Results of Operations and Forest's consolidated financial statements and notes thereto, in each case included in Forest's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, each of which is incorporated by reference in this document. See Where You Can Find More Information.

	Three Months Ended		Year Ended December 31,				
	March 31,		2013	2012	2011	2010	2009
	2014	2013					
	(in thousands, except per share amounts, volumes, and prices)						
	(unaudited)	(unaudited)					
FINANCIAL DATA⁽¹⁾							
Oil, natural gas, and NGLs sales ⁽²⁾	\$ 64,457	\$ 118,042	\$ 441,341	\$ 605,523	\$ 703,531	\$ 707,692	\$ 655,579
Net earnings (loss) from continuing operations	\$ (21,007)	\$ (67,948)	\$ 73,924	\$ (1,288,931)	\$ 98,260	\$ 189,662	\$ (793,789)
Net earnings (loss) from discontinued operations ⁽³⁾					44,569	37,859	(129,344)
Net (loss) earnings	\$ (21,007)	\$ (67,948)	\$ 73,924	\$ (1,288,931)	\$ 142,829	\$ 227,521	\$ (923,133)
Less: net earnings attributable to noncontrolling interest ⁽³⁾					4,987		
Net (loss) earnings attributable to Forest Oil Corporation common	\$ (21,007)	\$ (67,948)	\$ 73,924	\$ (1,288,931)	\$ 137,842	\$ 227,521	\$ (923,133)

shareholders

**OTHER
FINANCIAL
DATA**

Basic earnings (loss) per common share attributable to Forest Oil Corporation common shareholders:														
Earnings (loss) from continuing operations	\$	(0.18)	\$	(0.59)	\$	0.62	\$	(11.21)	\$	0.86	\$	1.68	\$	(7.61)
Earnings (loss) from discontinued operations										0.35		0.33		(1.24)

Basic earnings (loss) per common share attributable to Forest Oil Corporation common shareholders:														
	\$	(0.18)	\$	(0.59)	\$	0.62	\$	(11.21)	\$	1.21	\$	2.01	\$	(8.85)

Diluted earnings (loss) per common share attributable to Forest Oil Corporation common shareholders:														
Earnings (loss) from continuing operations	\$	(0.18)	\$	(0.59)	\$	0.62	\$	(11.21)	\$	0.85	\$	1.67	\$	(7.61)
Earnings (loss) from discontinued operations										0.34		0.33		(1.24)

Diluted earnings (loss) per common share attributable to Forest Oil Corporation common shareholders:														
	\$	(0.18)	\$	(0.59)	\$	0.62	\$	(11.21)	\$	1.19	\$	2.00	\$	(8.85)

Total assets ⁽²⁾	\$	1,102,187	\$	1,894,984	\$	1,117,952	\$	2,201,862	\$	3,381,151	\$	3,070,197	\$	3,169,054
Long-term debt ⁽²⁾	\$	800,171	\$	1,640,363	\$	800,179	\$	1,862,100	\$	1,693,044	\$	1,869,372	\$	2,022,514
	\$	34,885	\$	(104,751)	\$	54,469	\$	(42,824)	\$	1,193,113	\$	1,352,787	\$	1,079,154

Shareholders equity (deficit)											
OPERATING DATA⁽²⁾											
Production:											
Oil (MBbls)	326	559	2,271	3,146	2,491	2,357	3,397				
Natural gas (MMcf)	6,438	14,332	46,676	81,008	88,497	101,346	116,029				
NGLs (MBbls)	178	698	2,521	3,489	3,154	3,589	3,012				
Average sales price:											
Oil (per Bbl)	\$ 93.04	\$ 96.53	\$ 96.30	\$ 96.14	\$ 96.22	\$ 76.08	\$ 56.87				
Natural gas (per Mcf)	\$ 4.38	\$ 2.98	\$ 3.16	\$ 2.37	\$ 3.71	\$ 3.99	\$ 3.33				
NGLs (per Bbl)	\$ 33.45	\$ 30.69	\$ 29.79	\$ 31.77	\$ 42.91	\$ 34.54	\$ 25.17				
Adjusted EBITDA ⁽⁴⁾	\$ 34,783	\$ 94,344	\$ 332,888	\$ 513,609	\$ 550,865	\$ 619,101	\$ 726,529				

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- (1) Forest has not paid cash dividends on Forest common shares during the past five years.
- (2) Amounts reported relate to continuing operations only. See below for more information regarding discontinued operations.
- (3) On June 1, 2011, Forest completed the initial public offering of approximately 18% of the common stock of its then wholly owned subsidiary, Lone Pine Resources Inc., which held Forest's ownership interests in its Canadian operations. On September 30, 2011, Forest distributed, or spun-off, the remaining 82% of Lone Pine by means of a special stock dividend to Forest's shareholders. Lone Pine's results are reported as discontinued operations in the table above.
- (4) Adjusted EBITDA is a non-GAAP performance measure. Forest's Adjusted EBITDA consists of net earnings (loss) from continuing operations before interest expense, income taxes, depreciation, depletion, and amortization, unrealized gains and losses on derivative instruments (which represent changes in the fair values of the derivative instruments), accretion of asset retirement obligations, and the other items set forth in the table below. Adjusted EBITDA does not represent, and should not be considered an alternative to, U.S. GAAP measurements, such as net earnings (loss) from continuing operations (its most comparable U.S. GAAP financial measure), and Forest's calculations thereof may not be comparable to similarly titled measures reported by other companies. By eliminating interest, taxes, depreciation, depletion, amortization, and other items from earnings, Forest believes the result is a useful measure across time in evaluating its fundamental core operating performance. Forest's management also uses Adjusted EBITDA to manage the business, including in preparing the annual operating budget and financial projections. Forest believes that Adjusted EBITDA is also useful to investors because similar measures are frequently used by securities analysts, investors, and other interested parties in their evaluation of companies in the oil and gas industry. Forest's management does not view Adjusted EBITDA in isolation and also uses other measurements, such as net earnings (loss) from continuing operations and revenues, to measure operating performance. The following table provides a reconciliation of net (loss) earnings from continuing operations, the most directly comparable U.S. GAAP measure, to Adjusted EBITDA for the periods presented.

	Three Months Ended		Year Ended December 31,				
	2014	2013	2013	2012	2011	2010	2009
	(unaudited, in thousands)						
Net (loss) earnings from continuing operations	\$ (21,007)	\$ (67,948)	\$ 73,924	\$ (1,288,931)	\$ 98,260	\$ 189,662	\$ (793,789)
Income tax (benefit) expense	(1,214)	337	(707)	173,437	89,135	109,770	(466,601)
Unrealized losses (gains) on derivative instruments, net	8,391	38,311	30,923	39,126	(39,087)	(37,920)	176,018
Unrealized losses on other investments							2,327
Interest expense	16,011	36,128	119,829	141,831	149,755	149,891	161,083
Loss (gain) on asset dispositions, net	794		(202,023)				
Write-off of debt issuance costs	3,323						
Loss (gain) on debt extinguishment, net		25,223	48,725	36,312		(4,576)	

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Accretion of asset retirement obligations	513	1,244	2,982	6,663	6,082	6,158	7,302
Depreciation, depletion, and amortization	21,415	48,543	171,557	280,458	219,684	187,973	247,158
Stock-based compensation	794	3,647	8,875	15,074	20,536	18,143	16,209
Employee-related asset disposition costs	579	5,821	11,178	1,851			
Rig stacking/lease termination	5,184	3,038	9,989	6,604			
Legal proceeding costs				29,251	6,500		
Impairment of properties				79,529			
Ceiling test write-down of oil and natural gas properties			57,636	992,404			1,376,822
Adjusted EBITDA	\$ 34,783	\$ 94,344	\$ 332,888	\$ 513,609	\$ 550,865	\$ 619,101	\$ 726,529

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The unaudited pro forma condensed consolidated combined financial statements of Forest are based on the historical financial statements of Sabine, as the predecessor. Under the acquisition method of accounting, Sabine will be the acquirer in the transactions because its parent company, Sabine Investor Holdings, will obtain control of Forest after the consummation of the combination transaction. Consequently, Sabine's assets and liabilities will retain their carrying values. Additionally, Forest's assets acquired and liabilities assumed will be recorded at their fair values measured as of the acquisition date. The excess, if any, of the purchase price over the estimated fair values of Forest's net assets acquired, if applicable, will be recorded as goodwill.

The unaudited pro forma condensed consolidated combined statements of operations for the three months ended March 31, 2014 and for the year ended December 31, 2013 combine the historical consolidated statements of operations of Sabine and the historical consolidated statements of operations of Forest, giving effect to the merger as if it had been consummated on January 1, 2013, the beginning of the earliest period presented. The unaudited pro forma condensed consolidated combined balance sheet combines the historical condensed consolidated balance sheet of Sabine and the historical condensed consolidated balance sheet of Forest as of March 31, 2014, giving effect to the merger as if it has been consummated on March 31, 2014. The historical consolidated financial statements of Forest have been adjusted to reflect certain reclassifications in order to conform to Sabine's consolidated financial statement presentation.

The following table presents Forest's selected unaudited pro forma financial and operating data for the periods indicated:

	Three Months Ended March 31, 2014	Year Ended December 31, 2013
	(in thousands, except per unit and operating data)	
Key Performance Measure		
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 111,222	\$ 417,801
Operating Data		
Oil (Bbl/d)	8,278	6,429
NGL (Bbl/d)	7,626	6,174
Natural gas (Mcf/d)	194,353	192,142
Combined (Mcf/d)	289,780	267,759
Statement of Income Data		
Operating revenues	\$ 177,911	\$ 547,300
Operating expenses	115,597	399,840
Operating income	62,314	147,460
Interest expense	(41,838)	(161,454)
Loss on derivative instruments	(34,977)	(2,972)
Other, net	(6,741)	(3,569)
Income tax benefit (expense)	460	(2,560)

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Net loss	\$	(20,782)	\$	(23,095)
Net loss per share:				
Basic	\$	(0.46)	\$	(0.51)
Diluted	\$	(0.46)	\$	(0.51)
Balance Sheet Data				
Net property, plant and equipment	\$	2,635,480		
Total assets	\$	3,124,503		
Total long-term liabilities	\$	2,253,686		
Total equity	\$	415,448		

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(1) Adjusted EBITDA is a non-GAAP financial measure. Sabine uses Adjusted EBITDA as a supplemental performance measure. This measure is calculated as net income (loss) applicable to controlling interests before interest, taxes, depreciation and amortization, as further adjusted to include other non-cash or one-time items, such as impairment, accretion expense, non-cash hedge gains or losses and other non-cash charges and pro forma adjustments for acquisitions and divestitures that may not be comparable to similarly titled measures, employed by other companies. Adjusted EBITDA should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP. Adjusted EBITDA provides no information regarding a company's capital structure, borrowings, interest costs, capital expenditures, and working capital movement or tax position. Adjusted EBITDA does not represent funds available for discretionary use because those funds are required for debt service, capital expenditures, working capital, and other commitments and obligations. However, Sabine's management team believes that this measure is useful to an investor in evaluating it because this measure:

is widely used by investors in the oil and natural gas industry to measure a company's operating performance without regard to items excluded from the calculation of such term, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired, among other factors;

helps investors to more meaningfully evaluate and compare the results of Sabine's operations from period to period by removing the effect of its capital structure from its operating structure; and

is used by Sabine's management team for various purposes, including strategic planning and forecasting. The following table provides a reconciliation of pro forma Adjusted EBITDA to net loss:

	Three Months Ended March 31, 2014	Year Ended December 31, 2013 (unaudited)
	(in thousands)	
Adjusted EBITDA	\$ 111,222	\$ 417,801
Add (deduct):		
Interest, net of capitalized interest	(41,838)	(161,454)
Depletion, depreciation and amortization	(60,545)	(199,372)
Loss on derivative instruments	(23,176)	(77,468)
Income taxes	460	(2,560)
Other, net	(6,905)	(42)
Net loss	\$ (20,782)	\$ (23,095)

- (2) The consummation of the combination transaction will require a change of control offer to be made by Forest under the indentures governing Forest's existing 7.25% notes due 2019 and 7.50% notes due 2020 (Forest's Existing Notes). Forest may solicit the consent from holders of its Existing Notes to amend the applicable indentures such that no aspect of the transactions contemplated by the merger agreement will require a change of control offer requiring such Existing Notes to be refinanced. If successful consent solicitations do not occur, Sabine has obtained commitments for bridge financing to backstop any of Forest's Existing Notes which are required to be purchased in connection with a change of control offer (a Bond Refinancing). At such time as any consent solicitations have been concluded, Sabine will assess the impact of any Bond Refinancing on pro forma Interest expense and Long-term debt. Sabine has also obtained commitments from lenders to provide a new credit facility for Forest upon consummation of the combination transaction to refinance the Sabine Credit Facility and the existing revolving credit facility of Forest (such credit facility refinancing, the Refinancing), at which such time Sabine will assess the impact of the Refinancing amount and borrowing base on pro forma Interest expense and long-term debt.

Table of Contents**UNAUDITED COMPARATIVE PER SHARE DATA**

The following table presents, for the three months ended March 31, 2014 and the year ended December 31, 2013, selected historical per share data of Sabine and Forest as well as similar information, reflecting the combination transaction, as if the combination transaction had been effective for the period presented, which we refer to as pro forma combined information. The merger agreement provides that Sabine Investor Holdings and AIV Holdings will receive an aggregate of 163,711,510 shares of Forest common stock and 1,664,249 Series A convertible common-equivalent preferred shares in exchange for the direct and indirect contribution of all of the outstanding units in Sabine Holdings to Forest. Accordingly, the hypothetical equivalent per share data for Sabine presented below is calculated by multiplying the pro forma combined amounts for Forest by the exchange ratio implied in the contribution, assuming Sabine Investor Holdings and AIV Holdings received 163,711,510 shares of Forest common stock in exchange for the contribution of Sabine Holdings as of March 31, 2014.

You should read this information in conjunction with (i) the selected historical consolidated financial data of Forest and the selected historical consolidated financial data of Sabine included elsewhere in document, (ii) the historical consolidated financial statements of Forest that are incorporated by reference into this document and related notes thereto and the historical consolidated financial statements of Sabine and related notes thereto that are included elsewhere in this document and (iii) the unaudited pro forma condensed consolidated combined financial statements of Forest and related notes thereto that are included elsewhere in this document. The unaudited pro forma combined per share information does not purport to represent what the actual results of operations of Forest would have been had the combination transaction been completed in another period or to project Forest's results of operations that may be achieved if the combination transaction is completed.

	Three Months Ended March 31, 2014	Year Ended December 31, 2013
Historical Forest		
Earnings from continuing operations per share ⁽¹⁾ :		
Basic	\$ (0.18)	\$ 0.62
Diluted	\$ (0.18)	\$ 0.62
Book value per share ⁽³⁾	\$ 0.30	\$ 0.47
Cash dividends per share:	\$	\$
Historical Equivalent Sabine		
Earnings from continuing operations per share ⁽¹⁾ :		
Basic	\$ (0.01)	\$ 0.06
Diluted	\$ (0.01)	\$ 0.06
Book value per share ⁽³⁾	\$ 0.60	\$ 0.61
Cash dividends per share:	\$	\$
Pro forma combined Forest		
Earnings from continuing operations per share ⁽²⁾ :		
Basic	\$ (0.07)	\$ (0.06)
Diluted	\$ (0.07)	\$ (0.06)
Book value per share ⁽³⁾	\$ 0.93	\$ 0.57
Cash dividends per share:	\$	\$

- (1) Sabine and Forest historical earnings divided by estimated post-combination transaction shares issued and outstanding of 330,136,410 (which represents 163,711,510 shares of Forest common stock and 1,664,249 Series A convertible common-equivalent preferred shares as converted into 166,424,900 shares of Forest common stock) and 119,028,774, respectively.
- (2) The pro forma earnings information includes the effect of the combination transaction, the contribution and the related transactions on the basis described in Unaudited Pro Forma Condensed Consolidated Combined Financial Statements.
- (3) Sabine and Forest total historical or pro forma equity divided by historical or estimated post-combination transaction issued and outstanding shares as applicable.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document and the documents referred to or incorporated by reference into this proxy statement contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Exchange Act. Forward-looking statements are statements that are not statements of historical fact, including statements about beliefs, opinions and expectations. Forward-looking statements are based on, and include statements about, Forest's and Sabine's plans, prospects, expected future financial condition, results of operations, cash flows, dividends and dividend plans, objectives, beliefs, financing plans, business strategies, budgets, goals, future events, future revenues or performance, financing needs, outcomes of litigation, projected costs, operating metrics, capital expenditures, competitive positions, acquisitions, investment opportunities, integration, cost savings, synergies, growth opportunities, dispositions, plans and objectives of management for future operations and any other information that is not historical information. These statements, which may include statements regarding the period following completion of the combination transaction, include, without limitation, words such as may, will, could, should, would, expect, plan, project, forecast, intend, believe, estimate, predict, suggest, view, potential, pursue, target, continue and similar expressions as well as the negative of these terms. These statements involve risks, uncertainties, assumptions and other factors that are difficult to predict and that could cause actual results to differ materially from those expressed in them or indicated by them.

These risks and uncertainties are not exhaustive. Other sections of this document describe additional factors that could adversely affect Forest's or Sabine's business and financial performance. Moreover, Forest and Sabine operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible to predict all risks and uncertainties, nor can Forest and Sabine assess the impact of all factors on their business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although Forest and Sabine believe the expectations reflected in the forward-looking statements are reasonable, they cannot guarantee future results, level of activity, performance or achievements. Moreover, neither Forest nor Sabine nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Forest and Sabine are under no duty to update any of these forward-looking statements after the date of this document to conform Forest's and Sabine's prior statements to actual results or revised expectations and Forest and Sabine do not intend to do so.

These forward-looking statements appear in a number of places and include statements with respect to, among other things:

estimates of Forest's and Sabine's oil and natural gas reserves;

Forest's and Sabine's future financial condition, results of operations, liquidity, and compliance with debt covenants;

Forest's and Sabine's future revenues, cash flows, and expenses;

Forest's and Sabine's access to capital and their anticipated liquidity;

Forest's and Sabine's future business strategy and other plans and objectives for future operations;

Forest's and Sabine's business competitive position;

Forest's and Sabine's outlook on oil and natural gas prices;

the amount, nature, and timing of Forest's and Sabine's future capital expenditures, including future development costs;

Forest's and Sabine's ability to access the capital markets to fund capital and other expenditures;

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Forest's and Sabine's potential future asset dispositions and other transactions, the timing of closing of such transactions and the use of proceeds, if any, from such transactions;

the risks associated with potential acquisitions or alliances by Forest and Sabine;

the recruitment and retention of Forest's and Sabine's officers and employees;

Forest's and Sabine's expected levels of compensation;

the likelihood of success of and impact of litigation on Forest and Sabine;

Forest's and Sabine's assessment of their counterparty risk and the ability of their counterparties to perform their future obligations;

the impact of federal, state, and local political, regulatory, and environmental developments in the United States and certain foreign locations where Forest and Sabine conduct business operations;

Forest's and Sabine's ability to consummate the combination transaction;

the timing of the consummation of the combination transaction; and

the ability of Forest to integrate Forest's and Sabine's operations and achieve or realize any anticipated benefits, savings, or growth of the combination transaction.

Forest and Sabine expressly qualify in their entirety all forward-looking statements attributable to Forest or Sabine or any person acting on their behalf by the cautionary statements contained or referred to in this section.

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THE FOREST SPECIAL MEETING

This section contains information about the special meeting of Forest shareholders that has been called to approve the share issuance proposal and certain other proposals related to the combination transaction.

Together with this document, Forest is sending its shareholders a notice of the special meeting and a form of proxy that is solicited by the Forest board. The special meeting will be held at [], at [], on [], 2014, subject to any adjournments or postponements.

This document is being furnished to Forest common shareholders as part of the solicitation of proxies by the Forest board for use at the special meeting, to be held on [], 2014, and at any adjournment or postponement thereof. This document and enclosed proxy card is first being mailed to Forest common shareholders on or about [], 2014.

Time and Place of the Special Meeting

The special meeting will be held at [] on [], 2014 at [], subject to any adjournments or postponements.

Purpose of the Special Meeting

The purpose of the special meeting is to vote upon the following proposals:

Share Issuance Proposal. A proposal to approve the issuance of 163,711,510 common shares and 1,664,249 Series A convertible common-equivalent preferred shares (convertible into 166,424,900 common shares) to Sabine Investor Holdings and AIV Holdings, pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of May 5, 2014, and amended and restated as of July 9, 2014, by and among Sabine Investor Holdings LLC, FR XI Onshore AIV, LLC, Sabine Oil & Gas Holdings LLC, Sabine Oil & Gas Holdings II LLC, Sabine Oil & Gas LLC and Forest Oil Corporation, and to approve, in the event the authorized share proposal is not approved, the issuance of 1,137,113 Series B convertible common-equivalent preferred shares to Sabine Investor Holdings and AIV Holdings in lieu of 113,711,300 common shares underlying such Series B convertible common-equivalent preferred shares. If the share issuance proposal is approved, based on the shares currently outstanding and the shares issuable pursuant to the merger agreement, we estimate that approximately 283,000,000 common shares will be issued and outstanding. If the share issuance proposal is not approved, based on the shares currently outstanding and the shares issuable pursuant to the merger agreement, we estimate that approximately 169,000,000 common shares will be issued and outstanding;

Authorized Share Proposal. A proposal to approve an amendment to the Forest certificate of incorporation to increase the number of authorized Forest common shares to 650,000,000 shares;

Name Change Proposal. A proposal to approve an amendment to the Forest certificate of incorporation to change the name of Forest to Sabine Oil & Gas Corporation ;

2014 LTIP Proposal. A proposal to approve the adoption of the 2014 LTIP;

Section 162(m) Proposal. A proposal to approve certain material terms of the 2014 LTIP for purposes of complying with the requirements of Section 162(m) of the Internal Revenue Code; and

Adjournment Proposal. A proposal to approve the adjournment or postponement of the special meeting, if necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the share issuance proposal or the authorized share proposal.

The only Forest common shareholder approvals required by the merger agreement are approval of the share issuance proposal and, unless receipt thereof is waived by Forest and Sabine Investor Holdings, approval of the authorized share proposal. The vote on the 2014 LTIP proposal and the Section 162(m) proposal will have no

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effect on whether the combination transaction is completed. In addition, even if Forest common shareholders approve the share issuance proposal and the authorized share proposal, the combination transaction may not be completed if the other conditions to closing are not satisfied or, if allowed by applicable law, waived. Forest can give no assurance that the conditions to closing the combination transaction will be satisfied or so waived.

Other Business

Forest's bylaws provide that at a special meeting of shareholders, the business discussed must be specified in the notice of meeting. At the special meeting, no matters may come before the shareholders other than the proposals presented herein or in any supplement hereto.

Recommendation of the Forest Board

The Forest board recommends that you vote as follows:

Proposal	Recommended Vote
Share Issuance Proposal (Item 1)	<u>FOR</u> the approval of the issuance of 163,711,510 common shares and 1,664,249 Series A convertible common-equivalent preferred shares (convertible into 166,424,900 common shares) to Sabine Investor Holdings and AIV Holdings and to approve, in the event the authorized share proposal is not approved, the issuance of 1,137,113 Series B convertible common-equivalent preferred shares to Sabine Investor Holdings AIV Holdings in lieu of 113,711,300 common shares underlying such Series B convertible common-equivalent preferred shares
Authorized Share Proposal (Item 2)	<u>FOR</u> the approval of the amendment to the Forest certificate of incorporation increasing the number of authorized Forest common shares to 650,000,000 shares
Name Change Proposal (Item 3)	<u>FOR</u> the approval of the amendment to the Forest certificate of incorporation to change the name of Forest to Sabine Oil & Gas Corporation
2014 LTIP Proposal (Item 4)	<u>FOR</u> the approval of the adoption of the 2014 LTIP
Section 162(m) Proposal (Item 5)	<u>FOR</u> the approval of certain material terms of the 2014 LTIP for purposes of complying with the requirements of Section 162(m) of the Internal Revenue Code

Adjournment Proposal (Item 6)

FOR

the adjournment or postponement of the special meeting, if necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the share issuance proposal or the authorized share proposal

Record Date and Quorum

The Forest board has established [], 2014 as the record date for the special meeting. Only record holders of Forest common shares at the close of business on the record date for the special meeting are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. No other Forest common shares are entitled to notice of and to vote at the special meeting. At the close of business on the

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record date, there were [] Forest common shares outstanding and entitled to vote, which includes [] of restricted shares beneficially owned by employees, officers and directors of Forest subject to vesting. Holders of Forest common shares have one vote per share on each matter to be acted upon.

Holders of a majority of the outstanding Forest common shares entitled to vote on the record date must be present in person or represented by proxy at the special meeting for there to be a quorum. Abstentions are counted as present for the purpose of determining a quorum. It is important that you provide Forest with your proxy or attend the special meeting in person so that your shares are counted towards the quorum. If you hold your shares through a bank, broker, custodian or other record holder, please refer to your proxy card, voting instruction form, or the information forwarded by your bank, broker, custodian or other record holder to determine how and when to vote your shares. Unless you direct your bank, broker, custodian or other record holder on how to vote by the time and date specified by them, they will be unable to vote your shares. Forest encourages you to provide it with your proxy even if you plan to attend the special meeting in person to ensure that your vote will be counted.

All Forest common shares represented at the special meeting, including abstentions, will be treated as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

Attendance

Only shareholders with an admission ticket will be admitted to the special meeting. If you are a record holder of Forest common shares, an admission ticket is attached to your proxy card. However, if you hold your Forest common shares through a bank, broker, custodian or other record holder, you should ask the bank, broker, custodian or other record holder that holds your shares to provide you with a legal proxy, a copy of your account statement, or a letter from the record holder confirming that you beneficially own or hold Forest common shares as of the close of business on the record date. You also can obtain an admission ticket to the special meeting by presenting this legal proxy, or confirming documentation of your account from your bank, broker, custodian or other record holder, at the special meeting. All shareholders will be required to show a valid, government-issued, picture identification that matches the name on the admission ticket or legal proxy or confirming documentation from your bank, broker, custodian or other record holder before being admitted to the special meeting. Forest reserves the right to refuse admittance to anyone without both proper proof of share ownership and proper photo identification.

Vote Required

The required vote to approve each proposal generally is as set forth in the table below. Please see the description immediately following the table for more details on the required vote to approve each proposal.

Proposal	Vote Required
Share Issuance Proposal (Item 1)	Affirmative vote of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote
Authorized Share Proposal (Item 2)	Affirmative vote of a majority of the outstanding Forest common shares
Name Change Proposal (Item 3)	Affirmative vote of a majority of the outstanding Forest common shares
2014 LTIP Proposal (Item 4)	

Section 162(m) Proposal (Item 5)

Affirmative vote of the majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote
Affirmative vote of the majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote

Adjournment Proposal (Item 6)

Affirmative vote of the majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote

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The share issuance proposal: Assuming the presence of a quorum, the affirmative vote of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote is required to approve the share issuance proposal. If you vote to abstain, it will have the same effect as voting **AGAINST** this proposal. If you fail to vote, it will have no effect on the voting outcome of this proposal, but it will make it more difficult to have a quorum. Accordingly, it is important that you provide Forest with your proxy or attend the special meeting in person so that your shares are counted towards the quorum and this requirement.

The authorized share proposal: The affirmative vote of a majority of the outstanding Forest common shares is required to approve the authorized share proposal. If you vote to abstain or fail to vote, it will have the same effect as voting **AGAINST** this proposal. Accordingly, it is important that you provide Forest with your proxy or attend the special meeting in person so that your shares are counted towards the quorum and this requirement.

The name change proposal: The affirmative vote of a majority of the outstanding Forest common shares is required to approve the name change proposal. If you vote to abstain or fail to vote, it will have the same effect as voting **AGAINST** this proposal. Accordingly, it is important that you provide Forest with your proxy or attend the special meeting in person so that your shares are counted towards the quorum and this requirement.

The 2014 LTIP proposal: Assuming the presence of a quorum, the affirmative vote of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote on the record date is required to approve the 2014 LTIP proposal. If you vote to abstain, it will have the same effect as voting **AGAINST** this proposal. If you fail to vote, it will have no effect on the voting outcome of this proposal, but it will make it more difficult to have a quorum. Accordingly, it is important that you provide Forest with your proxy or attend the special meeting in person so that your shares are counted towards the quorum and this requirement.

The Section 162(m) proposal: Assuming the presence of a quorum, the affirmative vote of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote on the record date is required to approve the Section 162(m) proposal. If you vote to abstain, it will have the same effect as voting **AGAINST** this proposal. If you fail to vote, it will have no effect on the voting outcome of this proposal, but it will make it more difficult to have a quorum. Accordingly, it is important that you provide Forest with your proxy or attend the special meeting in person so that your shares are counted towards the quorum and this requirement.

The adjournment proposal: Whether or not a quorum is present at the special meeting, the affirmative vote of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote on the record date is required to approve this proposal. If you vote to abstain, it will have the same effect as voting **AGAINST** this proposal. If you fail to vote, it will have no effect on the voting outcome of this proposal.

THE MERGER AGREEMENT PROVIDES THAT RECEIPT OF THE REQUISITE FOREST SHAREHOLDER APPROVAL OF THE SHARE ISSUANCE PROPOSAL AND, UNLESS RECEIPT THEREOF IS WAIVED BY FOREST AND SABINE INVESTOR HOLDINGS, THE AUTHORIZED SHARE PROPOSAL ARE CONDITIONS TO CLOSING THE COMBINATION TRANSACTION, AS MORE FULLY DESCRIBED IN THE MERGER AGREEMENT AND OTHER TRANSACTION AGREEMENTS CONDITIONS TO COMPLETION OF THE COMBINATION TRANSACTION.

Voting by Forest Directors and Executive Officers

As of the record date for the special meeting, Forest's directors and executive officers had the right to vote []% of the Forest common shares outstanding and entitled to vote at the special meeting. Forest currently expects that its directors and executive officers will vote their Forest common shares in favor of each of the

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proposals to be considered at the special meeting, although none of them has entered into any agreements obligating them to do so.

Voting by Attending the Special Meeting in Person

Shares held in your name as the shareholder of record may be voted in person at the special meeting. Shares for which you are the beneficial owner but not the shareholder of record may be voted in person at the special meeting only if you obtain a legal proxy from the broker, trustee, or other nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the special meeting, Forest recommends that you also vote by proxy so that your vote will be counted if you are unable to attend the special meeting.

Voting Without Attending the Special Meeting in Person

Whether you hold shares directly as a shareholder of record, or beneficially in street name, you may direct how your shares are voted without attending the annual meeting. If you are a shareholder of record, you may vote by submitting a proxy. If you hold your shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee, or nominee. There are three ways to vote by proxy and voting instruction card:

By Internet. Shareholders who received a notice about the Internet availability of the proxy materials may submit their proxy over the Internet by following the instructions on the notice. Shareholders who have received a paper copy of a proxy card or voting instruction card by mail may submit proxies over the Internet by following the instructions on the proxy card or voting instruction card. Internet voting will be available until [] on [], 2014 or, if the special meeting is continued, adjourned or postponed, until [] on the day immediately before such continued, adjourned or postponed meeting.

By Telephone. Shareholders of record may submit proxies by telephone, by calling the number included in the materials received from Computershare Shareowner Services LLC, and following the instructions. In addition, you will need to have the control number that appears on your notice available when voting. Shareholders who are beneficial owners of their shares and who have received a voting instruction card may vote by calling the number specified on the voting instruction card provided by their broker, trustee, or nominee. Telephone voting will be considered at the special meeting if completed prior to [] on [], 2014 or, if the special meeting is continued, adjourned or postponed, until [] on the day immediately before such continued, adjourned or postponed special meeting.

By Mail. Shareholders who have received a paper copy of a proxy card or voting instruction card by mail may submit proxies by completing, signing, and dating their proxy card or voting instruction card and mailing it in the accompanying pre-addressed envelope. Proxy cards submitted by mail and received by Forest after [], 2014 at [] may not be considered unless the special meeting is continued, adjourned or postponed, and then only if received before the date and time the continued, adjourned or postponed special meeting is held.

If you provide specific voting instructions, your shares will be voted as you instruct. If you hold your shares directly and you sign the proxy card but do not provide instructions or if you do not make specific Internet or telephone voting choices, your shares will be voted in accordance with the recommendations of the Forest board with respect to such proposal(s) for which no voting instructions are provided, *i.e.*, FOR the share issuance proposal, FOR the authorized share proposal, FOR the name change proposal, FOR the 2014 LTIP proposal, FOR the Section 162(m) proposal and

FOR the adjournment proposal.

If you hold your shares in street name and sign the voting instruction card of your broker, trustee, or other nominee, but do not provide instructions, or if you do not make specific Internet or telephone voting choices, your shares will not be voted because your broker, trustee, or other nominee does not have discretionary authority to vote. If you instruct your broker, trustee, or other nominee to vote on at least one proposal at a meeting, but fail to instruct them on how to vote on another proposal, it will have the same effect as voting AGAINST this proposal.

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Revocation

You may change or revoke your proxy at any time prior to the vote on the matters at the special meeting or, if the special meeting is continued, adjourned or postponed, the date and time of such continued, adjourned or postponed meeting.

If you are a record holder of Forest common shares, you may revoke your proxy at any time prior to the vote on the matters at the special meeting or, if the special meeting is continued, adjourned or postponed, the date and time of such continued, adjourned or postponed meeting by (1) delivering to Forest's Corporate Secretary at Forest's principal executive office, located at 707 17th Street, Suite 3600, Denver, Colorado 80202, a written revocation that must be received by Forest prior to the date and time of the special meeting, or, if the special meeting is continued, adjourned or postponed, the date and time of such continued, adjourned or postponed meeting, (2) submitting another valid proxy card with a later date by mail, (3) voting by submitting a proxy by telephone or Internet prior to the date and time of the special meeting, or, if the special meeting is continued, adjourned or postponed, the date and time of such continued, adjourned or postponed meeting, or (4) attending the special meeting in person and giving Forest's Inspector of Elections notice of your intent to vote your shares in person.

If your shares are held in street name by a broker, bank or other nominee, please refer to the information forwarded to you by your broker, bank or other nominee for instructions on revoking or changing your proxy. If you intend to revoke your voting instructions you must ensure that such revocation is received by Forest's Corporate Secretary prior to the date and time of the special meeting, or, if the special meeting is continued, adjourned or postponed, by the date and time of such continued, adjourned or postponed meeting. Any revocation received as of or after that date and time will not be effective. Attendance at the special meeting will not, by itself, revoke a proxy. Only your last submitted proxy card will be considered. Please cast your vote FOR the proposals, following the instructions in your proxy card, as promptly as practicable.

Solicitation of Proxies; Payment of Solicitation Expenses

Forest bears all of the cost of the solicitation of proxies, including the preparation, assembly, printing and mailing of all proxy materials. Forest also reimburses banks, brokers, custodians and other record holders for their costs in forwarding the proxy materials to the beneficial owners or holders of Forest common shares. Forest and its directors, officers, and regular employees also may solicit proxies by mail, personally, by telephone or by other appropriate means. No additional compensation will be paid to directors, officers or other regular employees for such services. In addition, Forest has retained Innisfree M&A Incorporated, to aid in the solicitation of proxies by mail, personally, by telephone, e-mail or other appropriate means. For these services, Forest will pay Innisfree M&A Incorporated \$30,000 (plus an additional \$20,000 if both the share issuance proposal and the authorized share proposal are approved by the shareholders), plus reasonable out-of-pocket expenses.

Proxy Solicitor

If you need assistance in completing your proxy card or have questions regarding the special meeting, please contact Innisfree M&A Incorporated toll-free at (877) 456-3463. Banks and brokers may call collect at (212) 750-5833.

You may also request additional copies of this document from Forest's proxy solicitor, Innisfree M&A Incorporated, using the following contact information:

Innisfree M&A Incorporated

Edgar Filing: FOREST OIL CORP - Form PRER14A

501 Madison Avenue, 20th Floor

New York, New York 10022

Shareholders Call Toll-Free: (877) 456-3463

Banks and Brokers Call Collect: (212) 750-5833

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PROPOSAL NO. 1 THE SHARE ISSUANCE

The Share Issuance Proposal

(Item 1 on the proxy card)

The merger agreement provides that Sabine Investor Holdings and AIV Holdings will contribute, directly or indirectly, all of the equity interests of Sabine Holdings to Forest, with Sabine Holdings becoming a wholly owned subsidiary of Forest. In exchange for the contribution, (i) Sabine Investor Holdings and AIV Holdings will receive 123,837,490 and 39,874,020 shares of Forest common stock, respectively and (ii) Sabine Investor Holdings and AIV Holdings will receive 1,258,900 and 405,349 shares of Forest Series A convertible common-equivalent preferred stock, respectively. If the share issuance proposal is approved, based on the shares currently outstanding and the shares issuable pursuant to the merger agreement, we estimate that approximately 283,000,000 common shares will be issued and outstanding. If the share issuance proposal is not approved, based on the shares currently outstanding and the shares issuable pursuant to the merger agreement, we estimate that approximately 169,000,000 common shares will be issued and outstanding.

The authorized share proposal is a condition to the consummation of the combination transaction. If the authorized share proposal is not approved and Forest and Sabine Investor Holdings mutually agree to waive this condition, then in exchange for the contribution, Sabine Investor Holdings and AIV Holdings will instead receive shares of Forest Series B convertible common-equivalent preferred stock in lieu of a portion of the Forest common stock that would have been received by them if there were available for issuance a sufficient amount of authorized but unissued common shares. As a result, Sabine Investor Holdings and AIV Holdings would receive (i) 37,822,023 and 12,178,187 shares of Forest common shares, (ii) 1,258,900 and 405,349 shares of Forest Series A convertible common-equivalent preferred stock and (iii) 860,155 and 276,958 shares of Forest Series B convertible common-equivalent preferred stock, respectively.

Required Vote

Assuming the presence of a quorum, the affirmative vote of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote is required to approve the share issuance proposal. If you vote to abstain, it will have the same effect as voting **AGAINST** this proposal. If you fail to vote, it will have no effect on the voting outcome of this proposal, but it will make it more difficult to have a quorum. Accordingly, it is important that you provide Forest with your proxy or attend the special meeting in person so that your shares are counted towards the quorum and this requirement.

The Forest board recommends a vote FOR the share issuance proposal (Item 1). For a discussion of interests of Forest's directors and executive officers in the combination transaction that may be different from, or in addition to, Forest's shareholders generally, see **Interests of Forest's Executive Officers and Directors in the Combination Transaction.**

THE MERGER AGREEMENT PROVIDES THAT RECEIPT OF THE REQUISITE FOREST SHAREHOLDER APPROVAL OF THE SHARE ISSUANCE PROPOSAL IS A CONDITION TO CLOSING THE TRANSACTION, AS MORE FULLY DESCRIBED IN THE MERGER AGREEMENT AND OTHER TRANSACTION AGREEMENTS CONDITIONS TO COMPLETION OF THE COMBINATION TRANSACTION.

In addition, even if Forest common shareholders approve the share issuance proposal, the combination transaction may not be completed if the other conditions to closing the combination transaction are not satisfied or, if allowed by applicable law, waived. Forest can give no assurance that the conditions to closing the combination transaction will be satisfied or so waived.

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Sabine Investor Holdings, AIV Holdings and Forest entered into a merger agreement providing for a combination of Forest's and Sabine's businesses. Upon consummation of the combination transaction, current Forest common shareholders will continue to hold their shares of Forest common stock, which shares will represent (based on the number of Forest common shares outstanding as of May 5, 2014) approximately 42% of the issued and outstanding Forest common shares, approximately a 26.5% economic interest in Forest and 20% of the total voting power in Forest, and Sabine Investor Holdings and AIV Holdings will collectively hold approximately 58% of the issued and outstanding Forest common shares and 100% of the issued and outstanding Forest Series A convertible common-equivalent preferred shares, collectively representing approximately a 73.5% economic interest in Forest and 80% of the total voting power in Forest. If the 2014 LTIP Proposal is approved, Forest expects to issue approximately [] shares of Forest common stock under the 2014 LTIP, which will dilute the ownership percentages in Forest common shares listed above as well as the voting power of current Forest common shareholders, but will not affect the collective voting power of Sabine Investor Holdings and AIV Holdings, which will remain at 80%.

Sabine Investor Holdings will contribute all of the equity interests of Sabine Holdings and AIV Holdings will contribute all of the equity interests in two other holding companies, FR NFR Holdings, Inc. and FR NFR PI, Inc., to Forest, with Sabine Holdings becoming a wholly owned subsidiary of Forest. In exchange for the contribution, (i) Sabine Investor Holdings and AIV Holdings will receive 123,837,490 and 39,874,020 shares of Forest common stock, respectively, and (ii) Sabine Investor Holdings and AIV Holdings will receive 1,258,900 and 405,349 shares of Forest Series A convertible common-equivalent preferred stock, respectively. FR NFR Holdings, Inc. and FR NFR PI, Inc. will subsequently merge with and into Forest, with Forest surviving. Sabine Holdings, SOGH II and Sabine will subsequently merge with and into Forest, with Forest surviving and the operating subsidiaries of Sabine becoming subsidiaries of Forest.

The authorized share proposal is a condition to the consummation of the combination transaction. If the authorized share proposal is not approved and Forest and Sabine Investor Holdings mutually agree to waive this condition, then in exchange for the contribution, Sabine Investor Holdings and AIV Holdings will instead receive shares of Forest Series B convertible common-equivalent preferred stock in lieu of a portion of the Forest common stock that would have been received by them if there were available for issuance a sufficient amount of authorized but unissued common shares. As a result, Sabine Investor Holdings and AIV Holdings would receive (i) 37,822,023 and 12,178,187 shares of Forest common shares, (ii) 1,258,900 and 405,349 shares of Forest Series A convertible common-equivalent preferred stock and (iii) 860,155 and 276,958 shares of Forest Series B convertible common-equivalent preferred stock, respectively. In that case, upon consummation of the combination transaction, and based upon the number of Forest common shares currently outstanding, current Forest common shareholders would hold 70% of the issued and outstanding Forest common shares, representing approximately a 26.5% economic interest in Forest and 20% of the total voting power in Forest, and Sabine Investor Holdings and AIV Holdings will collectively hold 30% of the issued and outstanding Forest common shares, 100% of the issued and outstanding Forest Series A convertible common-equivalent preferred shares and 100% of the issued and outstanding Forest Series B convertible common-equivalent preferred shares, collectively representing approximately a 73.5% economic interest in Forest and 80% of the total voting power in Forest.

Pursuant to the merger agreement, at the completion of the combination transaction, Forest's bylaws will be amended and, in the event the authorized share proposal or the name change proposal is approved, its certificate of incorporation will be amended as approved. In addition, following completion of the combination transaction, Sabine Investor Holdings and AIV Holdings intend to use their voting power to cause Forest to be reincorporated in Delaware (from New York), with the result that Forest and its shareholders will be governed by Delaware law instead of New York law. See Comparison of Rights of Forest Shareholders Before and After the Combination Transaction.

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The following diagram illustrates the structure of the combination transaction:

Before the Combination Transaction

After the Combination Transaction

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Background of the Combination Transaction

Forest's management and board of directors regularly review Forest's performance, prospects and strategy and, in recent years, have evaluated strategic alternatives in light of Forest's substantial leverage and constrained financial flexibility which have affected Forest's ability to fund its drilling operations and to fully exploit and develop its oil and gas assets, the current business and economic environment and the challenges facing smaller, independent participants in the oil and gas exploration, development and production industry in general. The strategic alternatives to independence considered by the Forest board since 2012 have included a sale of Forest to a strategic or financial acquirer, a merger with another public or non-public industry participant, a substantial debt or equity investment from a private equity firm and the sale of significant assets.

In the first quarter of 2013, two industry participants approached Forest concerning a possible merger with, or acquisition of, Forest. Forest engaged in discussion with both parties, and one conducted due diligence, but by June 2013, each of the participants had elected not to move forward with a transaction. Around the same time, other industry participants approached Forest to initiate exploratory discussions regarding, or to express interest in acquiring, Forest's oil and gas assets located in the Texas Panhandle Area (the Panhandle Assets).

In June 2013, the Forest board reviewed Forest's strategic positioning and, in light of the interest in the Panhandle Assets expressed by several parties and Forest's substantial leverage, the Forest board instructed J.P. Morgan, which had been engaged effective as of May 2, 2013 as Forest's financial advisor in connection with its exploration of strategic alternatives, to commence a public sale process for the Panhandle Assets and, at the same time, to assess potential interest in a merger or sale transaction involving all of Forest. Forest and J.P. Morgan commenced the Panhandle Asset sale process on July 15, 2013. Concurrently with, and, in some cases, as part of, the Panhandle Asset sale process, from mid-July through early October 2013, J.P. Morgan contacted or was contacted by approximately 12 industry participants who were considered likely to be interested in, and capable of consummating, a merger or sale transaction involving all of Forest (or all of Forest excluding the Panhandle Assets). While some indicated some initial interest and engaged in some discussions with Forest or J.P. Morgan, ultimately, none of these 12 parties indicated interest in moving forward. During this time, Forest received bids to acquire the Panhandle Assets and, in a transaction announced on October 3, 2013 and completed on November 25, 2013, Forest sold the Panhandle Assets to Templar Energy LLC for approximately \$1.0 billion in cash. Templar Energy is a portfolio company of a fund related to First Reserve. In November 2013, Forest used approximately \$840 million of the sale proceeds to repurchase outstanding senior notes and to repay the outstanding balance on its revolving credit facility.

Following the announcement of the Panhandle Asset sale, Forest received inquiries from a few industry participants (including some of the ones previously identified or contacted as having potential interest) regarding a possible strategic transaction involving all of Forest (excluding the Panhandle Assets), and the Forest board instructed management and J.P. Morgan to contact select additional parties that could potentially be interested in such a transaction. As a result, from November 2013 through February 2014, Forest engaged in discussions and, in some cases, due diligence with eight potentially interested parties, in addition to Sabine.

In December 2013, Patrick R. McDonald, Forest's chief executive officer, learned through an acquaintance that Sabine was in the process of exploring strategic alternatives, including obtaining a public listing for Sabine. On December 19, 2013, Mr. McDonald met with John Yearwood, a director of Sabine. At this meeting, Messrs. McDonald and Yearwood discussed whether Sabine had considered obtaining a public listing by merging with a public company rather than via an initial public offering. Mr. Yearwood suggested that Mr. McDonald meet with David Sambrooks, Sabine's chief executive officer, to determine whether a merger between Sabine and Forest might be of interest to the parties. On December 20, 2013, Mr. McDonald informed Forest's directors of his conversation with Mr. Yearwood, and the directors encouraged Mr. McDonald to open discussions with Sabine.

On January 14, 2014, Mr. McDonald met with Mr. Sambrooks in Houston. At this meeting, Messrs. McDonald and Sambrooks discussed their respective businesses and discussed generally and at a high-level some of the possible benefits and challenges of combining Forest and Sabine.

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On January 17, 2014, Forest and Sabine entered into a mutual non-disclosure agreement enabling confidential negotiations and the conduct of mutual due diligence.

On January 23, 2014, members of Forest's management team met in Houston with members of Sabine's management team to discuss their respective businesses and make management presentations to each other.

On January 24, 2014, the Forest board met telephonically, together with members of management and J.P. Morgan, to receive a report on the developments with Sabine, including the January 23 meeting with Sabine, and an update on the status of ongoing discussions with two other previously contacted parties concerning a merger or sale of Forest, as well as with several previously contacted parties interested in various forms of joint ventures intended to provide Forest with financing for development of various portions of its operations. The Forest board considered the status and prospects of its ongoing operations, including that despite repaying a significant portion of its indebtedness from proceeds of the Panhandle Assets sale, Forest continued to have substantial leverage relative to its asset base, which leverage continued to affect Forest's ability to fund its drilling operations and to fully exploit and to fully develop its oil and gas assets. At the conclusion of the meeting, the Forest board authorized management to continue to pursue the merger and sale alternatives, and to continue to pursue the joint ventures alternatives as well, in the event Forest were unable to reach agreement to enter into a desirable merger or sale transaction.

On January 29, 2014, Messrs. McDonald and Sambrooks met in Houston to discuss further the potential benefits and challenges of a merger of Forest and Sabine and to discuss the further due diligence requirements of each side. On January 30, 2014, the respective technical teams of Forest and Sabine met to exchange technical data about the companies' respective operations. On February 5, 2014, Messrs. McDonald and Sambrooks met in Houston to continue their discussions concerning a possible merger of Forest and Sabine and to review the status and pace of due diligence and the exchange of additional technical information.

On February 12, 2014, the Forest board met for a regularly scheduled meeting. At this meeting, which was attended by members of management, J.P. Morgan and Wachtell, Lipton, Rosen & Katz, Forest's outside legal counsel (Wachtell Lipton), the Forest directors received an update on the status of ongoing discussions, which were continuing at that time with Sabine and the two other parties potentially interested in a transaction involving all of Forest, and with several parties potentially interested in a joint venture alternative. The Forest board authorized management to continue to pursue all alternatives.

On February 14, 2014, Sabine provided to Forest a high-level term sheet for a merger transaction in which Sabine's current equity holders would receive 70% of the equity of the post-closing equity of the combined company, and Forest's common shareholders would receive 30%. The percentage to be received by Forest's shareholders was referred to throughout the negotiations as the sharing ratio.

On February 25, 2014, Forest announced its operating and financial results for the fourth quarter of 2013 and for the full year 2013, and updated its guidance for 2014. On February 26, 2014, Forest's share price declined by approximately 38%, from \$3.23 to \$2.01.

On February 26 and 27, 2014, Messrs. McDonald and Sambrooks met in Denver. During these meetings, Messrs. McDonald and Sambrooks discussed synergy potential and operational and personnel matters relevant to a merger of Forest and Sabine, and confirmed to each other that their respective boards of directors remained interested in a transaction. Mr. Sambrooks conveyed the concern expressed by the Sabine board over the decrease in Forest's stock price, but did not propose a change in the sharing ratio.

On February 28, 2014, the Forest board met telephonically, together with members of management and Forest's legal and financial advisors, to review the status of strategic alternatives. By this time, the potentially interested parties other than Sabine had withdrawn their interest or declined to provide an actionable proposal. After discussion and analysis of Sabine's proposed transaction terms, Forest's standalone alternatives, and

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Forest's financing and operational flexibility in light of its share price, the Forest board authorized Mr. McDonald to continue to engage in due diligence and negotiations with Sabine concerning a potential merger transaction.

During March 2014, the parties continued their reciprocal due diligence and continued to analyze the proposed transaction internally. On March 15, 2014, Mr. Sambrooks contacted Mr. McDonald to inform him that Sabine was revisiting its valuation of Forest in light of the decline in Forest's share price and Sabine's due diligence with respect to Forest and to request an in-person meeting between Messrs. Sambrooks and McDonald to further discuss the valuation issue.

On March 17, 2014, Sabine provided Forest with a first draft of the merger agreement. The draft merger agreement provided for, among other things, a force the vote provision that would have required the Forest board to submit the merger to a vote of the Forest shareholders, even if the Forest board received an unsolicited alternative proposal that it determined was a superior offer. The draft merger agreement also proposed a break-up fee of approximately \$40 million payable by Forest to Sabine under certain circumstances.

On March 19, 2014, Messrs. McDonald and Sambrooks met in Denver. At this meeting, Mr. Sambrooks proposed to revise the so-called sharing ratio such that Forest's common shareholders would receive 24%, rather than 30%, of the post-closing equity of the combined company. The meeting concluded without agreement.

On March 24, 2014, the Forest board met telephonically, together with members of management and Forest's legal and financial advisors, to review and discuss Sabine's revised valuation proposal. After extensive discussion, the Forest board instructed management and Forest's advisors to continue to negotiate the transaction generally and to seek to negotiate a sharing ratio greater than 24% for the Forest common shareholders.

On March 25, 2014, Messrs. McDonald and Sambrooks met in Houston to continue discussions concerning operational matters and potential synergies that might be achieved by a merger of Forest and Sabine.

From March 17 through April 9, 2014, the parties negotiated the non-financial terms of the transaction and exchanged drafts of the merger agreement. Forest sought to eliminate the force the vote provision and replace it with a provision that would permit the Forest board to terminate the merger agreement if Forest were to receive an unsolicited alternative proposal that it determined to be a superior offer, and sought to set the termination fee payable on the exercise by Forest of this termination right at approximately \$6 million (instead of \$40 million). Sabine strongly resisted the changes sought by Forest.

On April 3, 2014, the Forest board met telephonically, together with members of management and Forest's legal and financial advisors, to receive a transaction update.

On April 10, 2014, Messrs. McDonald and Sambrooks met in Houston. Mr. Sambrooks informed Mr. McDonald that Sabine would require several days of additional time to analyze the transaction, and suggested that he believed the Sabine board would not be willing to offer a sharing ratio above 25%. Mr. McDonald indicated that 25% was too low, and suggested that the parties focus on a sharing ratio of 27%, the midpoint between the original 30% and Sabine's proposal of 24%.

On April 16, 2014, and again on April 17, 2014, Mr. Sambrooks contacted Mr. McDonald to inform him that it appeared likely that Sabine would conclude their transaction analysis shortly and would likely determine to move forward with the transaction. No agreement was reached, however, on the final sharing ratio.

On April 22, 2014, the Forest board met telephonically, together with members of management and Forest's legal and financial advisors, to receive an update on the status of negotiations with Sabine. During this meeting, the Forest board reviewed Forest's strategic alternatives, the history of Forest's exploration of those alternatives,

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and Forest's prospects as an independent company, including Forest's constrained financial and operating flexibility resulting from its substantial leverage, and J.P. Morgan made a preliminary presentation on the financial and valuation aspects of the proposed transaction. During this discussion, it was noted that since the beginning of 2013, Forest had contacted or been contacted by 21 potentially interested parties regarding a transaction involving a merger or sale of Forest, and had engaged in discussions and, in some cases, due diligence with 10 (including Sabine), and that ultimately Sabine was the only party willing to pursue a transaction. After discussion, including as to the matters discussed below in "Reasons for the Recommendation to Forest Shareholders by the Forest Board," the Forest board authorized management to continue to pursue a transaction with Sabine, subject to negotiating a sharing ratio greater than 24%.

On April 25, 2014, Mr. Sambrooks spoke to Mr. McDonald by telephone. Mr. Sambrooks informed Mr. McDonald that Sabine was willing to move forward, and Messrs. Sambrooks and McDonald discussed the status of open negotiation points and a timeline for completing negotiations. No agreement was reached on the sharing ratio.

During the period from April 25, 2014 through May 1, 2014, Forest and Sabine recommenced negotiation of the merger agreement and related transaction documents and Sabine obtained financing commitment letters, which provided commitments for the credit facility to refinance the Sabine Credit Facility and the existing revolving credit facility of Forest and for bridge financing to finance the purchase of any Forest notes which are required to be purchased in connection with a change of control offer, and provided them to Forest for review.

On April 29, 2014, Messrs. Sambrooks and McDonald spoke again by telephone. Mr. McDonald informed Mr. Sambrooks of the Forest board's dissatisfaction with the 24% sharing ratio proposed by Sabine, and stated that the sharing ratio would need to be increased. After discussion and negotiation, Mr. Sambrooks informed Mr. McDonald that Sabine would be willing to consider a sharing ratio of 26%, and Mr. McDonald informed Mr. Sambrooks that Forest would be willing to consider a sharing ratio of 27%. No agreement was reached on the sharing ratio.

From May 1 through May 5, 2014, members of management of Forest and Sabine and their respective legal advisors discussed, negotiated and resolved the other, non-financial open issues in the merger agreement. Following negotiation, Sabine agreed to eliminate the "force the vote" provision and to provide that the Forest board of directors would be permitted to terminate the merger agreement if Forest were to receive an unsolicited alternative proposal that it determined was a superior offer. The parties ultimately also agreed to a termination fee of \$15 million. In addition, following discussion, Sabine Investor Holdings agreed that it would enter into a stockholder's agreement that would provide, among other things, that Sabine Investor Holding's right to elect directors of Holdco would remain in proportion to its equity interest in Holdco, and that Sabine Investor Holding would not sell any of its shares of Holdco common stock for at least three months after the closing of the merger.

Early in the day on May 5, 2014, Messrs. McDonald and Sambrooks spoke by telephone. Mr. McDonald asked that the Forest shareholder's sharing ratio be increased to 27%. Mr. Sambrooks responded that Sabine's board had informed him that they would not be willing to agree to 27%. After further discussion, Messrs. Sambrooks and McDonald agreed to recommend to their respective boards of directors a sharing ratio of 73.5% for Sabine's current equity holders and 26.5% for Forest shareholders, in each case on a fully diluted basis, and resolved several other open transaction issues.

In the afternoon of May 5, 2014, Mr. Sambrooks informed Mr. McDonald that Sabine's board of directors, as well as the board of directors and members of Sabine Investor Holdings, had approved the transaction, subject to approval of the Forest board. Later on May 5, 2014, the Forest board met telephonically, together with members of management and Forest's legal and financial advisors. During this meeting, the Forest board reviewed Forest's strategic alternatives and Forest's prospects as an independent company, including the risks associated with Forest's debt levels and

constrained financial flexibility and the impact on Forest's ability to fund its drilling operations and exploit its assets while adhering to its debt covenants. Wachtell Lipton then reviewed

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with the Forest board its fiduciary obligations, summarized the material terms of the proposed merger agreement, stockholder's agreement and registration rights agreement, and reported on the resolution of open issues during the course of negotiations with Sabine. J.P. Morgan provided to the Forest board J.P. Morgan's financial analysis of the transaction, and J.P. Morgan delivered to the Forest board its oral opinion, which was confirmed by delivery of a written opinion dated May 5, 2014, to the effect that as of the date of the opinion and based upon and subject to the factors, assumptions, limitations and qualifications set forth in its opinion, the exchange ratio in the proposed transactions contemplated by the original merger agreement was fair, from a financial point of view, to the holders of Forest's common stock. J.P. Morgan's opinion is more fully described in Opinion of J.P. Morgan Securities LLC, Forest's Financial Advisor and the full text of the written opinion of J.P. Morgan is attached as Annex F hereto. After discussions, including as to the matters discussed below in the section entitled Reasons for the Recommendation to Forest Shareholders by the Forest Board, the Forest board, by unanimous vote of all of its members, approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Forest and its shareholders, and resolved to recommend that Forest shareholders vote to adopt the merger agreement.

Following the conclusion of the Forest board meeting, Forest, Sabine and their respective counsel finalized the transaction documentation, and the parties executed the merger agreement, stockholder's agreement and registration rights agreement.

On the morning of May 6, 2014, the parties publicly released a joint announcement of the transaction.

In late May 2014, Forest discovered that the financial projections for Sabine for the calendar year ended December 31, 2015 provided by Forest to J.P. Morgan in April 2014 contained an inadvertent error relating to the oil price realizations applied by Forest's management to Sabine's forecasted oil production in order to make Sabine's results more directly comparable to Forest's. The error resulted in an overstatement of Sabine's 2015E EBITDA and cash flow of approximately \$30 million, but had no effect on forward lease-level field production estimates, lease operating expenses, or type curve estimates for reservoir evaluation. In addition, the error affected only the baseline Base Sabine Budget Projections and did not affect the Adjusted Sabine Projections, which were provided to the Forest board and to J.P. Morgan along with the Base Sabine Budget Projections. See Certain Unaudited Financial Forecasts of Sabine. After discovery of the oil price realization error in late May 2014, Forest provided J.P. Morgan with the necessary corrections to the Base Sabine Budget Projections. See Opinion of J.P. Morgan Securities LLC, Forest's Financial Advisor.

On May 27, 2014, the Forest board met, together with members of management and Forest's legal and financial advisors. During this meeting, Forest management reviewed with the Forest board the error in oil price realization and the impact on the Base Sabine Budget Projections, and provided its perspectives, including management's view that the error resulted in an immaterial difference to the overall assessment of the merger. J.P. Morgan reviewed with the Forest board the differences between J.P. Morgan's public trading multiples analysis for Sabine, relative contribution analysis and relative valuation analysis using the Base Sabine Budget Projections before and after correction for the oil basis differential error. J.P. Morgan noted that, if J.P. Morgan had used the corrected Base Sabine Budget Projections as of May 5, 2014, the corrected Base Sabine Budget Projections would not have changed J.P. Morgan's overall determination as of such date that, based on all of the valuation analyses conducted by J.P. Morgan and based upon and subject to the factors, assumptions, limitations and qualifications set forth in J.P. Morgan's opinion, the exchange ratio in the proposed transactions contemplated by the original merger agreement was fair, from a financial point of view, to the holders of Forest common stock. J.P. Morgan also noted that the receipt of the corrected Base Sabine Budget Projections in late May 2014 had not caused it to withdraw or modify its opinion, delivered orally to the Forest board on May 5, 2014, which was subsequently confirmed in writing on May 5, 2014, as to the fairness, from a financial point of view and as of the date of such opinion and based upon and subject to the factors,

assumptions, limitations and qualifications set forth in such opinion, of the exchange ratio in the proposed transactions contemplated by the original merger agreement to the holders of Forest common stock. After discussing the matter further, the Forest board, by unanimous vote of those present, determined to continue to recommend that Forest's shareholders vote to adopt the merger agreement.

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As discussed under Impact on Forest's Debt, if the transaction is completed as contemplated, Forest will make a change of control offer to holders of Forest's existing notes to acquire the existing notes at a price of 101% of the outstanding principal amount of existing notes, and financing commitments have been obtained to finance that offer. Following the public announcement of the transaction on May 6, the trading price of Forest's outstanding notes increased from approximately 87-90% of par to approximately 100% of par.

A registration statement on Form S-4 for the transaction was filed on May 29, 2014. In early June 2014, Forest and Sabine began hearing from Forest investors and other market participants that certain hedge funds held short positions or acquired credit default swaps with respect to Forest's debt, which positions would increase in value in the event of a decline in the trading prices of Forest's debt, a bankruptcy of Forest, or a default by Forest with respect to its outstanding debt. As a result, the holders of these positions had interests that were directly opposed to the best interests of holders of Forest's common stock. According to information obtained by Forest, which could not be fully confirmed, one way or another, those hedge funds were also buying Forest's common shares for the purpose of voting them against the original transaction on the expectation that the failure of the original transaction would cause a decrease in the trading prices of Forest's debt (including because Forest would no longer be expected to make a change of control offer at 101% of par) or make a Forest default or bankruptcy more likely. Forest and Sabine also heard that the hedge funds planned to sell Forest's common shares after the record date for the special meeting, which would allow the hedge funds to vote against the original transaction at the special meeting without having any ongoing economic interest in Forest's common shares and while having economic interests that were opposed to, or inconsistent with the interests of Forest's common shareholders. The Forest board discussed the likelihood that certain hedge funds were pursuing this strategy, and the risks posed to Forest's common shareholders in the event such hedge funds were in fact employing the strategy, and the possibility that the strategy could be deterred or weakened by restructuring the transaction to lower the approval requirement from two-thirds of the outstanding shares thereby making it more difficult for these hedge funds to obtain a blocking position. In this regard, the Forest board was advised by outside advisors that because shares not voted in connection with a vote requiring approval by two-thirds of all outstanding common shares have the same effect as shares voted against the transaction, and because a not-insignificant number of shares could, based on past experience, be expected not to be voted, the hedge funds could achieve a blocking position under such a voting standard with far less than 33% of the outstanding common shares. After discussion, it was the consensus of the Forest board that the future strategic direction of Forest should be determined by Forest shareholders who have an economic interest in enhancing the value of Forest and its common stock, rather than by investors holding investment positions that give those investors an economic interest in reducing or destroying the value of Forest and its common stock. After discussions between Forest, Sabine and their respective advisors, the parties determined that it would be in the best interests of Forest's common shareholders to restructure the combination transaction in the form described in this proxy statement to make it more difficult for hedge funds who have shorted Forest's debt to obtain a blocking voting position against the combination transaction and to adopt the shareholder rights plan to deter hedge funds from employing this anti-shareholder-value trading strategy. See The Merger Agreement and Other Transaction Agreements Provisions Related to Shareholder Rights Plan.

During June and early July 2014, Forest and Sabine negotiated the form of the amended and restated merger agreement and revised transaction documents. Under the new structure, approval of the issuance of new Forest common and preferred shares to Sabine Investor Holdings and AIV Holdings by holders of a majority of the Forest common shares present (in person or by proxy) at the special meeting and entitled to vote, which we refer to as the share issuance proposal, is required by NYSE rules, and cannot be waived. Approval of the authorized share proposal is being sought in order to facilitate the conversion of shares of Forest Series A convertible common-equivalent preferred stock into shares of Forest common stock, but it is not required by law or stock exchange rule, and therefore may be waived by the parties.

On July 3, 2014, the Forest board met telephonically, together with members of management and Forest's legal and financial advisors. During this meeting, Forest's management and legal advisors reviewed with the Forest board the revised transaction structure, including the revised voting requirements and conditions, and

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discussed the possibility of adopting a shareholder rights plan specially designed to address the particular concern regarding the suspected hedge fund strategy. Forest's management reaffirmed for the Forest board that although the revised transaction alters the legal structure of the merger and provides Sabine Investor Holdings and AIV Holdings with elevated voting rights (80% of the voting power compared to 73.5% of the economic interest in the combined company), the revised transaction does not alter the economic consequences of the combination transaction, noting, in particular, that Forest's current shareholders would after completion of the combination hold approximately 26.5% of the common-equivalent economic interest in the combined Forest and Sabine businesses, the same percentage as Forest's current shareholders would have held immediately after the original transaction had it been completed on its terms. Forest's management then provided its perspectives, including management's view that the revised transaction structure and shareholder vote requirements, and the adoption of the shareholder rights plan would (1) reduce or deter the ability of some hedge funds with interests contrary to the interests of shareholders generally to engage in the suspected anti-shareholder-value trading strategy and (2) increase the likelihood that the shareholder vote on the proposals will reflect the will of Forest's common shareholders interested in enhancing the value of Forest and its common shares, whether as a standalone company or combined with Sabine. Forest's management also noted that because votes of Forest's shareholders, both before and after the combination transaction and reincorporation merger, would generally require approval of either a majority of the outstanding voting power, or at most two-thirds of the outstanding voting power, under applicable law, regulation and the applicable certificate of incorporation and bylaws, increasing the voting power of Sabine Investor Holdings and AIV Holdings to 80% (from 73.5% under the original merger agreement) would have little or no practical effect. At this time, representatives of J.P. Morgan were asked to join the telephonic meeting of the Forest board, and J.P. Morgan confirmed that it was not withdrawing or modifying its opinion dated May 5, 2014 (as more fully described in Opinion of J.P. Morgan Securities LLC, Forest's Financial Advisor). After further discussion, it was the unanimous consensus of the Forest board that it would be in the best interests of Forest and its shareholders to pursue a revised transaction, and the Forest board instructed management to complete negotiations with Sabine for an amended and restated merger agreement and related documents.

On July 9, 2014, the Forest board met telephonically, together with members of management and Forest's legal advisors. At this meeting, Forest's management and legal advisors updated the Forest board on the resolution of negotiations with Sabine for a revised transaction, and Forest's legal counsel reviewed the proposed shareholder rights plan. After discussions, including as to the matters discussed at the July 3, 2014, meeting of the Forest board and as to the matters discussed below in the section entitled Reasons for the Recommendation to Forest Shareholders by the Forest Board, the Forest board, by unanimous vote of all of its members, (1) approved the amended and restated merger agreement and determined that the combination transaction is advisable and in the best interests of Forest and its shareholders, (2) unanimously recommended that Forest shareholders vote FOR the share issuance proposal, the authorized share proposal and the other proposals to be voted on at the special meeting, and (3) adopted the shareholder rights plan.

Following the conclusion of the Forest board meeting, Forest, Sabine and their respective counsel finalized the transaction documentation, and the parties executed the amended and restated merger agreement and the related revised transaction agreements. On the morning of July 10, 2014, the parties publicly announced the revised transaction.

Reasons for the Recommendation to Forest Shareholders by the Forest Board

After careful consideration, the Forest board unanimously determined that the combination transaction is in the best interests of Forest and its shareholders and unanimously approved the combination transaction. This explanation of the Forest board's reasons for recommending the proposed transactions and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under Cautionary Statement Regarding Forward-Looking Statements.

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The Forest board considered the following material factors that it believes support its determinations:

Strategic considerations and aggregate value

the aggregate value of the Forest common shares to be retained by Forest's current shareholders after giving effect to the combination of Forest's and Sabine's businesses, relative to the value of such shares on a standalone basis if Forest were to not engage in the combination transaction, including the fact that, following the combination transaction, Forest common shareholders will have the opportunity to participate in the potential value created by combining Forest and Sabine and benefit from any increases in the value of Forest common shares;

the limitations and risks associated with continuing as a standalone entity, including the risks associated with Forest's substantial leverage relative to its asset base, its constrained financial flexibility, and the impact of these factors on Forest's ability to fund its drilling operations and to fully exploit and develop its oil and gas assets, and the risks associated with Forest's limited financial flexibility in light of Forest's share price and debt level;

the view that the proposed combination transaction with Sabine meets the strategic objectives established by the Forest board and management with respect to achieving improved financial strength and operational scale relative to Forest's publicly traded peers and other operators, and that the proposed combination transaction with Sabine would be superior both operationally and with respect to shareholder value, than the alternative of not engaging in the transaction and continuing to operate its business as an independent, standalone company;

that Forest actively explored strategic alternatives over a lengthy period of time, solicited interest for a variety of potential transactions and structures, and that since the beginning of 2013, Forest had contacted or been contacted by 21 potentially interested parties regarding a transaction involving a merger or sale of Forest and had engaged in discussions and, in some cases, due diligence with 10 of those parties;

that the proposal from Sabine was the only proposal received for a transaction involving the whole of Forest, and was the only available alternative (including joint venture alternatives) found to be in the best interests of Forest and its shareholders relative to the alternative of continuing to operate its business as an independent, standalone company;

the view that the value of the per share merger consideration would, at the time of the public announcement of the transactions, be greater than the closing price of Forest common shares as of May 5, 2014, the last trading day before the public announcement of the transactions contemplated by the merger agreement; and

the percentage ownership in Forest that current Forest common shareholders would have after the combination transaction.

Operational benefits and enhanced asset portfolio

meaningful anticipated growth to the combined company's asset portfolio, including the complementary combined operating footprint between the Sabine and Forest assets within core areas, including East Texas and the Eagle Ford shale;

significant operational and financial synergies to be realized following consummation of the transactions contemplated by the merger agreement, including general and administrative cost, lease operating expense and capital expenditure savings;

the combined company's improved flexibility to allocate capital to the projects in the combined company's portfolio with the highest rate of return, including by exploring opportunistic divestitures of non-core assets and the redeployment of sales proceeds; and

the ability to benefit from Sabine's and Forest's respective technical expertise and operational expertise with regard to specific asset development.

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Improved credit profile

The Forest board expects the combination transaction will improve Forest's credit profile, including:

that the larger combined company will have improved liquidity due to a greater combined lending base and will benefit from a lower cost of capital, and as a result will be able to maximize Forest's asset base value, compete more effectively and more readily assume any risk inherent in Forest's business;

that the combined company's cash flow, together with the potential to explore the opportunistic divestment of non-core assets, will allow deleveraging over time;

that greater overall scale would provide the combined company with improved access to capital markets; and

potential support provided by First Reserve or from being part of First Reserve's portfolio.

Financial projections and opinion of J.P. Morgan

the financial projections prepared by Forest's management (described in Proposal No. 1 The Share Issuance Proposal Certain Unaudited Financial Forecasts of Forest), and the judgment, advice and analysis of Forest's management, including their favorable recommendation of the combination transaction; and

the financial presentation and opinion, dated May 5, 2014, of J.P. Morgan to the Forest board as to the fairness, from a financial point of view and as of the date of such opinion, of the exchange ratio in the transactions contemplated by the original merger agreement to the Forest common shareholders, which opinion was based upon and subject to the factors, assumptions, limitations and qualifications set forth in its opinion, as more fully described in Opinion of J.P. Morgan Securities LLC, Forest's Financial Advisor. While there is no longer an exchange ratio in the merger agreement the exchange ratio under the original merger agreement would have resulted in Forest's current shareholders, on the one hand, and Sabine Investor Holdings and AIV Holdings, on the other hand, receiving the same percentage economic common-equivalent interest in the post-closing combined company of approximately 26.5% and 73.5% respectively as they will hold or receive as of the closing of the combination transaction under the merger agreement. For more information, see Background of the Combination Transaction.

Favorable terms of the transaction documents

all of the terms and conditions of the merger agreement, including, among other things, the representations, warranties, covenants and agreements of the parties, the conditions to closing and the form and structure of the merger consideration and the termination rights, Forest's right to appoint two members of Forest's board, and the terms and conditions of the stockholder's agreement;

the fact that Forest and Sabine undertook extensive negotiations resulting in revisions to the original draft merger agreement to make the terms more favorable to Forest and its shareholders;

the fact that the combination transaction is subject to the approval of holders of at least a majority of outstanding Forest common shares present (in person or by proxy) at the special meeting and entitled to vote, which shareholders therefore have the option to reject the combination transaction by voting against the share issuance proposal and the authorized share proposal;

the terms of the merger agreement that permit Forest, prior to the time that Forest common shareholders approve the share issuance proposal and the authorized share proposal, to discuss and negotiate, under specified circumstances, an unsolicited Acquisition Proposal should one be made, if the Forest board determines in good faith, after consultation with its financial advisor and outside legal counsel, that such Acquisition Proposal constitutes a Superior Proposal or would be reasonably likely to lead to a Superior Proposal;

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the fact that the merger agreement allows the Forest board, under specified circumstances, to change or withdraw its recommendation to the Forest common shareholders with respect to the approval of the share issuance proposal and the authorized share proposal in response to a Superior Proposal or Forest Intervening Event;

the fact that the merger agreement allows the Forest board, under specified circumstances, to terminate the merger agreement to enter into a Superior Proposal;

the likelihood, considering the terms of the merger agreement, that the combination transaction would be completed; and

the view that the revised transaction structure which requires Forest shareholder approval, but at a level below the two-thirds-of-the-outstanding-voting-power standard required under the original merger agreement maximizes the chances that the shareholder vote on the proposed transaction will reflect the will of the majority of Forest shareholders who have an economic interest in enhancing the value of Forest and its common stock, rather than the will of investors holding investment positions that give those investors an economic interest in reducing or destroying the value of Forest and its common stock.

Risks and potentially negative factors

The Forest board also considered a variety of risks and other potentially negative factors concerning the merger agreement and the combination transaction, including the following:

the risk that because the consideration is a fixed number of Forest convertible common shares and common-equivalent preferred shares, the value of the percentage ownership in Forest that current Forest common shareholders would have after the combination transaction may decrease relative to the value of their existing interests in Forest common stock and the fact that the merger agreement does not provide Forest with a price-based termination right or other similar protection;

the risk that the potential benefits of the combination transaction (including the amount of potential efficiencies) may not be fully achieved;

the fact that there may be disruption of Forest's operations following the announcement of the merger agreement and the combination transaction;

the fact that, while Forest expects the combination transaction will be consummated, there can be no guarantee that all conditions to the parties' obligations to consummate the combination transaction will be satisfied, and, as a result, the combination transaction may not be consummated and the risks and costs to Forest in such event;

the risk that the combination transaction may be delayed or may not be completed, including the risk that the approval of Forest's common shareholders may not be obtained, as well as the potential loss of value to the Forest

common shareholders and the potential negative impact on the operations and prospects of Forest if for any reason the combination transaction is delayed or is not completed;

the terms of the merger agreement that place restrictions on the conduct of the business of Forest prior to the completion of the combination transaction, which may delay or prevent Forest from undertaking business opportunities that may arise pending completion of the combination transaction;

the significant costs involved in connection with negotiating the merger agreement and completing the combination transaction, the substantial management time and effort required to effectuate the combination transaction and the related disruption to Forest's day-to-day operations and the risk of diverting management focus and resources from other strategic opportunities during the pendency of the combination transaction;

the fact that, under certain circumstances, Forest may be required to pay a termination fee upon termination of the merger agreement;

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that Sabine Investor Holdings and AIV Holdings will hold 80% of the combined voting power of Forest after the completion of the combination transaction (up from 73.5% under the original merger agreement). However, the Forest board considered that because votes of Forest's shareholders, both before and after the combination transaction and reincorporation merger, would generally require approval of either a majority of the outstanding voting power, or at most two-thirds of the outstanding voting power under applicable law, regulation and the applicable certificate of incorporation and bylaws, this increase in voting power would have little to no practical effect. The Forest board believes that the benefits secured by the revising the transaction structure outweighed the small reduction in Forest shareholders' total voting power relative to Sabine Investor Holdings and AIV Holdings.

the fact that Sabine Investor Holdings and AIV Holdings, which are controlled by First Reserve, will own Forest common stock and convertible common-equivalent preferred stock collectively representing a 73.5% economic interest in Forest and 80% of the total voting power in Forest and that such ownership could result in its control of the Forest board of directors and could discourage a third party from making an offer to acquire Forest in the future unless Sabine Investor Holdings and AIV Holdings supported such offer, and could prevent current Forest common shareholders from receiving any additional control premium following completion of the transactions contemplated by the merger agreement;

the risk that your equity interest in Forest may be diluted as a result of the payment of special dividends on the Series B convertible common-equivalent preferred stock if (i) the authorized share proposal is not approved at the special meeting, (ii) Forest and Sabine mutually elect to waive the authorized share proposal condition and (iii) the authorized share proposal is not subsequently approved within three months following the effective time of the combination transaction (see Description of Capital Stock Series B Convertible Common-Equivalent Preferred Stock);

the potential challenges and difficulties with integrating the operations of Sabine and Forest; and

the fact that the analyses and projections on which the Forest board made its determinations are uncertain. The Forest board also considered a variety of other risks and other countervailing factors, including the risks of the type and nature described under Cautionary Statement Regarding Forward-Looking Statements.

The Forest board concluded that the benefits of the transaction to Forest and its shareholders outweighed the perceived risks. In view of the wide variety of factors considered, and the complexity of these matters, the Forest board did not find it useful and did not attempt to quantify or assign any relative or specific weights to the various factors it considered. Rather, the Forest board viewed the decisions as being based on the totality of the information available to it. In addition, individual members of the Forest board may have given differing weights to different factors.

Opinion of J.P. Morgan Securities LLC, Forest's Financial Advisor

Pursuant to an engagement letter effective as of May 2, 2013, Forest retained J.P. Morgan as its financial advisor in connection with the proposed transactions contemplated by the original merger agreement and the merger agreement.

At the meeting of the Forest board on May 5, 2014, J.P. Morgan rendered its oral opinion to the Forest board that, as of such date and based upon and subject to the factors, assumptions, limitations and qualifications set forth in such opinion, the exchange ratio in the proposed transactions contemplated by the original merger agreement was fair, from

a financial point of view, to the holders of Forest common stock. J.P. Morgan confirmed its May 5, 2014 oral opinion by delivering its written opinion to the Forest board, dated May 5, 2014, that, as of such date, the exchange ratio in the proposed transactions contemplated by the original merger agreement was fair, from a financial point of view, to the holders of Forest common stock. No limitations were imposed by the Forest board upon J.P. Morgan with respect to the investigations made or procedures followed by it in rendering its opinion. While there is no longer an exchange ratio in the merger agreement, the exchange

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ratio under the original merger agreement would have resulted in Forest's current shareholders, on the one hand, and Sabine Investor Holdings and AIV Holdings, on the other hand, receiving the same percentage economic common-equivalent interest in the post-closing combined company of approximately 26.5% and 73.5% respectively as they will hold or receive as of the closing of the combination transaction under the merger agreement. For more information, see Background of the Combination Transaction.

The full text of the written opinion of J.P. Morgan dated May 5, 2014, which sets forth the assumptions made, matters considered and limits on the review undertaken, is attached as Annex F to this document and is incorporated herein by reference. Forest's shareholders are urged to read the opinion in its entirety. J.P. Morgan's written opinion is addressed to the Forest board, is directed only to the exchange ratio in the transactions contemplated by the original merger agreement and does not constitute a recommendation to any Forest shareholder as to how such shareholder should vote with respect to the transactions contemplated by the original merger agreement, the merger agreement or any other matter. The summary of the opinion of J.P. Morgan set forth in this document is qualified in its entirety by reference to the full text of such opinion.

In arriving at its opinion, J.P. Morgan, among other things:

reviewed the original merger agreement;

reviewed certain publicly available business and financial information concerning Forest and Sabine Investor Holdings and the industries in which they operate;

compared the financial and operating performance of Forest and Sabine Investor Holdings with publicly available information concerning certain other companies J.P. Morgan deemed relevant and reviewed the current and historical market prices of Forest shares and certain publicly traded securities of such other companies;

reviewed certain internal financial analyses and forecasts prepared by or at the direction of the managements of Forest and Sabine Investor Holdings relating to their respective businesses, as well as the estimated amount and timing of cost savings and related expenses and synergies expected to result from the transactions contemplated by the original merger agreement (the Synergies); and

performed such other financial studies and analyses and considered such other information as J.P. Morgan deemed appropriate for the purposes of its opinion.

J.P. Morgan also held discussions with certain members of the management of Forest and Sabine Investor Holdings with respect to certain aspects of the transactions contemplated by the original merger agreement, and the past and current business operations of Forest and Sabine Investor Holdings, the financial condition and future prospects and operations of Forest and Sabine Investor Holdings, the effects of the transactions contemplated by the original merger agreement on the financial condition and future prospects of Forest and Sabine Investor Holdings, and certain other matters J.P. Morgan believed necessary or appropriate to its inquiry.

J.P. Morgan relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P.

Morgan by Forest and Sabine Investor Holdings or otherwise reviewed by or for J.P. Morgan. J.P. Morgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities, nor did J.P. Morgan evaluate the solvency of Forest or Sabine Investor Holdings under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to it or derived therefrom, including the Synergies, J.P. Morgan assumed that they were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of Forest and Sabine Investor Holdings to which such analyses or forecasts relate. J.P. Morgan expressed no view as to such analyses or forecasts (including the Synergies) or the assumptions on which they were based. J.P. Morgan also assumed that the transactions contemplated by the original merger agreement and the other transactions contemplated by the original merger agreement will qualify as tax-free transactions for U.S. federal income tax purposes, and will be consummated as

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described in the original merger agreement. J.P. Morgan also assumed that the representations and warranties made by Forest and Sabine Investor Holdings in the original merger agreement and the related agreements were and will be true and correct in all respects material to J.P. Morgan's analysis. J.P. Morgan is not a legal, regulatory or tax expert and has relied on the assessments made by advisors to Forest with respect to such issues. J.P. Morgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the transactions contemplated by the original merger agreement will be obtained without any adverse effect on Forest or Sabine Investor Holdings or on the contemplated benefits of the transactions contemplated by the original merger agreement.

The projections for Forest and the Sabine business of Sabine Investor Holdings, respectively, for the fiscal years ending December 31, 2014 and December 31, 2015 furnished to J.P. Morgan were prepared by the respective managements of Forest and Sabine, and were adjusted by Forest management by applying consistent commodity price assumptions to the projections for both companies (as so adjusted, the Base Forest Budget Projections and the Base Sabine Budget Projections, respectively, as described in Certain Unaudited Financial Forecasts of Forest and Certain Unaudited Financial Forecasts of Sabine). The projections were then further adjusted by Forest's management to reflect, among other things, updated production profiles of Forest's oil and gas wells, and Forest's assessment of the production profiles of Sabine's wells (as so further adjusted, the Adjusted Forest Projections and the Adjusted Sabine Projections, respectively, as described in Certain Unaudited Financial Forecasts of Forest and Certain Unaudited Financial Forecasts of Sabine). Neither Forest nor Sabine Investor Holdings publicly discloses internal management projections of the type provided to J.P. Morgan in connection with J.P. Morgan's analysis of the transactions contemplated by the original merger agreement, and such projections were not prepared with a view toward public disclosure. These projections, and the adjustments made by Forest thereto, were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of Sabine and Forest, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in such projections. For more information regarding the use of projections, please refer to the sections entitled Certain Unaudited Financial Forecasts of Forest and Certain Unaudited Financial Forecasts of Sabine.

As discussed in the section entitled Background of the Combination Transaction, in late May 2014, J.P. Morgan was informed that the 2015E EBITDA and cash flow forecasts for Sabine for the calendar/fiscal years ended December 31, 2015 provided by Forest to J.P. Morgan in April 2014 as part of the Base Sabine Budget Projections contained an inadvertent error relating to the oil basis differential applied to Sabine's production.

On May 27, 2014, J.P. Morgan reviewed with the Forest board the differences between J.P. Morgan's public trading multiples analysis for Sabine, relative contribution analysis and relative valuation analysis using the Base Sabine Budget Projections before and after correction for the oil basis differential error (as corrected, the corrected Base Sabine Budget Projections). J.P. Morgan noted that, if J.P. Morgan had used the corrected Base Sabine Budget Projections as of May 5, 2014, the corrected Base Sabine Budget Projections would not have changed J.P. Morgan's overall determination as of such date that, based on all of the valuation analyses conducted by J.P. Morgan and based upon and subject to the factors, assumptions, limitations and qualifications set forth in J.P. Morgan's opinion, the exchange ratio in the proposed transactions contemplated by the original merger agreement was fair, from a financial point of view, to the holders of Forest common stock. J.P. Morgan also noted that the receipt of the corrected Base Sabine Budget Projections in late May 2014 had not caused it to withdraw or modify its opinion, delivered orally to the Forest board on May 5, 2014, which was subsequently confirmed in writing on May 5, 2014, as to the fairness, from a financial point of view and as of the date of such opinion and based upon and subject to the factors, assumptions, limitations and qualifications set forth in such opinion, of the exchange ratio in the proposed transactions contemplated by the original merger agreement to the holders of Forest common stock.

J.P. Morgan's opinion is based on economic, market and other conditions as in effect on, and the information made available to J.P. Morgan as of, the date of such opinion. Subsequent developments may affect

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J.P. Morgan's opinion, and J.P. Morgan does not have any obligation to update, revise, or reaffirm such opinion. J.P. Morgan's opinion is limited to the fairness, from a financial point of view, to the holders of Forest common stock of the exchange ratio in the proposed transactions contemplated by the original merger agreement, and J.P. Morgan has expressed no opinion as to the fairness of any consideration to be paid in connection with the transactions contemplated by the original merger agreement to the holders of any other class of securities, creditors or other constituencies of Forest or the underlying decision by Forest to engage in the transactions contemplated by the original merger agreement. J.P. Morgan expressed no opinion as to the price at which Forest shares or Holdco stock will trade at any future time, whether before or after the closing of the transactions contemplated by the original merger agreement.

In accordance with customary investment banking practice, J.P. Morgan employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses utilized by J.P. Morgan in connection with providing its opinion.

Public Trading Multiples Analysis

Using publicly available information, J.P. Morgan compared selected financial data of Forest and Sabine with similar data for publicly traded companies engaged in businesses which J.P. Morgan judged to be sufficiently analogous to Forest's and Sabine's businesses or aspects thereof.

For Forest, the companies selected by J.P. Morgan were as follows:

Goodrich Petroleum Corporation

Midstates Petroleum Company, Inc.

Penn Virginia Corporation

PetroQuest Energy, Inc.

For Sabine, the companies selected by J.P. Morgan were as follows:

Forest

Goodrich Petroleum Corporation

Jones Energy, Inc.

Midstates Petroleum Company, Inc.

Penn Virginia Corporation

PetroQuest Energy, Inc.

SandRidge Energy, Inc.

These companies were selected for each of Forest and Sabine, among other reasons, because they are publicly traded companies with operations and businesses that, for purposes of J.P. Morgan's analysis, may be considered similar to those of Forest and Sabine based on the nature of their assets and operations and the form and geographic location of their operations. However, certain of these companies may have characteristics that are materially different from those of Forest and Sabine. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies differently than would affect Forest or Sabine.

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For each company listed above, J.P. Morgan calculated and compared various financial multiples and ratios based on publicly available information as of May 2, 2014. Among other calculations, the information J.P. Morgan calculated for each of the selected companies included:

Multiple of equity value (calculated as the market value of the company's common stock on a fully diluted basis) to research analysts' consensus estimates for cash flow (calculated as earnings before interest, taxes, depreciation, amortization and exploration expenses (EBITDAX), less interest expense and taxes) for the fiscal years ended December 31, 2014 and December 31, 2015;

Multiple of firm value (calculated as equity value plus debt and other adjustments, including non-controlling interest and preferred stock, less cash) to research analysts' consensus estimates for EBITDAX for the fiscal years ended December 31, 2014 and December 31, 2015; and

Multiple of firm value to production (in dollars per thousand cubic feet equivalents per day (\$/Mcfepd)) for the fiscal quarter ended December 31, 2013 (4Q 2013 production) and estimated production for the fiscal year ended December 31, 2014.

Results of the analysis for Forest and Sabine, respectively, are as follows:

*Forest***Peer Group Trading Multiples**

	Equity value to estimated cash flow		Firm value to estimated EBITDAX		Firm value to production (\$/Mcfepd)	
	2014E	2015E	2014E	2015E	4Q 2013	2014E
Mean	3.9x	2.9x	6.0x	4.6x	\$ 15,054	\$ 12,739
Median	2.8x	2.4x	4.9x	4.2x	\$ 16,141	\$ 13,080

Based on the results of this analysis and other factors that J.P. Morgan deemed appropriate, including adjustments for certain company values that J.P. Morgan did not consider representative, J.P. Morgan selected multiple reference ranges for Forest of 1.5x – 3.0x and 1.0x – 2.5x for equity value to estimated 2014 and 2015 cash flow, respectively, ranges of 4.5x – 5.5x and 4.0x – 4.5x for firm value to estimated 2014 and 2015 EBITDAX, respectively, and ranges of \$11,000 – \$14,000 and \$9,500 – \$12,500 for firm value to 4Q 2013 production and estimated 2014 production, respectively.

After applying such ranges to the appropriate metrics for Forest based on the Base Forest Budget Projections, the analysis indicated the following implied equity value per share ranges for Forest shares:

Forest Implied Equity Value Per Share Range Base Forest Budget Projections

	Equity value to estimated cash flow		Firm value to estimated EBITDAX		Firm value to production (\$/Mcfepd)	
	2014E	2015E	2014E	2015E	4Q 2013	2014E
	High	\$ 3.57	\$ 4.81	\$ 3.18	\$ 4.87	\$ 6.87
Low	\$ 1.78	\$ 1.92	\$ 1.48	\$ 3.64	\$ 4.07	\$ 3.89

After applying such ranges to the appropriate metrics for Forest based on the Adjusted Forest Projections, the analysis indicated the following implied equity value per share ranges for Forest shares:

Forest Implied Equity Value Per Share Range Adjusted Forest Projections

	Equity value to estimated cash flow		Firm value to estimated EBITDAX		Firm value to production (\$/Mcfepd)	
	2014E	2015E	2014E	2015E	4Q 2013	2014E
	High	\$ 2.72	\$ 4.08	\$ 1.97	\$ 3.56	N/A
Low	\$ 1.36	\$ 1.63	\$ 0.48	\$ 2.48	N/A	\$ 3.46

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The ranges of implied equity values per Forest share based on the Base Forest Budget Projections and the Adjusted Forest Projections were compared to Forest's closing share price of \$1.77 on May 2, 2014.

*Sabine***Peer Group Trading Multiples**

	Equity value to estimated cash flow		Firm value to estimated EBITDAX		Firm value to production (\$/Mcfepd)	
	2014E	2015E	2014E	2015E	4Q 2013	2014E
Mean	3.7x	2.8x	5.9x	4.7x	\$ 14,175	\$ 11,931
Median	3.0x	2.4x	4.9x	4.2x	\$ 12,780	\$ 11,056

Based on the results of this analysis and other factors that J.P. Morgan deemed appropriate, including adjustments for certain company values that J.P. Morgan did not consider representative, J.P. Morgan selected multiple reference ranges for Sabine of 2.0x – 3.5x and 1.5x – 3.0x for equity value to estimated 2014 and 2015 cash flow, respectively, ranges of 5.0x – 6.0x and 4.0x – 5.0x for firm value to estimated 2014 and 2015 EBITDAX, respectively, and a range of \$11,500 – \$14,500 and \$10,000 – \$13,000 for firm value to 4Q 2013 production and estimated 2014 production, respectively.

After applying such ranges to the appropriate metrics for Sabine based on the Base Sabine Budget Projections, the analysis indicated the following implied equity value ranges for Sabine:

Sabine Implied Equity Value Range – Base Sabine Budget Projections

	Equity value to estimated cash flow		Firm value to estimated EBITDAX		Firm value to production (\$/Mcfepd)	
	2014E	2015E ⁽¹⁾	2014E	2015E ⁽²⁾	4Q 2013	2014E
High	\$ 916	\$ 1,248	\$ 1,041	\$ 1,466	\$ 1,827	\$ 1,680
Low	\$ 523	\$ 624	\$ 662	\$ 927	\$ 1,194	\$ 1,008

(1) Using the corrected Base Sabine Budget Projections would indicate a low of \$578 million and a high of \$1,155 million.

(2) Using the corrected Base Sabine Budget Projections would indicate a low of \$805 million and a high of \$1,314 million.

After applying such ranges to the appropriate metrics for Sabine based on the Adjusted Sabine Projections, the analysis indicated the following implied equity value ranges for Sabine:

Sabine Implied Equity Value Range – Adjusted Sabine Projections

	Equity value to estimated cash flow	Firm value to estimated EBITDAX	Firm value to production (\$/Mcfepd)
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	2014E	2015E	2014E	2015E	4Q 2013	2014
High	\$ 849	\$ 979	\$ 928	\$ 1,026	N/A	\$ 1,640
Low	\$ 485	\$ 490	\$ 568	\$ 574	N/A	\$ 978

Net Asset Value Analysis

J.P. Morgan prepared a discounted cash flow analysis of the projected cash flow derived from production of Forest's proved reserves and probable and possible resource potential (the 3P assets) as of calendar year-end 2013, based upon extrapolations from estimates provided by Forest's management that were reviewed and approved by Forest's management for J.P. Morgan's use in connection with its financial analyses and rendering

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its fairness opinion. The projected cash flows from Forest's 3P assets were discounted to present values using a range of discount rates from 10.5% to 12%, which were chosen by J.P. Morgan based upon an analysis of the weighted average cost of capital of Forest. The present pre-tax value of Forest's 3P assets was then adjusted for Forest's net present value of projected general and administrative expenses, net present value of projected cash taxes (net of the present value of projected net operating loss utilization), 2013 calendar year-end net debt (calculated as the sum of net debt and expected cash settlement of stock awards) and other adjustments to indicate a range of implied net asset equity values of between \$151 million and \$358 million for Forest. The implied net asset equity values for Forest were divided by the number of fully diluted shares outstanding at Forest to arrive at the following range of implied net asset values per share of Forest common stock.

	Low	High
Forest Implied Net Asset Value Per Share	\$ 1.27	\$ 3.00

The range of implied net asset values per share for Forest was compared to Forest's closing share price of \$1.77 on May 2, 2014.

J.P. Morgan prepared a discounted cash flow analysis of the projected cash flow derived from production of Sabine's 3P assets as of calendar year-end 2013, based upon extrapolations from estimates provided by Forest's management that were reviewed and approved by Forest's management for J.P. Morgan's use in connection with its financial analyses and rendering its fairness opinion. The projected cash flows from Sabine's 3P assets were discounted to present values using a range of discount rates from 9.0% to 10.5%, which were chosen by J.P. Morgan based upon an analysis of the weighted average cost of capital of Sabine. The present pre-tax value of Sabine's 3P assets was then adjusted for Sabine's net present value of projected general and administrative expenses, net present value of projected cash taxes (net of the present value of projected net operating loss utilization), 2013 calendar year-end net debt and other adjustments to indicate the following range of implied net asset equity values for Sabine.

	Low	High
Sabine Implied Net Asset Equity Value (\$ millions)	\$ 216	\$ 542

Relative Contribution Analysis

J.P. Morgan analyzed the relative contribution of each of Forest and Sabine to the pro forma combined company with respect to estimated leverage-adjusted EBITDAX for 2014 and 2015, estimated cash flows for 2014 and 2015 and leverage-adjusted 4Q 2013 production and estimated 2014 production, using each of (a) the Base Forest Budget Projections and Base Sabine Budget Projections and (b) the Adjusted Forest Projections and Adjusted Sabine Projections, respectively. The analysis indicated that the contribution of Forest to the combined company with respect to EBITDAX, cash flow and production, for each fiscal year analyzed, ranged from 28% to 35% using the Base Forest Budget Projections and Base Sabine Budget Projections (or 28% to 37% using the Base Forest Budget Projections and the corrected Base Sabine Budget Projections), and from 22% to 37% using the Adjusted Forest Projections and Adjusted Sabine Projections.

Relative Valuation Analysis

Based upon the implied equity values for Forest and the implied equity values for Sabine calculated in its Public Trading Multiples Analysis, and the implied equity values for Forest and the implied equity values for Sabine calculated in its Net Asset Value Analysis described above, J.P. Morgan calculated an implied range of the pro forma

equity ownership of the holders of Forest common stock in the combined company. For each comparison, J.P. Morgan compared the highest equity value for Forest to the lowest equity value for Sabine to derive the highest implied pro forma equity ownership by the holders of Forest common stock implied by each set of reference ranges. J.P. Morgan also compared the lowest equity value for Forest to the highest equity value for Sabine to derive the lowest implied pro forma equity ownership by the holders of Forest common stock

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implied by each set of reference ranges. J.P. Morgan conducted this analysis comparing the values calculated based on (a) the Base Forest Budget Projections to the values calculated based on the Base Sabine Budget Projections and (b) the Adjusted Forest Projections to the values calculated based on the Adjusted Sabine Projections. The implied ranges of the pro forma equity ownership by the holders of Forest common stock in the combined company resulting from this analysis were:

	Implied Pro Forma Forest Equity Ownership Percentage			
	Base Projections		Adjusted Projections	
	Low	High	Low	High
Public Trading Multiples Analysis				
Equity value to 2014E cash flow	19%	45%	16%	40%
Equity value to 2015E cash flow ⁽¹⁾	15%	48%	17%	50%
Firm value to 2014E EBITDAX	14%	36%	6%	29%
Firm value to 2015E EBITDAX ⁽²⁾	23%	38%	22%	42%
Firm value to 4Q 2013 production	21%	41%	N/A	N/A
Firm value to 2014E production	22%	46%	20%	44%
Net Asset Valuation Analysis	N/A	N/A	22%	62%

- (1) Using the corrected Base Sabine Budget Projections would result in a low of 17% and a high of 50% for implied pro forma Forest equity ownership shown in the Base Projections column.
- (2) Using the corrected Base Sabine Budget Projections would result in a low of 25% and a high of 42% for implied pro forma Forest equity ownership shown in the Base Projections column.

The implied ranges of the pro forma equity ownership by the holders of Forest common stock in the combined company were compared to the proposed pro forma ownership of the combined company following the transactions contemplated by the original merger agreement of 26.5% by the holders of Forest common stock.

Value Creation Analysis

J.P. Morgan conducted an analysis of the theoretical value creation to the holders of Forest common stock that compared the estimated implied equity value of Forest on a standalone basis based on the midpoint value determined in J.P. Morgan's Net Asset Value Analysis described above to the implied equity value of Forest shares pro forma for the proposed transactions contemplated by the original merger agreement. J.P. Morgan calculated the pro forma implied equity value of Forest shares by (1) adding the sum of (a) the implied equity value of Forest using the midpoint value determined in J.P. Morgan's Net Asset Value Analysis described above, (b) the implied equity value of Sabine using the midpoint value determined in J.P. Morgan's Net Asset Value Analysis described above, (c) the estimated present value of the Synergies and (d) the estimated impact of improved cost of capital of the combined company relative to the estimated cost of capital for Forest on a standalone basis, (2) subtracting the sum of (a) the estimated implied impact on the present value of the projected net operating loss usage for the combined company relative to the estimated present value of the net operating loss usage of each company on a standalone basis and (b) the estimated present value of transaction fees and expenses relating to the transactions contemplated by the original merger agreement, and (3) multiplying such sum of the estimated valuations described above by a factor of 26.5%, representing the approximate pro forma equity ownership of the combined company by the holders of Forest common stock. Based on the assumptions described above, this analysis implied value creation for the holders of Forest common stock of approximately 5.0%.

J.P. Morgan also conducted an analysis of the theoretical value creation to the holders of Forest common stock that compared the equity value of Forest based on the per share closing price of Forest shares on May 2, 2014 to the implied equity value of Forest shares pro forma for the proposed transactions contemplated by the original merger agreement. J.P. Morgan calculated the pro forma implied equity value of Forest shares by (1) adding the sum of (a) the aggregate market value of Forest based upon the per share closing price of Forest shares on May 2, 2014, (b) the implied equity value of Sabine based on (i) the application of the 5.1x multiple of

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Forest's firm value to estimated EBITDAX for 2014 based on research analysts' consensus estimates to Sabine's estimated EBITDAX for 2014 based on Sabine Risked Budget, less (ii) Sabine's net debt as of calendar year-end 2013 and (c) the estimated present value of the Synergies, (2) subtracting the sum of (a) the implied impact on projected net operating loss usage for the combined company relative to the estimated present value of the projected net operating loss usage of each company on a standalone basis and (b) the estimated present value of transaction fees and expenses relating to the transactions contemplated by the original merger agreement, and (3) multiplying such sum of the estimated valuations described above by a factor of 26.5%, representing the approximate pro forma equity ownership of the combined company by the holders of Forest common stock. Based on the assumptions described above, this analysis implied value creation for the holders of Forest common stock of approximately 26.0%.

There can be no assurance, however, that the synergies, transaction-related expenses and other impacts referred to above will not be substantially greater or less than those estimated by Forest's management and described above.

Miscellaneous

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by J.P. Morgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. J.P. Morgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its opinion. In arriving at its opinion, J.P. Morgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, J.P. Morgan considered the totality of the factors and analyses performed in determining its opinion. Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and analyses used or made by J.P. Morgan are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, J.P. Morgan's analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold.

As a part of its investment banking business, J.P. Morgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for estate, corporate and other purposes. J.P. Morgan was selected to advise Forest with respect to the transactions contemplated by the original merger agreement and the merger agreement on the basis of such experience and its familiarity with Forest.

For services rendered in connection with the transactions contemplated by the original merger agreement and the merger agreement, Forest agreed to pay J.P. Morgan a fee of approximately \$9 million, \$5 million of which was payable upon delivery by J.P. Morgan of its opinion and the remainder of which is contingent upon the consummation of the transactions contemplated by the merger agreement. In addition, Forest has agreed to reimburse J.P. Morgan for its reasonable expenses incurred in connection with its services, including reasonable fees and disbursements of counsel, and will indemnify J.P. Morgan against certain liabilities, including liabilities arising under the Federal securities laws.

During the two years preceding delivery of its opinion, neither J.P. Morgan nor its affiliates have had any material financial advisory or other material commercial or investment banking relationships with Sabine Investor Holdings. During the two years preceding delivery of its opinion, J.P. Morgan and its affiliates have had commercial or

investment banking relationships with Forest and certain portfolio companies of First Reserve, for which J.P. Morgan and such affiliates have received customary compensation. Such services during such period

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have included acting as (i) joint bookrunner on an offering of Forest's debt securities in September 2012 and as Forest's financial advisor in connection with the sale of certain of its oil and gas assets to Templar Energy LLC in November 2013 and (ii) financial advisor for certain transactions, joint bookrunner on offerings of debt and equity securities and arranger on certain credit facilities for certain portfolio companies of First Reserve. In addition, J.P. Morgan's commercial banking affiliate is an agent bank and a lender under outstanding credit facilities of Forest, for which it receives customary compensation or other financial benefits. In the ordinary course of their businesses, J.P. Morgan and its affiliates may actively trade the debt and equity securities of Forest for their own account or for the accounts of customers and, accordingly, J.P. Morgan and its affiliates may at any time hold long or short positions in such securities.

Certain Unaudited Financial Forecasts of Forest

Forest does not as a matter of course publicly disclose detailed forecasts or internal projections as to future production, earnings or cash flow because of, among other reasons, the uncertainty of the underlying assumptions and estimates. The financial information concerning Forest's forecast set forth below is included in this document only because it was made available by Forest management to the Forest board, to J.P. Morgan in connection with rendering its fairness opinion and related financial analysis to the Forest board, and to Sabine and Sabine Investor Holdings and its advisors in connection with their due diligence review of Forest.

Forest management prepared and delivered to J.P. Morgan the following projections of Forest's production for the fiscal year of 2014, and of EBITDAX and cash flow for the fiscal years of 2014 and 2015 which were prepared independently from the proposed transactions:

	Base ⁽³⁾⁽⁴⁾		Adjusted ⁽³⁾	
	2014E	2015E	2014E	2015E
	(\$ in millions)			
Production (Mmcfepd)	126	N/A	121	N/A
EBITDAX ⁽¹⁾	\$ 203	\$ 293	\$ 177	\$ 258
Cash flow ⁽²⁾	\$ 142	\$ 229	\$ 108	\$ 194

- (1) EBITDAX is generally defined as net income before interest, taxes, and depreciation and amortization for cash tax purposes.
- (2) Cash flow reflects EBITDAX adjusted for interest expense and taxes.
- (3) The base and adjusted projections were based on NYMEX Henry Hub strip pricing for natural gas and NYMEX WTI strip pricing for crude oil as of March 31, 2014.
- (4) The base projections were also delivered to Sabine.

Neither EBITDAX nor cash flow is a financial measure prepared in accordance with U.S. GAAP and none of these measures should be considered a substitute for net income (loss) or cash flow data prepared in accordance with U.S. GAAP.

See cautionary statements regarding forward-looking information under Cautionary Statement Regarding Forward-Looking Statements.

While these projections were prepared in good faith by Forest management, no assurance can be made regarding future events. The estimates and assumptions underlying the projections, and the adjustments made by Forest thereto,

involve judgments with respect to, among other things, future economic conditions, industry performance, competitive, regulatory, commodity, market and financial conditions and future business decisions that may not be realized and are inherently subject to significant uncertainties, all of which are difficult to predict and many of which are beyond the control of Forest. Accordingly, there can be no assurance that the projected results would be realized or that actual results would not differ materially from those presented in the financial data. Such projections cannot, therefore, be considered a reliable predictor of future operating results, and this

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information should not be relied on as such. The information in this section was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial data, published guidelines of the SEC regarding forward-looking statements, or U.S. generally accepted accounting principles. In the view of Forest management, the information was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of Forest management's knowledge and belief, the expected course of action and the expected future financial performance of Forest. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this document are cautioned not to place undue reliance on this information.

Forest does not intend to update or otherwise revise the prospective financial data to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, Forest does not intend to update or revise the prospective financial data to reflect changes in general economic or industry conditions.

These projections are not included in this document to induce any Forest shareholder to vote in favor of the approval and adoption of the merger agreement or the combination transaction.

Certain Unaudited Financial Forecasts of Sabine

Sabine does not as a matter of course publicly disclose detailed forecasts or internal projections as to future production, earnings or cash flow because of, among other reasons, the uncertainty of the underlying assumptions and estimates. Sabine management prepared certain prospective unaudited financial and operating information for the use of the Sabine board of directors, which was also provided by Sabine to Forest. Forest management adjusted these projections by applying consistent commodity price assumptions to the projections for both companies (as so adjusted, the Base Sabine Budget Projections). The projections were then further adjusted by Forest's management to reflect, among other things, Forest's assessment of the production profiles of Sabine's wells (as so further adjusted, the Adjusted Sabine Projections). The financial information concerning Sabine's forecast set forth below is included in this document only because it was made available to the Forest board and to J.P. Morgan in connection with rendering its fairness opinion and related financial analysis to the Forest board. The projections below were not prepared by or disclosed to Sabine or Sabine Investor Holdings.

Forest management delivered to J.P. Morgan the following adjusted projections of Sabine's production for the fiscal year of 2014, and of EBITDAX and cash flow for the fiscal years of 2014 and 2015:

	Base ⁽³⁾		Adjusted ⁽⁴⁾	
	2014E	2015E ⁽⁴⁾	2014E	2015E
	(\$ in millions)			
Production (Mmcfepd)	224	N/A	221	N/A
EBITDAX ⁽¹⁾	\$ 379	\$ 509	\$ 360	\$ 451
Cash flow ⁽²⁾	\$ 262	\$ 385	\$ 243	\$ 326

(1) EBITDAX is generally defined as net income before interest, taxes, and depreciation and amortization for cash tax purposes.

(2) Cash flow reflects EBITDAX adjusted for interest expense and taxes.

- (3) The base and adjusted projections were based on NYMEX Henry Hub strip pricing for natural gas and the NYMEX WTI strip pricing for crude oil as of March 31, 2014.
- (4) Forest made certain revisions to the Base Sabine Budget Projections for 2014 and 2015 to reflect consistent commodity price assumptions between the Base Sabine Budget Projections and the Base Forest Budget Projections. In late May 2014, Forest discovered an inadvertent error had been made with respect to the forecasted oil price realizations used for the Base Sabine Budget Projections, which resulted in an approximate \$30 million reduction to Sabine's 2015E EBITDAX and cash flow. The amounts in the table above for 2015E EBITDAX and cash flow reflect the adjustment necessary to correct the error. See Background of the Combination Transaction.

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Neither EBITDAX nor cash flow is a financial measure prepared in accordance with U.S. GAAP and none of these measures should be considered a substitute for net income (loss) or cash flow data prepared in accordance with U.S. GAAP.

See cautionary statements regarding forward-looking information under Cautionary Statement Regarding Forward-Looking Statements.

While these projections were prepared in good faith by Forest management based on projections prepared in good faith by Sabine management, no assurance can be made regarding future events. The estimates and assumptions underlying the projections, and the adjustments made by Forest thereto, involve judgments with respect to, among other things, future economic conditions, industry performance, competitive, regulatory, commodity, market and financial conditions and future business decisions that may not be realized and are inherently subject to significant uncertainties, all of which are difficult to predict and many of which are beyond the control of Forest and Sabine. Accordingly, there can be no assurance that the projected results would be realized or that actual results would not differ materially from those presented in the financial data. Such projections cannot, therefore, be considered a reliable predictor of future operating results, and this information should not be relied on as such. The information in this section was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial data, published guidelines of the U.S. Securities and Exchange Commission (referred to as the SEC) regarding forward-looking statements, or U.S. generally accepted accounting principles. In the view of Forest management, the information was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of the Forest management's knowledge and belief, the expected course of action and the expected future financial performance of Sabine. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this document are cautioned not to place undue reliance on this information.

The prospective financial data included in this section has been prepared by, and is the responsibility of, Forest management. None of Deloitte & Touche LLP, PricewaterhouseCoopers LLP, nor Ernst & Young LLP has compiled, examined, or performed any procedures with respect to the prospective financial information contained herein and, accordingly, none of Deloitte & Touche LLP, PricewaterhouseCoopers LLP nor Ernst & Young LLP expresses an opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with the prospective financial information. The Deloitte & Touche LLP and PricewaterhouseCoopers LLP reports included in this document relate to Sabine's historical financial data. They do not extend to the prospective financial data and should not be read to do so.

Neither Sabine nor Forest intends to update or otherwise revise the prospective financial data to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, neither Sabine nor Forest intends to update or revise the prospective financial data to reflect changes in general economic or industry conditions.

These projections are not included in this document to induce any Forest shareholder to vote in favor of the approval and adoption of the merger agreement or the combination transaction.

Interests of Forest's Executive Officers and Directors in the Combination Transaction

Certain members of the Forest board and executive officers of Forest may be deemed to have interests in the combination transaction that are in addition to, or different from, the interests of other Forest common shareholders. The Forest board was aware of these interests and considered them, among other matters, in approving the merger

agreement and the combination transaction and in making the recommendation that the Forest common shareholders approve the share issuance proposal, the authorized share proposal and the related proposals. For purposes of the Forest agreements and plans described below, to the extent applicable, the

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completion of the combination transaction will constitute a change of control, corporate change or term of similar meaning. These interests are described in further detail below, and certain of them are quantified in the narrative and table below.

Treatment of Forest Equity-Based Awards

Forest Stock Options

Each Forest stock option, including those held by Forest directors and executive officers, that is outstanding immediately prior to the effective time of the combination transaction will, as of the effective time of the combination transaction, automatically be cancelled and converted into the right to receive an amount of cash, without interest, equal to the product of (1) the total number of Forest common shares subject to such Forest stock option and (2) the excess, if any, of (a) the closing price of Forest common shares on the NYSE on the last trading day prior to the closing date, over (b) the exercise price per Forest common share applicable to such Forest stock option (with the aggregate amount of such payment rounded down to the nearest cent), less such amounts as are required to be deducted and withheld under any provision of state, local or foreign tax law with respect to the making of such payment. Each Forest stock option for which the exercise price per Forest common share applicable to such Forest stock option equals or exceeds the closing price of Forest common shares on the NYSE on the last trading day prior to the closing date will be cancelled pursuant to the merger agreement for no consideration.

Forest Performance Unit Awards

Each Forest performance unit award, including those held by Forest executive officers, that is outstanding immediately prior to the effective time of the combination transaction will, automatically become fully vested at the effective time of the combination transaction and will be settled following the effective time of the combination transaction in cash or shares in accordance with the terms of the applicable award agreement for such Forest performance unit award (including concluding the performance period as of the closing date for purposes of measuring achievement of performance conditions).

Forest Phantom Unit Awards

Each Forest phantom unit award, including those held by Forest executive officers, that is outstanding immediately prior to the effective time of the combination transaction will, automatically become fully vested at the effective time of the combination transaction and will be settled following the effective time of the combination transaction in accordance with the terms of the applicable award agreement for such phantom unit award.

Forest Restricted Shares

Each Forest restricted share, including those held by Forest directors and executive officers, that is outstanding immediately prior to the effective time of the combination transaction will, automatically become fully vested at the effective time of the combination transaction and the restrictions with respect thereto will lapse.

For an estimate of the value that each of Forest's named executive officers would be entitled to receive on vesting and settlement of their unvested equity-based awards, see Quantification of Potential Payments to Forest's Named Executive Officers in Connection with the Combination Transaction. The aggregate value that Forest's three other executive officers would be entitled to receive on vesting and settlement of their unvested equity-based awards if the effective time of the combination transaction were July 7, 2014, and based on a price per Forest common share of \$2.23, the average closing price of a Forest common share over the first five business days following the first

announcement of the combination transaction, is estimated to be \$608,040. The aggregate value that all of Forest's directors would be entitled to receive on vesting and settlement of their

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unvested equity-based awards if the effective time of the combination transaction were July 7, 2014, and based on a price per Forest common share of \$2.23, is estimated to be \$904,716.

Change in Control Severance Agreements

Forest is party to change in control severance agreements with its executive officers, other than Mr. Schelin, that provide for the severance benefits described below upon a termination of employment without cause or a resignation following a change of duties within two years following the effective time of the combination transaction (a Qualifying Termination). A change of duties is generally defined under the change in control severance agreements as (i) a significant and adverse change in the executive officer's authorities or duties, (ii) a material reduction in the executive officer's annual base salary, (iii) a material reduction in the executive officer's annual bonus opportunity, (iv) a material reduction in the annual grant date value of long-term cash and equity compensation grants to the executive officer or (v) a change in the executive officer's principal place of employment by more than 50 miles, if such change results in an increase in the executive's commute from his principal residence.

Pursuant to the change in control severance agreement, upon a Qualifying Termination, the executive officer would become entitled to a lump sum payment in an amount equal to 2.5 times the sum of (1) the greatest of (a) the executive officer's annual base salary in effect on the date of the Qualifying Termination, (b) the executive officer's annual base salary at the annual rate in effect 60 days prior to the date of the Qualifying Termination, and (c) the executive officer's annual base salary in effect immediately prior to the effective time of the combination transaction, plus (2) the executive officer's annual bonus most recently paid.

Upon a Qualifying Termination, the executive officer will also receive continued coverage under Forest's medical and dental benefit plans for the executive officer and the executive officer's spouse and eligible dependents for a period of 24 months, generally at no cost to the executive officer other than income tax imposed on the executive officer with respect to the value of such continued coverage. This coverage will be terminated if the executive officer becomes eligible to receive coverage from a subsequent employer during such period.

Outstanding Forest stock options held by an executive officer, other than Mr. Busnardo, will remain exercisable for a period of twelve months following the executive officer's last day of employment (but in no event will an option be exercisable for a longer period than the original term of the option or a shorter period than already provided for under the terms of the option). Because all Forest stock options held by the executive officers immediately prior to the effective time of the combination transaction are being cashed-out, this benefit would apply only to Forest stock options, if any, granted to an executive officer, other than Mr. Busnardo, after the effective time of the combination transaction and prior to the date of a Qualifying Termination.

If any payment, distribution, or benefit, whether pursuant to the severance agreement or otherwise, would be subject to the federal excise tax on excess parachute payments then, under the terms of the severance agreement, any such payment, distribution or benefit would be reduced to the extent such reduction would result in a greater net after-tax amount being retained by the executive officer.

Additionally, the change in control severance agreements provide that on or before the date upon which a change of control occurs, the compensation committee of Forest's board (the Compensation Committee) will make a determination under Forest's annual incentive plan as to whether bonuses under that plan for the year during which the change of control will occur are due, based on partial year results through the date of the change of control; if the Compensation Committee determines that bonuses are due, it will also determine the amount of those bonuses.

Letter Agreement with Mr. Schelin

Forest is a party to a letter agreement with Mr. Schelin that provides for a cash severance payment upon an involuntary termination of Mr. Schelin's employment that is not based on unsatisfactory performance.

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For an estimate of the value of the payments and benefits described above that would become payable under the change in control severance agreements to each of Forest's named executive officers, see [Quantification of Potential Payments to Forest's Named Executive Officers in Connection with the Combination Transaction](#). The aggregate amount of the cash severance payments described above that would become payable to Forest's three other executive officers if the effective time of the combination transaction were July 7, 2014 and they all experienced a Qualifying Termination (or, in the case of Mr. Schelin, an involuntary termination of employment that is not based on unsatisfactory performance) at such time is estimated to be \$2,490,458.

Restrictive Covenants

The change in control severance agreements with the executive officers contain restrictive covenants that apply until the second anniversary of the executive officer's termination of employment following a change of control while the change in control severance agreement is in effect (regardless of whether such termination of employment is a Qualifying Termination).

Indemnification Insurance

Pursuant to the terms of the merger agreement, Forest's directors and executive officers will be entitled to certain ongoing indemnification and coverage under directors' and officers' liability insurance policies from Forest following the effective time of the combination transaction. See [The Merger Agreement and Other Transaction Agreements](#) Indemnification; Directors' and Officers' Insurance.

Quantification of Potential Payments to Forest's Named Executive Officers in Connection with the Combination Transaction

The information set forth in the table below is intended to comply with Item 402(t) of Regulation S-K, which requires disclosures of information about certain compensation for each of Forest's named executive officers that is based on or otherwise relates to the combination transaction (transaction-related compensation) and assumes, among other things, that the named executive officers will incur a Qualifying Termination immediately following the effective time of the combination transaction. For additional details regarding the terms of the payments described below, see [Interests of Forest's Executive Officers and Directors in the Combination Transaction](#).

Please note that the amounts indicated below are estimates based on multiple assumptions that may or may not actually occur or be accurate on the relevant date, including assumptions described below, and do not reflect compensation actions that may occur before the completion of the combination transaction. For purposes of calculating such amounts, the following assumptions were made: (i) July 7, 2014 is the closing date and (ii) each named executive officer experiences a Qualifying Termination on the closing date.

Name	Cash (\$)⁽²⁾	Equity (\$)⁽³⁾	Perquisites/ Benefits (\$)⁽⁴⁾	Total (\$)⁽⁵⁾
<i>Named Executive Officers⁽¹⁾</i>				
Patrick R. McDonald	2,850,000	1,103,850	71,177	4,025,027
Victor A. Wind	1,525,000	709,140	103,596	2,337,736
Frederick B. Dearman II	1,278,750	519,590	103,596	1,901,936
Michael J. Dern	1,186,250	229,690	71,177	1,487,117

- (1) Cyrus D. Marter IV was a named executive officer of Forest as of December 31, 2013 and subsequently resigned from employment with Forest on January 24, 2014. Mr. Marter is not entitled to receive any transaction-related compensation.
- (2) The cash payments payable to each of the named executive officers upon a Qualifying Termination (which, as described above, is a termination of employment without cause or a resignation following a change of

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- duties within two years following the effective time of the combination transaction) consist of a lump sum payment in an amount equal to 2.5 times the sum of (1) the greatest of (a) the executive officer's annual base salary in effect on the date of the Qualifying Termination, (b) the executive officer's annual base salary at the annual rate in effect 60 days prior to the date of the Qualifying Termination, and (c) the executive officer's annual base salary in effect immediately prior to the effective time of the combination transaction, plus (2) the executive officer's annual bonus most recently paid. All such payments are double-trigger.
- (3) As described in more detail in The Merger Agreement and Other Transaction Agreements Treatment of Forest Equity-Based Awards, at the effective time of the combination transaction, all Forest stock options will be cashed-out, all Forest performance unit awards will become vested based on performance through the closing date and will be settled in accordance with their terms, all Forest phantom unit awards will become vested and will be settled in accordance with their terms and all unvested Forest restricted shares will become vested. The amounts above and in the table below assume a price per Forest common share of \$2.23, the average closing price of Forest common shares over the five days following the first announcement of the combination transaction. Set forth below are the values of each type of equity-based award that would become payable in connection with the combination transaction. All such amounts are single-trigger.
- (4) Reflects the cost of continued medical and dental coverage for the named executive officer and the named executive officer's spouse and dependents for twenty-four months following the Qualifying Termination (which, as described above, is a termination of employment without cause or a resignation following a change of duties within two years following the effective time of the combination transaction). All such benefits are double-trigger.
- (5) As described above, if a named executive officer's transaction-related compensation would be subject to the federal excise tax on excess parachute payments then, under the terms of the change in control severance agreement, such compensation would be reduced to the extent such reduction would result in a greater net after-tax amount being retained by the named executive officer. Amounts included above do not reflect any such potential reduction.

Name	Performance Unit		Phantom Unit	Restricted Shares
	Stock Options	Awards	Awards	
	(\$)	(\$)	(\$)	(\$)
<i>Named Executive Officers⁽¹⁾</i>				
Patrick R. McDonald	0	0	691,300	412,550
Victor A. Wind	0	0	423,700	285,440
Frederick B. Dearman II	0	0	200,700	318,890
Michael J. Dern	0	0	0	229,690

Regulatory Approvals Required for the Combination Transaction

Governmental and regulatory approvals are required to complete the combination transaction. These approvals include the expiration or termination of the applicable waiting period under the HSR Act. Under the HSR Act and related rules, certain transactions, including the combination transaction, may not be completed until notifications have been given and information furnished to the Antitrust Division and the FTC and all statutory waiting period requirements have been satisfied. On May 23, 2014, Forest and Sabine Investor Holdings each filed the required notification and report forms under the HSR Act with the FTC and the Antitrust Division with respect to Sabine Investor Holdings acquisition of voting securities in Forest. The FTC, which administers the HSR Act, granted early termination of the waiting period applicable to Sabine Investor Holdings acquisition of voting securities in Forest on June 5, 2014. At any time before or after the completion of the combination transaction, the Antitrust Division or the FTC or state Attorneys General could take action under the antitrust laws as deemed necessary or desirable in the public interest, including without limitation seeking to enjoin the completion of the combination transaction or to permit completion

only subject to divestiture of assets, regulatory concessions or conditions.

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Impact on Forest's Debt

The combination transaction, when completed, will result in a change of control as defined in Forest's existing credit agreement and existing indentures. The occurrence of a change of control is an event of default under Forest's existing credit agreement. Sabine has obtained committed debt financing sufficient to refinance Forest's existing credit agreement. The occurrence of a change of control triggers an obligation for Forest to make a change of control offer for each series of its outstanding notes at a price of 101% of the outstanding principal amount thereof, plus accrued and unpaid interest, if any, following the occurrence of a change of control transaction, pursuant to the terms of the relevant indentures. Sabine has obtained committed bridge financing sufficient to finance the purchase of any such notes which are required to be purchased in connection with such change of control offer.

Accounting Treatment

In accordance with U.S. GAAP, Forest will account for the combination transaction using acquisition accounting, with Sabine as the acquiring entity. Under the acquisition method of accounting, Sabine's assets and liabilities will retain their carrying values and Forest's assets and liabilities will be recorded at their fair values measured as of the acquisition date. The excess of the purchase price over the estimated fair values of Forest's net assets acquired, if applicable, will be recorded as goodwill.

Public Trading Markets; Listing of Forest Common Shares

Forest common shares are currently listed on the NYSE under the ticker symbol FST, and after the combination transaction is completed, Forest common shares will continue to be listed on the NYSE. If the name change proposal is approved, Forest intends to apply to change its ticker symbol on the NYSE from FST to SABO. Neither Sabine's nor Sabine Holdings' units are listed on any national securities exchange or otherwise publicly traded.

No Appraisal Rights

Under applicable law, no appraisal rights will be available to holders of Forest common shares in connection with the combination transaction.

Litigation Relating to the Combination Transaction

Since the announcement of the merger agreement, six putative shareholder class action complaints have been filed in the Supreme Court of the State of New York by purported Forest common shareholders. These actions are captioned *Stourbridge Investments LLC v. Forest Oil Corp., et al.*, Index No. 651418/2014, filed May 7, 2014; *Raul, et al. v. Carroll, et al.*, Index No. 651446/2014, filed May 9, 2014; *Rothenberg v. Forest Oil Corp., et al.*, Index No. 651499/2014, filed May 15, 2014; *Gawlikowski v. Forest Oil Corp., et al.*, Index No. 651506/2014, filed May 16, 2014; *Edwards v. Carroll, et al.*, Index No. 651523/2014, filed May 16, 2014; and *Jabri v. Forest Oil Corp., et al.*, Index No. 651551/2014, filed May 20, 2014. On July 8, 2014, the New York Court consolidated the New York actions and captioned the case *In re Forest Oil Corporation Shareholder Litigation*, Index No. 651418/2014, and on July 17, 2014, the New York plaintiffs filed an amended consolidated complaint (the New York Action). The New York Action names as defendants each of the current directors of Forest, as well as Sabine Oil & Gas LLC and certain of its affiliates and investors, and seeks, among other things, to enjoin the combination transaction or, in the event the combination transaction is consummated, to recover damages. The action alleges, among other things, that the members of the Forest board of directors breached their fiduciary duties to Forest shareholders by agreeing to the original transaction announced by Forest and Sabine on May 6, 2014 for inadequate consideration and pursuant to an inadequate process, that the revised transaction structure announced by Forest and Sabine on July 10, 2014 was

structured to deprive Forest shareholders of their right to vote on the combination transaction, and that the disclosures made by Forest in the Schedule 14A proxy

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statement filed on July 16, 2014 were inadequate. The New York Action also includes allegations challenging the company's sale of its Texas Panhandle assets to Templar Energy, which closed on November 25, 2013. The New York Action further alleges that Sabine Oil & Gas LLC and certain of its affiliates aided and abetted these alleged breaches.

One putative shareholder class action complaint has been filed in the United States District Court for the District of Colorado by two purported Forest common shareholders (the Colorado Action), captioned *Olinatz v. Forest Oil Corp., et al.*, Case No. 1:14-cv-01409, filed May 19, 2014. The plaintiffs in the Colorado Action filed an amended complaint on June 13, 2014. The Colorado action names as defendants each of the current directors of Forest, as well as Forest, Sabine Holdings, and certain of their respective affiliate entities. The action seeks, among other things, to enjoin the original transaction or, in the event the original transaction is consummated, to recover damages. The action alleges, among other things, that the members of the Forest board of directors breached their fiduciary duties to Forest shareholders by agreeing to sell Forest transaction for inadequate consideration and pursuant to an inadequate process, and that certain of the entity defendants, including Sabine Holdings and certain of its affiliates, aided and abetted these alleged breaches. In addition, the Colorado Action further alleges violations of the federal securities laws in connection with Forest's disclosures in the Form S-4 registration statement filed by Forest on May 29, 2014. Forest and Sabine Holdings believe the allegations in the complaints are without merit.

Table of Contents**THE MERGER AGREEMENT AND OTHER TRANSACTION AGREEMENTS**

This section of this document describes the material terms of the merger agreement, the stockholder s agreement and the registration rights agreement. The following summary must be read in conjunction with and is qualified by the terms of the merger agreement, a copy of which is attached as Annex B; the stockholder s agreement, a copy of which is attached as Annex C; the registration rights agreement, a copy of which is attached as Annex D and the form of certificate of amendment (evidencing preferred stock), a copy of which is attached as Annex E. You are urged to read the full text of the merger agreement, the stockholder s agreement, the registration rights agreement and the rights agreement carefully.

Structure of the Combination Transaction

Forest and Sabine will combine their businesses under Forest. Sabine Investor Holdings and AIV Holdings will, directly and indirectly, contribute all of the equity interests of Sabine Holdings to Forest, with Sabine Holdings becoming a wholly owned subsidiary of Forest. In exchange for the contribution, (i) Sabine Investor Holdings and AIV Holdings will receive 123,837,490 and 39,874,020 shares of Forest common stock, respectively, and (ii) Sabine Investor Holdings and AIV Holdings will receive 1,258,900 and 405,349 shares of Forest Series A convertible common-equivalent preferred stock, respectively.

As part of the contribution, FR NFR Holdings, Inc. and FR NFR PI, Inc., which are wholly owned subsidiaries of AIV Holdings and are parent entities of Sabine Holdings, will be contributed by AIV Holdings to Forest. After the contribution, FR NFR Holdings, Inc. and FR NFR PI, Inc. will merge with and into Forest, with Forest surviving. After the contribution, Sabine Holdings, SOGH II and Sabine, will merge with and into Forest, with Forest surviving. Upon consummation of the combination transaction, current Forest common shareholders will continue to hold their shares of Forest common stock, which shares will represent (based on the number of Forest common shares outstanding as of May 5, 2014) approximately 42% of the issued and outstanding Forest common shares, approximately a 26.5% economic interest in Forest and 20% of the total voting power in Forest, and Sabine Investor Holdings and AIV Holdings will collectively hold approximately 58% of the issued and outstanding Forest common shares and 100% of the issued and outstanding Forest Series A convertible common-equivalent preferred shares, collectively representing approximately a 73.5% economic interest in Forest and 80% of the total voting power in Forest. If the 2014 LTIP Proposal is approved, Forest expects to issue approximately [] shares of Forest common stock under the 2014 LTIP, which will dilute the ownership percentages in Forest common shares listed above as well as the voting power of current Forest common shareholders, but will not affect the collective voting power of Sabine Investor Holdings and AIV Holdings, which will remain at 80%.

The authorized share proposal is a condition to the consummation of the combination transaction. If the authorized share proposal is not approved and Forest and Sabine Investor Holdings mutually agree to waive this condition, then in exchange for the contribution, Sabine Investor Holdings and AIV Holdings will instead receive shares of Forest Series B convertible common-equivalent preferred stock in lieu of a portion of the Forest common stock that would have been received by them if there were available for issuance a sufficient amount of authorized but unissued common shares. As a result, Sabine Investor Holdings and AIV Holdings would receive (i) 37,822,023 and 12,178,187 shares of Forest common shares, (ii) 1,258,900 and 405,349 shares of Forest Series A convertible common-equivalent preferred stock and (iii) 860,155 and 276,958 shares of Forest Series B convertible common-equivalent preferred stock, respectively. In that case, upon consummation of the combination transaction, and based upon the number of Forest common shares currently outstanding, current Forest common shareholders would hold 70% of the issued and outstanding Forest common shares, representing approximately a 26.5% economic interest in Forest and 20% of the total voting power in Forest, and Sabine Investor Holdings and AIV Holdings will collectively hold 30% of the issued and outstanding Forest common shares, 100% of the issued and outstanding Forest

Series A convertible common-equivalent preferred shares and 100% of the issued and outstanding Forest Series B convertible common-equivalent preferred shares, collectively representing approximately a 73.5% economic interest in Forest and 80% of the total voting power in Forest.

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Pursuant to the merger agreement, at the completion of the combination transaction, Forest's bylaws will be amended and, in the event the authorized share proposal or the name change proposal is approved, its certificate of incorporation will be amended as approved. In addition, following completion of the combination transaction, Sabine Investor Holdings and AIV Holdings intend to use their voting power to cause Forest to be reincorporated in Delaware (from New York), with the result that Forest and its shareholders will be governed by Delaware law instead of New York law. See [Comparison of Rights of Forest Shareholders Before and After the Combination Transaction](#).

Closing and Effective Time of the Combination Transaction

Unless otherwise mutually agreed to by Sabine Investor Holdings and Forest, the closing of the combination transaction will take place on the second business day after the satisfaction or waiver of the conditions to consummation of the combination transaction, which conditions are described below under [Conditions to Completion of the Combination Transaction](#). However, if the marketing period has not ended on or prior to such date, then the closing of the combination transaction will occur on the later of (i) the business day immediately following the final day of the marketing period (or an earlier date within the marketing period specified by Sabine Investor Holdings on at least two business days' notice to Forest) and (ii) the date the closing of the combination transaction would have been scheduled to occur pursuant to this paragraph if no effect were given to this sentence, subject, in each case, to the satisfaction or waiver of all of the conditions to consummation of the combination transaction as of the date determined pursuant to this sentence.

In the merger agreement, the marketing period is defined as a period of 20 consecutive days throughout which (i) the conditions to Sabine Investor Holdings' obligations to complete the combination transaction (other than certain conditions specified in the merger agreement) have been satisfied or waived, (ii) Forest has provided to Sabine Investor Holdings specified financial and other information and (iii) certain other events shall not have occurred.

Assuming timely satisfaction of the necessary closing conditions, the closing is currently expected to occur in the fourth quarter of 2014.

Effect of the Combination Transaction on Forest Common Shares

All Forest common shares will remain outstanding after the combination transaction, and no changes will be made to the Forest common shares currently outstanding as a result of the combination transaction.

Appraisal Rights

Under applicable law, no appraisal rights will be available to holders of Forest common shares in connection with the combination transaction.

Treatment of Forest Equity-Based Awards

Forest Stock Options

Each Forest stock option that is outstanding immediately prior to the effective time of the combination transaction will, as of the effective time of the combination transaction, automatically be cancelled and converted into the right to receive an amount of cash, without interest, equal to the product of (1) the total number of Forest common shares subject to such Forest stock option and (2) the excess, if any, of (a) the closing price of Forest common shares on the NYSE on the last trading day prior to closing date, over (b) the exercise price per Forest common share applicable to such Forest stock option (with the aggregate amount of such payment rounded down to the nearest cent), less such

amounts as are required to be deducted and withheld under any provision of state, local or foreign tax law with respect to the making of such payment. Each Forest stock option for which the exercise price per Forest common share applicable to such Forest stock option equals or exceeds the closing price

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of Forest common shares on the NYSE on the last trading day prior to the closing date will be cancelled pursuant to the merger agreement for no consideration.

Forest Performance Unit Awards

Each Forest performance unit award that is outstanding immediately prior to the effective time of the combination transaction will, automatically become fully vested at the effective time of the combination transaction and will be settled following the effective time of the combination transaction in cash or shares in accordance with the terms of the applicable award agreement for such Forest performance unit award (including concluding the performance period as of the closing date for purposes of measuring achievement of performance conditions).

Forest Phantom Unit Awards

Each Forest phantom unit award that is outstanding immediately prior to the effective time of the combination transaction will, automatically become fully vested at the effective time of the combination transaction and will be settled following the effective time of the combination transaction in accordance with the terms of the applicable award agreement for such phantom unit award.

Forest Restricted Shares

Each Forest restricted share that is outstanding immediately prior to the effective time of the combination transaction will, automatically become fully vested at the effective time of the combination transaction and the restrictions with respect thereto will lapse.

Reservation of Shares; Registration

If the 2014 LTIP proposal is approved, Forest will submit a supplemental listing application to the NYSE and file a registration statement on Form S-8 with the SEC with respect to the common shares of Forest that may be granted to employees, consultants and directors of Forest under the 2014 LTIP.

Conditions to Completion of the Combination Transaction

The obligations of the parties to consummate the combination transaction are subject to the satisfaction at or prior to closing of the following conditions:

approval of the share issuance proposal;

the waiting period (and any extension thereof) applicable to the combination transaction under the HSR Act will have been terminated or expired (which waiting period terminated on June 5, 2014);

no governmental entity will have enacted, issued, promulgated, enforced or entered any decision, injunction, decree, ruling, law or order (whether temporary, preliminary or permanent) that is in effect and enjoins or otherwise prohibits or makes illegal the consummation of any of the combination transaction; and

approval of the authorized share proposal (provided that this condition may be waived by the mutual agreement of Forest and Sabine Investor Holdings).

The obligations of Forest to complete the combination transaction are also subject to the satisfaction or waiver (to the extent permitted by law) of the following conditions:

(i) certain representations and warranties of Sabine Investor Holdings, Sabine Holdings, SOGH II and Sabine (the Sabine parties) and AIV Holdings relating to capitalization will be true in all respects as of the date of the merger agreement and as of the closing date as though remade on the closing date (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import) other than in *de minimis* respects (except for representations and warranties made as of a specific

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date, which shall be true and correct other than in *de minimis* respects as of such specific date); (ii) certain representations and warranties of the Sabine parties and AIV Holdings relating to organization, authority and enforceability, capitalization, compliance with the USA PATRIOT ACT, the Foreign Corrupt Practices Act, and U.S. Trading with the Enemy Act, Sabine Holdings approvals, brokers' fee and transactions with affiliates, will be true and correct in all material respects as of the date of the merger agreement and as of the closing date as though remade on the closing date (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import); and (iii) all other representations and warranties of the Sabine parties and AIV Holdings in the merger agreement will be true and correct (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import except in the case of the representations and warranties of Sabine relating to the absence of certain changes) in all respects as of the date of the merger agreement and as of the closing date as though remade on the closing date (except for representations and warranties made as of a specific date, which shall be true and correct in all respects as of such specific date), except, in the case of this clause (iii), where the aggregate failure of such representations to be so true and correct has not had, and would not reasonably be expected to have a Sabine Material Adverse Effect (described in Agreement Not to Solicit Other Offers).

the Sabine parties and AIV Holdings will have performed or complied with, in all material respects, the agreements and covenants required by the merger agreement to be performed or complied with by the Sabine parties and AIV Holdings on or prior to the closing;

Forest will have received the required closing certificate from each of Sabine Investor Holdings and AIV Holdings dated as of the closing, confirming that certain of the closing conditions applicable to the obligations of the Sabine parties and AIV Holdings have been fulfilled; and

Forest will have received a duly executed (i) FIRPTA certificate of non-foreign status and (ii) IRS Form W-9, in each case from each of Sabine Investor Holdings and the entity treated as owning AIV Holdings' assets.

A Sabine Material Adverse Effect means a material adverse effect on the business, financial condition or continuing results of operations of Sabine Holdings and its subsidiaries, taken as a whole; provided, that any effect resulting from any of the following events, changes, developments, effects, conditions, circumstances, matters, occurrences or state of facts shall not be considered when determining whether a material adverse effect shall have occurred: (i) any change in general economic, political, business or other capital market conditions (including prevailing interest rates and any effects on the economy arising as a result of acts of terrorism); (ii) any change or developments in prices for oil, natural gas or other commodity prices or for Sabine Holdings or its subsidiaries' raw material inputs and end products; (iii) any change affecting the oil and natural gas exploration and production industry generally; (iv) any change in accounting requirements or principles imposed by U.S. GAAP or any change in law after the original execution date of the merger agreement; (v) any change resulting from the execution of the merger agreement or the announcement of the combination transaction; (vi) any change resulting from compliance by Sabine Holdings and its subsidiaries with the terms of the merger agreement or taken at the request of Sabine Holdings or any of its subsidiaries; (vii) earthquakes, any weather-related or other force majeure event or natural disasters or outbreak or escalation of hostilities or acts of war; (viii) any failure by Sabine Holdings or any of its subsidiaries to meet any financial projections or forecasts or estimates of revenues, earnings or other financial metrics for any period (provided, that the underlying causes of such failures by Sabine Holdings or any of its subsidiaries may be considered); or (ix) any changes in the credit rating of Sabine Holdings or any of its subsidiaries' debt securities (provided, that, in either case, the underlying causes of such changes may be considered); except in each case with respect to clauses (i), (ii), (iii), (iv) and (vii) where the effect resulting from such events disproportionately affects Sabine Holdings and its

subsidiaries, taken as a whole, relative to other similarly-situated companies in the oil and natural gas exploration and production industry.

The obligations of the Sabine parties and AIV Holdings to complete the combination transaction are also subject to the satisfaction or waiver (to the extent permitted by law) of the following conditions:

- (i) certain representations and warranties of Forest relating to capitalization will be true in all respects as of the date of the merger agreement and as of the closing date as though remade on the closing date

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(disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import) other than in *de minimis* respects (except for representations and warranties made as of a specific date, which shall be true and correct other than in *de minimis* respects as of such specific date); (ii) certain representations and warranties of Forest relating to organization, authority and enforceability, capitalization, compliance with the USA PATRIOT ACT, the Foreign Corrupt Practices Act, and U.S. Trading with the Enemy Act, Forest approvals, opinion of financial advisor and transactions with affiliates, will be true and correct in all material respects as of the date of the merger agreement and as of the closing date as though remade on the closing date (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import); and (iii) all other representations and warranties of Forest in the merger agreement will be true and correct (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import except in the case of the representations and warranties of Forest relating to the absence of certain changes) in all respects as of the date of the merger agreement and as of the closing date as though remade on the closing date (except for representations and warranties made as of a specific date, which shall be true and correct in all respects as of such specific date), except, in the case of this clause (iii), where the aggregate failure of such representations to be so true and correct has not had, and would not reasonably be expected to have a Forest Material Adverse Effect (described in Agreement Not to Solicit Other Offers);

Forest will have performed, or complied with, in all material respects, the agreements and covenants required by the merger agreement to be performed or complied with by Forest on or prior to the closing;

Sabine Investor Holdings and AIV Holdings will have received the required closing certificate from Forest dated as of the closing date, confirming that certain of the closing conditions applicable to the obligations of Forest have been fulfilled;

Sabine Investor Holdings and AIV Holdings will have received the written opinion of its counsel regarding certain U.S. federal income tax consequences of the contribution and certain other related transactions; and

(i) Resignations of certain Forest directors will be in full force and effect and will have been accepted by the Forest board of directors effective as of the Closing and (ii) certain nominees designated by Sabine will be appointed to serve as members of the Forest board of directors effective as of the Closing.

A Forest Material Adverse Effect means a material adverse effect on the business, financial condition or continuing results of operations of Forest and its subsidiaries, taken as a whole; provided, that any effect resulting from any of the following events, changes, developments, effects, conditions, circumstances, matters, occurrences or state of facts shall not be considered when determining whether a material adverse effect shall have occurred: (i) any change in general economic, political, business or other capital market conditions (including prevailing interest rates and any effects on the economy arising as a result of acts of terrorism); (ii) any change or developments in prices for oil, natural gas or other commodity prices or for Forest's raw material inputs and end products; (iii) any change affecting the oil and natural gas exploration and production industry generally; (iv) any change in accounting requirements or principles imposed by U.S. GAAP or any change in law after the original execution date of the merger agreement; (v) any change resulting from the execution of the merger agreement or the announcement of the combination transaction; (vi) any change resulting from compliance by Forest and its subsidiaries with the terms of the merger agreement or taken at the request of Sabine Holdings or any of its subsidiaries; (vii) earthquakes, any weather-related or other force majeure event or natural disasters or outbreak or escalation of hostilities or acts of war; (viii) any failure by Forest to meet any financial projections or forecasts or estimates of revenues, earnings or other financial metrics

for any period (provided, that the underlying causes of such failures by Forest may be considered); or (ix) any changes in the share price or trading volume of Forest common shares or in the credit rating of Forest or any of its subsidiaries debt securities (provided, that, in either case, the underlying causes of such changes may be considered); except in each case with respect to clauses (i), (ii), (iii), (iv) and (vii) where the effect resulting from such events disproportionately affects Forest and its subsidiaries, taken as a whole, relative to other similarly situated companies in the oil and natural gas exploration and production industry.

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Obligations with Respect to the Special Meeting and Recommendation to Shareholders

Under the terms of the merger agreement, Forest agreed to take all actions reasonably necessary to call, give notice of, convene and hold the special meeting, as soon as reasonably practicable following the date that the SEC confirms it has no further comments on this proxy statement, to approve the share issuance proposal, to approve the authorized share proposal and to approve the name change proposal. Forest agreed, subject to the Forest board's right to change its recommendation in the circumstances described below, to recommend that Forest common shareholders to approve the share issuance proposal, to approve the authorized share proposal and to approve the name change proposal and to use its reasonable best efforts to solicit from Forest common shareholders votes in favor of the foregoing. Forest may continue, adjourn or postpone the special meeting, if, as of the time for which the special meeting is originally scheduled, there are insufficient Forest common shares represented (either in person or by proxy) to constitute a quorum necessary to conduct business at the special meeting, provided that no adjournment may be to a date on or after three business days prior to December 31, 2014.

Agreement Not to Solicit Other Offers

Termination of Discussions

Forest agreed to, and to cause each of its subsidiaries and its and their respective directors and officers to, and to use its reasonable best efforts to cause its and their representatives to, (i) immediately cease and terminate any solicitation, encouragement, knowing facilitation, discussions, negotiations or other similar activities with any person other than Sabine Investor Holdings and its affiliates and its and their representatives that may be ongoing with respect to, or that may reasonably be expected to lead to an Acquisition Proposal (as defined below) and (ii) immediately revoke or withdraw access of any person other than Sabine Investor Holdings and its affiliates and its and their representatives to any data room (virtual or actual) containing any nonpublic information with respect to Forest or its subsidiaries previously furnished with respect to any Acquisition Proposal and request or require (to the fullest extent permitted under any confidentiality agreement or similar agreement with such person) such person to promptly return or destroy, as elected by Forest, all confidential information concerning Forest and its subsidiaries.

An Acquisition Proposal means any offer, proposal, or indication of interest relating to any transaction or series of related transactions (other than the combination transaction) from any third party involving: (A) a merger, reorganization, share exchange, consolidation, combination transaction, recapitalization, dissolution, liquidation or similar transaction involving Forest or any of its subsidiaries whose assets, taken together, constitute fifteen percent (15%) or more of Forest's consolidated assets based on fair market value, (B) any purchase (including any lease, long term supply agreement, mortgage, pledge or other arrangement having similar economic effect), directly or indirectly, in any manner of any business or assets (including equity securities or other interest in one or more subsidiaries) that constitute fifteen percent (15%) or more of the consolidated assets of Forest or that generate fifteen percent (15%) or more of Forest's consolidated revenues or (C) the acquisition, directly or indirectly, of beneficial ownership or control of any securities of Forest after which any person or group would own securities representing fifteen percent (15%) or more of the total voting power of any class of Forest's securities (or that are exchangeable for or convertible into voting securities having such voting power).

Non-Solicitation Obligations

Under the terms of the merger agreement, and subject to certain exceptions summarized below, Forest agreed that it will not and will cause its subsidiaries and its and their respective directors and officers not to (and it will use its reasonable best efforts to cause its and their representatives not to), directly or indirectly:

solicit, initiate (including by way of furnishing information), knowingly encourage, or knowingly facilitate any inquiries regarding, or the making or submission of any proposal or offer that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal;

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conduct or engage in any discussions or negotiations with, disclose any nonpublic information or nonpublic data relating to Forest or any of its subsidiaries to, or afford access to the business, properties, assets, books or records of Forest or any of its subsidiaries with respect to, or assist, facilitate or cooperate with any effort by any third party with respect to any Acquisition Proposal; or

enter into any agreement, including any agreement in principle, letter of intent, term sheet, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement or any other contract relating to any Acquisition Proposal.

Exceptions to Non-Solicitation Provisions

At any time before Forest common shareholders approve the share issuance proposal and the authorized share proposal, Forest and its subsidiaries and its and their representatives may conduct or engage in any discussions or negotiations with, disclose any nonpublic information or nonpublic data relating to Forest or any of its subsidiaries to, or afford access to the business, properties, assets, books or records of Forest or any of its subsidiaries with respect to, or assist, facilitate or cooperate with any effort by any third party with respect to any Acquisition Proposal, if:

Forest receives a bona fide, written Acquisition Proposal from such third party that did not result from, or was not otherwise facilitated by, any breach of the non-solicitation provisions of the merger agreement; and

before taking any such actions, the Forest board determines in good faith, after consultation with its financial advisor and outside legal counsel, that such Acquisition Proposal constitutes a Superior Proposal (as defined below) or is reasonably likely to lead to a Superior Proposal;

except that (1) Forest will not deliver any nonpublic information or nonpublic data to such third party or grant access to such third party any access unless Forest enters into an acceptable confidentiality agreement with such third party and (2) Forest will, as promptly as practicable (and in any event within 24 hours), provide to Sabine Investor Holdings a copy of such acceptable confidentiality agreement. Forest agreed to provide to Sabine Investor Holdings, substantially concurrently with delivery to any third party, any information concerning Forest or its subsidiaries that is provided to any third party in connection with any Acquisition Proposal which information was not previously provided to Sabine Investor Holdings.

A Superior Proposal means a bona fide written Acquisition Proposal, on its most recently amended or modified terms, if amended or modified (except that references in the definition of Acquisition Proposal to 15% shall be replaced by 50%) made by a third party, that the Forest board determines in good faith (after consultation with its financial advisor and outside legal counsel) (i) would be, if consummated, more favorable to Forest's shareholders than the combination transaction (taking into account all of the terms and conditions of such proposal and the merger agreement (including any changes to the terms of the merger agreement proposed by Sabine Investor Holdings in response to such offer or otherwise)) and relevant terms, timing, conditions, and legal, financial and regulatory aspects of the proposal, the identity of the third party making such proposal and the conditions for completion of such proposal and (ii) if accepted, is reasonably likely to be consummated.

Forest agreed to notify Sabine Investor Holdings, orally and in writing, as promptly as practicable upon (and not later than 24 hours after) the receipt of any request for information or any Acquisition Proposal by Forest, its subsidiaries or any of their representatives from any person or any inquiry with respect to any Acquisition Proposal. This notice is required to include the material terms and conditions of, and the identity of the person making, such Acquisition

Proposal, request or inquiry. Forest further agreed to provide to Sabine Investor Holdings copies of any written Acquisition Proposal received in connection with the foregoing and to keep Sabine Investor Holdings informed of any material developments, discussions or negotiations regarding any Acquisition Proposal on a reasonably current basis (and in any event in each case within 24 hours). Forest has also agreed that it and its subsidiaries will not enter into any confidentiality agreement with any person subsequent to the date that the merger agreement was executed that prohibits Forest from providing such information to Sabine Investor Holdings in accordance with the merger agreement.

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Obligation to Maintain Forest Board Recommendation

As discussed above, the Forest board agreed to recommend that the Forest shareholders approve the share issuance proposal and the other proposals related to the combination transaction. Except as described below, neither the Forest board nor any committee thereof may take any of the following actions, each of which is considered a Forest Recommendation Change :

qualify, withhold, withdraw or modify in any manner adverse to Sabine Investor Holdings (or publicly propose to do so) the Forest recommendation;

fail to include the Forest recommendation in the proxy statement sent to the Forest common shareholders to approve the share issuance proposal, to approve the authorized share proposal and to approve the name change proposal;

fail to recommend against acceptance of any tender offer or exchange offer for the Forest common shares within 10 business days after commencement of any such offer; or

adopt, approve or recommend, or publicly propose to approve or recommend, an Acquisition Proposal. Notwithstanding the foregoing, the Forest board may comply with its disclosure obligations under U.S. federal or state law, including Rules 14e-2(a) and 14d-9 under the Exchange Act, or make any stop-look-and-listen communication to the Forest common shareholders pursuant to Rule 14d-9(f) under the Exchange Act; provided, that in no event will any such requirement affect, eliminate or modify the obligations of Forest with respect to Forest's non-solicitation and termination of discussions obligations as set forth in the merger agreement with respect to a Forest Recommendation Change.

Right to Change Forest Board Recommendation or Terminate the Merger Agreement for a Superior Proposal

Superior Proposals

At any time prior to the receipt of the Forest shareholder approval of the share issuance proposal and the authorized share proposal, if Forest receives an unsolicited Acquisition Proposal, the Forest board will be permitted to make a Forest Recommendation Change and/or terminate the merger agreement in order to enter into a definitive agreement with respect to such Acquisition Proposal if, prior to taking such action, the Forest board has determined in good faith, after consultation with its financial advisor and outside legal counsel, that such Acquisition Proposal constitutes a Superior Proposal.

However, prior to taking such action, Forest must do the following:

Forest shall have provided Sabine Investor Holdings at least three business days' notice of its intention to take such action (which notice will specify the material terms and conditions of any Superior Proposal (including the identity of the person making such Superior Proposal)) and contemporaneously provide to Sabine Investor

Holdings a copy of any proposed transaction agreements with the person making such Superior Proposal (and any amendment to the financial or other material terms of a Superior Proposal after delivery of notice with respect to such Superior Proposal will require delivery of another notice and will commence a new three business day notice period with respect to such Superior Proposal);

Forest has negotiated, and has caused its representatives to negotiate, in good faith with Sabine Investor Holdings (in each case, if Sabine Investor Holdings seeks to negotiate with Forest) during such notice period described above to enable Sabine Investor Holdings to revise the terms of the merger agreement such that it would cause the Superior Proposal to no longer constitute a Superior Proposal;

following the end of the notice period described above, the Forest board considered in good faith any changes to the merger agreement proposed in writing by Sabine Investor Holdings and determined in good faith, after consultation with its financial advisor and outside legal counsel, that notwithstanding such proposed changes, the third-party proposal remains a Superior Proposal; and

Forest has complied in all material respects with the non-solicitation provisions of the merger agreement.

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In addition, in the event that Forest terminates the merger agreement to accept a Superior Proposal, Forest must pay Sabine Holdings a \$15.0 million termination fee contemporaneously with the termination of the merger agreement.

Forest Intervening Event

At any time prior to the receipt of the Forest shareholder approval of the share issuance proposal and the authorized share proposal, the Forest board will be permitted to make a Forest Recommendation Change in response to a Forest Intervening Event (as defined below) if the Forest board determines in good faith, after consultation with its outside financial advisors and outside legal counsel, that the failure of the Forest board to effect a Forest Recommendation Change would be inconsistent with the fiduciary duties of the Forest directors under applicable law.

A Forest Intervening Event means any material event, change, development, effect, condition, circumstance, matter, occurrence or state of facts that is unknown to the Forest board as of the original execution date of the merger agreement (or if known, the magnitude or consequences of which were not known or understood by the Forest board as of the original execution date of the merger agreement), which event, change, development, effect, condition, circumstance, matter, occurrence or state of facts, magnitude or consequences becomes known to or by the Forest board before Forest common shareholders approve the share issuance proposal and the authorized share proposal; provided, that (a) in no event shall the receipt, existence or terms of an Acquisition Proposal constitute a Forest Intervening Event and (b) any effect resulting from any of the following events, changes, developments, effects, conditions, circumstances, matters, occurrences or state of facts shall not be considered when determining whether a Forest Intervening Effect shall have occurred: (i) any change in general economic, political, business or other capital market conditions (including prevailing interest rates and any effects on the economy arising as a result of acts of terrorism); (ii) any change or developments in prices for oil, natural gas or other commodity prices or for raw material inputs and end products; (iii) any change affecting the oil and natural gas exploration and production industry generally; (iv) any change in accounting requirements or principles imposed by U.S. GAAP or any change in law after the original execution date of the merger agreement; or (v) earthquakes, any weather-related or other force majeure event or natural disasters or outbreak or escalation of hostilities or acts of war; except in each of cases (i), (ii), (iii), (iv) and (v), where such event, change, development, effect, condition, circumstance, matter, occurrence or state of facts disproportionately affects Forest and its subsidiaries, taken as a whole, relative to Sabine Holdings and its subsidiaries, taken as a whole, or vice versa.

The Forest board will not make a Forest Recommendation Change in connection with a Forest Intervening Event unless prior to taking such action:

Forest has given Sabine Investor Holdings at least three business days notice of its intention to take such action and provided to Sabine Investor Holdings, a notice specifying the reasons for such action;

Forest has negotiated, and has caused its representatives to negotiate, in good faith with Sabine Investor Holdings (in each case, if Sabine Investor Holdings seeks to negotiate with Forest) during such notice period described above to enable Sabine Investor Holdings to revise the terms of the merger agreement such that a failure of the Forest board to effect a Forest Recommendation Change in response to such Forest Intervening Event would not be inconsistent with the fiduciary duties of the Forest directors under applicable law; and

following the end of the notice period described above, the Forest board will have considered in good faith any changes to the merger agreement proposed in writing by Sabine Investor Holdings and will have determined in good faith, after consultation with its financial advisor and outside legal counsel, that notwithstanding the proposed changes, the failure of the Forest board to make a Forest Recommendation Change in response to the Forest Intervening Event would be inconsistent with the fiduciary duties of the Forest directors under applicable law.

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Treatment of Representatives

Forest agreed that any violation of the restrictions set forth in the non-solicitation provisions by any representative of Forest or its subsidiaries will be deemed a breach of such provisions by Forest.

Provisions Related to Shareholder Rights Plan

Pursuant to the merger agreement, on July 10, 2014, Forest adopted a rights plan and declared a dividend distribution of rights to purchase the Forest junior preferred stock related to the plan, referred to as the rights. Forest may, in its sole discretion, amend or waive any provision of the rights plan, redeem such rights or make any determinations with respect to the rights plan, the rights and the Forest junior preferred stock; provided that Forest may not take any such action that would have an adverse effect on the issuance of the Forest common shares and preferred shares to be issued to Sabine Investor Holdings and AIV Holdings in connection with the combination transaction.

The rights plan imposes a significant penalty upon any Acquiring Person, which means a person or group that acquires 5% or more of the outstanding common shares of Forest without the approval of Forest's board of directors. The rights plan also provides that if a shareholder's beneficial ownership of Forest's common shares as of the time of the public announcement of the rights plan and associated dividend declaration is at or above the 5%-threshold (including through entry into certain derivative positions), that shareholder's then existing ownership percentage would be grandfathered, but the rights would become exercisable if at any time after such announcement the shareholder increases its ownership percentage by 0.001% or more and such person or group, together with all of its affiliates and associates, has or will have at any time prior to December 31, 2014 any beneficial interest in any transaction, security or derivative or synthetic arrangements having the characteristics of a short position in or with respect to any indebtedness of Forest or that would increase in value as a result of decline in the value of any indebtedness of Forest or decline in Forest's credit rating.

Under the rights plan, a Forest shareholder will not become an Acquiring Person as described in the preceding paragraph if such shareholder certifies to Forest that (1) such shareholder, together with all affiliates and associates of such shareholder, does not and will not at any time prior to December 31, 2014 own or have any beneficial interest in any transaction, security or derivative or synthetic arrangements having the characteristics of a short position in or with respect to any indebtedness of Forest or that would increase in value as a result of decline in the value of any indebtedness of Forest or decline in Forest's credit rating and (2) such shareholder will continue to satisfy clause (1) for so long as such shareholder would otherwise be an Acquiring Person if not for the exemption obtained by the delivery of such certification.

Forest agreed to keep Sabine Investor Holdings reasonably informed regarding its communications with any Forest shareholder with respect to the applicability of the preceding paragraph to any such shareholder, including by promptly, and in any event within 24 hours of receipt thereof, providing Sabine Investor Holdings with (i) a copy of any certification received by Forest pursuant to the rights plan, and (ii) copies of any written communications and summaries of any oral communications with shareholders with respect to the continuing accuracy of the certifications contained therein.

Termination of the Merger Agreement

The merger agreement may be terminated and the combination transaction may be abandoned at any time prior to the closing, regardless of whether Forest common shareholders have approved the share issuance proposal and the authorized share proposal:

by mutual written consent of Sabine Investor Holdings and Forest, in each case duly authorized by their respective boards of directors;

by either Sabine Investor Holdings or Forest if:

any governmental entity of competent jurisdiction has issued any order, decree, ruling or injunction or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation

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of the combination transaction and such order, decree, ruling or injunction or other action has become final and nonappealable, provided, that the terminating party has fulfilled its obligations with respect to seeking governmental approvals to complete the combination transaction, or if there will be adopted following the original execution date of the merger agreement any law that makes consummation of the combination transaction illegal or otherwise prohibited, provided, that the party seeking to avail itself of such right to terminate will have used its reasonable best efforts to remove such injunction pursuant to the terms of the merger agreement;

if the combination transaction has not been completed prior to 5:00 p.m., Houston time, on December 31, 2014 (such date, the End Date), provided, that such right to terminate the merger agreement pursuant to this provision will not be available to any party whose failure to fulfill any of its covenants or agreements under the merger agreement has been the principal cause of, or resulted in, the failure of the combination transaction to occur on or before the End Date; or

if the special meeting (or any adjournment or postponement thereof) has concluded and Forest common shareholders have not approved the share issuance proposal;

by Forest if:

any of the representations or warranties of the Sabine parties was or becomes inaccurate or any breach by any Sabine party or AIV Holdings of any covenant or other agreement of such parties contained in the merger agreement occurs and such inaccuracy or breach (i) would result in certain closing conditions being incapable of being satisfied and (ii) is not curable, or, if curable has not been cured prior to the earlier of the business day prior to the End Date or the date that is sixty days after the date that notice of such inaccuracy or breach is provided to Sabine Investor Holdings by Forest, provided, that Forest will not have the foregoing right to terminate if, at the time of such termination, Forest is in material breach of any of its representations, warranties or covenants described in the merger agreement as would result in the failure of certain specified closing conditions to be satisfied; or

at any time before Forest common shareholders approve the share issuance proposal and the authorized share proposal, and if Forest has complied in all material respects with its obligations with respect to making the Forest Recommendation in order to enter into a definitive agreement with respect to a Superior Proposal (which definitive agreement will be entered into concurrently with the termination of the merger agreement);

by Sabine Investor Holdings if:

any of the representations or warranties of Forest was or becomes inaccurate or any breach by Forest of any covenant or other agreement of the parties contained in the merger agreement occurs and such inaccuracy or breach (i) would result in certain closing conditions being incapable of being satisfied and (ii) is not curable, or, if curable has not been cured prior to the earlier of the business day prior to the End Date or the date that is sixty days after the date that notice of such inaccuracy or breach is provided to Forest by Sabine Investor

Holdings, provided, that Sabine Investor Holdings will not have the foregoing right to terminate if, at the time of such termination, Sabine Investor Holdings is in material breach of any of its representations, warranties or covenants described in the merger agreement as would result in the failure of certain specified closing conditions to be satisfied;

a Forest Recommendation Change has occurred, whether or not such Forest Recommendation Change is permitted by the merger agreement; or

Forest engaged in a willful and material breach of its non-solicitation and termination of discussions obligations, other than in the case where (i) such willful and material breach is a result of an isolated action by a person that is a representative of Forest (other than any officer, director or employee of Forest or any of its subsidiaries), (ii) such willful and material breach was not caused, encouraged or knowingly facilitated by, or taken with the knowledge of, Forest, (iii) Forest uses reasonable best efforts to immediately remedy such willful and material breach upon the discovery thereof by Forest or any officer, director or employee of Forest or any of its subsidiaries and (iv) the Sabine parties are not significantly harmed as a result thereof.

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Effect of Termination

If the merger agreement is validly terminated, the merger agreement (other than any obligations to pay the Termination Fee or reimburse expenses, and certain other provisions of the merger agreement, including the enforcement of the terms of the merger agreement) will become void and there will be no liability or obligation on the part of any party, except that no party will be relieved from liability for any damages resulting from or arising out of fraud or the willful and material breach of the merger agreement.

Termination Fee Payable by Forest

The merger agreement requires Forest to pay Sabine Holdings a \$15.0 million termination fee if:

Sabine Investor Holdings terminates the merger agreement because of a Forest Recommendation Change or because Forest engaged in a willful and material breach of its non-solicitation obligations (second and third sub-bullets of the fourth bullet described in Termination of the Merger Agreement);

Sabine Investor Holdings terminates the merger agreement because of Forest's willful and material breach of its obligation with respect to holding the special meeting pursuant to the merger agreement and such breach would result in certain closing conditions not being capable to be satisfied and is not curable or, if curable, has not been cured prior to the earlier of the business day prior to the End Date or the date that is sixty days after the date that notice of such inaccuracy or breach is provided to Forest by Sabine Investor Holdings (first sub-bullet of the fourth bullet described in Termination of the Merger Agreement) due to Forest's willful and material breach of its obligation with respect to making the Forest Recommendation or holding the special meeting pursuant to the merger agreement;

(1) prior to the special meeting, there has been publicly announced, disclosed or otherwise made known a bona fide Acquisition Proposal for Forest that has not been withdrawn at least five days prior to the Forest special meeting, (2) Forest terminates the merger agreement because the Forest special meeting has concluded and the Forest common shareholders did not approve the share issuance proposal and the authorized share proposal, and (3) within twelve (12) months after such termination, Forest enters into a definitive agreement with respect to or consummates an Acquisition Proposal (substituting 50% for references to 15% in the definition of Acquisition Proposal above); or

Forest terminates the merger agreement to enter into a definitive agreement with respect to a Superior Proposal.

Representations and Warranties

The merger agreement contains representations made by Forest to the Sabine parties, and by the Sabine parties and AIV Holdings to Forest, relating to a number of matters, including the following:

corporate organization and qualification to do business;

corporate authority and enforceability;

absence of conflicts with governing documents, applicable laws and contracts;

required regulatory and other third-party consents in connection with the transactions;

capitalization;

compliance with law;

financial statements;

absence of certain changes since December 31, 2013;

title to properties and assets;

oil and natural gas matters;

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intellectual property;

environmental matters;

material contracts;

legal proceedings;

permits;

taxes;

matters related to employee benefit plans;

employment and labor matters;

regulatory matters;

insurance;

derivative transactions and hedging;

brokers fee;

opinion of financial advisor;

Forest director resignations;

related-party transactions;

information supplied;

debt financing; and

approval of the transaction by the sole member of AIV Holdings.

Many of the representations and warranties contained in the merger agreement are qualified by a materiality standard, including in some cases a Sabine Material Adverse Effect or a Forest Material Adverse Effect. Generally, the representations and warranties do not survive the closing. Moreover, the representations and warranties contained in the merger agreement are complicated and are not easily summarized. You are urged to carefully read the sections of the merger agreement, which is attached as Annex B hereto, entitled Representations and Warranties of Forest and Representations and Warranties of the Sabine Parties and AIV Holdings.

The representations and warranties contained in the merger agreement (as well as the covenants described in Conduct of Business Pending the Combination Transaction and Other Covenants and Agreements) were made solely for purposes of the merger agreement and solely for the benefit of the parties to the merger agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by references to Sabine's annual reports to certain of its investors or Forest's filings with the SEC and/or confidential disclosures, made for the purposes of allocating contractual risk among the parties to the agreements instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to shareholders. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in Forest's public disclosures. Sabine, or its affiliates, and Forest will provide additional disclosure in their public reports to the extent that they are aware of the existence of any material facts that are required to be disclosed under federal securities laws that might otherwise contradict the terms and information contained in the merger agreement and will update such disclosures as required by federal securities laws.

Conduct of Business Pending the Combination Transaction

Sabine Holdings and its affiliates and Forest agreed not take and not to take certain actions until the earlier of the consummation of the combination transaction or the termination of the merger agreement. Specifically,

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except (i) as expressly required, permitted or contemplated by the merger agreement, (ii) as required by law or the applicable regulations of any stock exchange or regulatory organization or (iii) to the extent the other party otherwise consents in writing, each of Sabine Holdings, together with its subsidiaries, and Forest, together with its subsidiaries, agreed to:

conduct its businesses in the ordinary course of business consistent with past practice;

use reasonable best efforts to preserve intact its goodwill and relationships with customers, suppliers and others with whom it has business dealings; and

use reasonable best efforts to maintain in full force without interruption its present insurance policies or comparable coverage.

In addition, subject to certain exceptions, Sabine Holdings and Forest have agreed not to, and not to authorize or permit their subsidiaries, respectively, to, among other things:

make any material change or amendment to their organizational documents (and, in the case of Sabine Holdings, that would reasonably be expected to prevent, materially impede or materially delay the combination transaction);

make any acquisition of or investment in any other person or purchase any securities or ownership interests (or, in the case of Forest, assets) of or make any investment in or make loans or capital contributions to any person (x) in the case of Forest, in excess of \$5,000,000 other than (i) ordinary course overnight investments consistent with the cash management policies of Forest and purchases of hydrocarbon inventory in the ordinary course of business and (ii) certain loans or advances by certain subsidiaries to Forest or a wholly owned subsidiary or certain subsidiaries of Forest or (y) in the case of Sabine Holdings, in excess of \$50,000,000 other than ordinary course overnight investments consistent with the cash management policies of Sabine Holdings and its subsidiaries;

other than as set forth in the 2014 capital budget, make any capital expenditures in excess of (x) in the case of Forest, \$10,000,000 and (y) in the case of Sabine Holdings, \$40,000,000, in each case, in the aggregate or as required on an emergency basis or for the safety of individuals or the environment;

certain actions with respect to taxes;

declare or pay dividends or other distribution in respect of any of their capital stock or other equity securities, except for the rights issued pursuant Forest's rights plan, subject to certain exceptions;

split, combine or reclassify any shares of their capital stock or other equity securities or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for, its capital stock or equity securities, except for the rights issued pursuant Forest's rights plan, subject to certain exceptions;

repurchase, redeem or otherwise acquire any of their capital stock or other equity securities or any securities convertible into or exercisable for any capital stock or equity securities;

issue, deliver, sell, pledge or dispose of, or authorize the issuance, delivery, sale, pledge or disposition of, any (i) capital stock or equity securities of any class, except certain Forest common shares issued pursuant to benefit plans, (ii) debt securities having the right to vote on any matters on which holders of capital stock or members or partners of the same issuer may vote or (iii) certain convertible securities or rights, warrants, calls or options to acquire, any such securities (and, in the case of Sabine Holdings, certain convertible securities or rights, warrants, calls or options to sell, pledge or dispose of any equity interests in Sabine Holdings or any of its subsidiaries), in each case subject to certain exceptions;

sell assets (including equity interests in any other persons), other than (x) in the case of Forest, (i) sales of hydrocarbons and inventory in the ordinary course of business, (ii) sales of assets to third parties for a purchase price that does not exceed \$10,000,000 in the aggregate and (iii) certain sales by certain subsidiaries of Forest or (y) in the case of Sabine Holdings, (i) sales of hydrocarbons and inventory in the ordinary course of business by Sabine Holdings or its subsidiaries and (ii) sales of assets to third parties for a purchase price that does not exceed \$50,000,000 in the aggregate;

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create, incur, guarantee or assume any indebtedness other than (A) indebtedness incurred as a result of borrowings under Sabine Holdings or Forest's existing credit agreements, as applicable, and (B) other indebtedness of less than \$10,000,000 in the aggregate, in each case subject to certain exceptions;

(i) settle any claims, demands, lawsuits or state or federal regulatory proceedings for damages to the extent such settlements assess damages in excess of (x) in the case of Forest, \$2,000,000 individually and \$8,000,000 in the aggregate, subject to certain exceptions, or (y) in the case of Sabine Holdings, \$20,000,000 in the aggregate, subject to certain exceptions, or (ii) settle any claims, demands, lawsuits or state or federal regulatory proceedings seeking an injunction or other equitable relief where such settlements would or would reasonably be expected to materially impair the business of Sabine Holdings and its subsidiaries or Forest and its subsidiaries, taken as a whole;

take any action with respect to or in contemplation of any liquidation, dissolution, recapitalization, reorganization, or other winding up;

change or modify any accounting policies, except as required by applicable regulatory authorities or independent accountants;

in the case of Forest only, except as required pursuant to the terms and conditions of a Forest benefit plan as in effect on the original execution date of the merger agreement (i) increase the salary, bonus or other compensation (including incentive compensation) payable to any employee, other than increases in annual base salaries or wage rates in the ordinary course of business consistent with past practice that do not exceed 10% for an individual or 5% in the aggregate or (ii) adopt or make any amendment to any Forest benefit plan, other than amendments to any Forest benefit plans that are defined contribution or welfare plans that do not materially increase the cost to Forest and its subsidiaries of maintaining such plans;

in the case of Forest only, recognize any union or establish, negotiate or become obligated under any collective bargaining agreement or other contract with any labor union;

in the case of Forest only, other than in the ordinary course of business consistent with past practice, (i) hire any new employee having an annual base salary in excess of \$200,000 or (ii) terminate, other than for cause, the employment of any employee having an annual base salary in excess of \$200,000;

other than in the ordinary course of business, (i) modify, make any material amendment to or voluntarily terminate, prior to the expiration date thereof, any material contracts; (ii) enter into a contract after the original execution date of the merger agreement that would be a material contract (as defined in the merger agreement) if entered into prior to the original execution date of the merger agreement; or (iii) waive any default by, or release, settle or compromise any claim against, any other party to a material contract; or

agree, or commit to take any of the actions described above.

Employee Benefits Matters

Pursuant to the terms of the merger agreement, for a period of at least one year following the closing date, Forest will provide:

each Forest employee who remains employed after the closing date with an annual base salary no less favorable than that provided immediately prior to the closing date;

each key employee (generally defined as an employee at the level of vice president or above who is party to a severance agreement) who remains employed after the closing date with incentive bonus opportunities and employee benefits (excluding defined benefit, retiree health and equity-based compensation arrangements) that are no less favorable in the aggregate than those made available to similarly situated employees of the Sabine parties immediately prior to the closing date; and

each Forest employee who remains employed after the closing date and who is not a key employee with incentive compensation opportunities that are no less favorable than those provided to such employee immediately prior to the closing date and employee benefits (excluding defined benefit, retiree health and

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equity-based compensation arrangements) that are no less favorable in the aggregate than those made available to similarly situated employees of the Sabine parties immediately prior to the closing date. In addition, for each Forest employee who remains employed after the closing date and who experiences an involuntary termination during the first year following the closing date, Forest will provide such employee with severance benefits consistent with the applicable Forest severance plan or severance agreement. With respect to employee benefit plans maintained by Forest or any of its subsidiaries in which a Forest employee who remains employed after the closing date becomes eligible to participate, Forest will generally recognize such employee's service with Forest and its affiliates for purposes of eligibility, participation, vesting and, except with respect to any defined benefit pension plan or retiree health plan, benefit accrual, so long as that recognition does not result in the duplication of benefits. In addition, with respect to any welfare plan maintained by Forest or one of its subsidiaries in which such a Forest employee becomes eligible to participate, for the plan year in which such employee is first eligible to participate, Forest will use reasonable best efforts to cause any pre-existing condition limitations or eligibility waiting periods under such plan to be waived with respect to such employee to the extent such pre-existing condition limitation or eligibility waiting period would have been waived or satisfied under the corresponding Forest plan in which such employee participated immediately prior to the effective time of the combination transaction and to recognize any applicable expenses incurred by such employee in such year for purposes of any applicable deductible or out-of-pocket expense requirements under such plan.

Forest will pay prorated bonuses pursuant to Forest's annual incentive plans in respect of the portion of the 2014 performance period ending on the closing date. The amount of each prorated bonus is to be based on performance, as determined by the Compensation Committee in its discretion. Prorated bonuses will generally be paid concurrently with closing.

Regulatory Approvals; Efforts to Close the Combination Transaction

Each of Sabine Investor Holdings, AIV Holdings and Forest agreed to use its reasonable best efforts to take all actions and to do all things necessary, proper or advisable under applicable law to complete the combination transaction, including using reasonable best efforts to:

cause the closing conditions set forth in the merger agreement to be satisfied;

obtain all necessary waivers, consents, approvals or authorizations from governmental entities and make all necessary filings and take all other steps necessary to avoid any action or proceeding by any governmental entity by the End Date;

obtain all necessary waivers, consents, approvals or authorizations from third parties;

defend any investigations, lawsuits or other legal proceedings challenging the combination transaction that could prevent or delay the consummation of the combination transaction; and

execute and deliver any additional instruments necessary to consummate the combination transaction.

In addition, Sabine Investor Holdings, AIV Holdings and Forest agreed to make all registrations, declarations and filings required under antitrust and other regulatory laws, including covenants to respond promptly to inquiries received from governmental entities, notify the other party of communications with such entities and, subject to applicable law, allow the other party to review and provide comments to such communications in advance. In connection with such antitrust and regulatory review, Sabine Investor Holdings and AIV Holdings have, to the extent necessary to obtain expiration of the waiting period under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, agreed to take any action that would result in making proposals, offering remedies, commitments or undertakings, executing or carrying out agreements or submitting to laws or orders (i) providing for the license, sale or other disposal of any capital stock or equity of a subsidiary of Sabine Investor Holdings, AIV Holdings or a subsidiary of Forest, business, assets, categories of assets or products of Sabine Investor Holdings, AIV Holdings, Forest or their respective subsidiaries or the holding separate of their capital stock or other equity interests of a subsidiary of Forest, Sabine Investor Holdings

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or AIV Holdings or (ii) otherwise imposing or seeking to impose any limitations on Sabine Investor Holdings, AIV Holdings, Forest or any of their respective subsidiaries (collectively, a Regulatory Divestiture); provided, that:

Sabine Investor Holdings or AIV Holdings may condition any Regulatory Divestiture on the consummation of the combination transaction; and

Sabine Investor Holdings and AIV Holdings will not be obligated to make or agree to make any Regulatory Divestiture that would reasonably be expected individually or in the aggregate to be material to Forest and its subsidiaries, taken as a whole, after consummation of the combination transaction.

Forest agreed that it (i) will not publicly, or before any governmental entity or third party, offer, suggest, propose or negotiate, and will not commit to, or enter into, consent to or acquiesce to any Regulatory Divestiture without the prior written consent of Sabine Investor Holdings and AIV Holdings and (ii) will commit to, enter into, consent to or acquiesce to any Regulatory Divestitures as directed by Sabine Investor Holdings and AIV Holdings, provided, that Regulatory Divestitures are conditioned on the consummation of the combination transaction.

Indemnification; Directors and Officers Insurance

Under the terms of the merger agreement, from and after the effective time of the combination transaction, Forest agreed to indemnify and hold harmless in the same manner as provided by Forest immediately prior to the original execution date of the merger agreement, each present and former director, officer and employee of Forest and its subsidiaries (in all of their capacities, collectively, the Indemnified Parties), against any costs or expenses, judgments, fines, losses, claims, damages or liabilities incurred in connection with any suit, investigation or other proceeding arising out of or pertaining to such Indemnified Party s capacity as such.

Forest agreed that, until the six-year anniversary date of the effective time of the combination transaction, Forest s organizational documents will contain provisions no less favorable with respect to indemnification of the current and former directors and officers of Forest than are currently provided in Forest s organizational documents, which provisions will not be amended, repealed or otherwise modified in any manner that would adversely affect the rights thereunder of any such individuals until the expiration of the statutes of limitations applicable to such matters or unless such amendment, modification or repeal is required by applicable law.

In addition, for six years after the effective time of the combination transaction, Forest will maintain insurance coverage of a type and amount no less favorable in the aggregate than the policies provided by the Forest s directors and officers insurance and indemnification policy in effect on the original execution date of the merger agreement, provided, that Forest will not be required to pay an annual premium for such insurance in excess of 300% of the annual premium currently paid by Forest for such coverage.

Financing Cooperation

Forest agreed to use its reasonable best efforts to provide all cooperation reasonably requested by Sabine Holdings that is customary in connection with a refinancing of Forest s existing indebtedness, including using reasonable best efforts to, among other things, furnish pertinent and customary information (including certain financial information) to consummate any customary offerings of debt securities contemplated by the Sabine parties or for the arrangement of loans contemplated by the Sabine parties. Forest s obligations under any agreement or document related to the refinancing of Forest s existing indebtedness in connection with the combination transaction will not be effective until

the effective time of the combination transaction. Forest will not be required to pay fees (unless it is promptly reimbursed) or incur any other liability in connection with the refinancing of Forest's existing indebtedness prior to the effective time of the combination transaction. Forest is not obligated to take any action or provide any assistance that unreasonably interferes with the ongoing operations of Forest or any of its subsidiaries. The Sabine parties will reimburse Forest for all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) incurred by Forest or its subsidiaries in

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connection with their cooperation and will indemnify and hold harmless Forest, its subsidiaries and their respective representatives in connection with the arrangement of the refinancing and any information used in connection therewith, except with respect to any information provided by Forest or any of its subsidiaries.

The Sabine parties will use their commercially reasonable effort to obtain the proceeds of the debt financing on the terms and conditions set forth in the commitment letter and will comply with their obligations and enforce their rights under the commitment letter in a timely and diligent manner. The commitment letter provides a commitment for a new revolving credit facility to refinance the Sabine Credit Facility and the existing revolving credit facility of Forest and for bridge financing to finance the purchase of any Forest notes which are required to be purchased in connection a change of control offer. If any portion of the debt financing becomes unavailable, the Sabine parties will use their commercially reasonable efforts to amend, modify, supplement, alter, restate, substitute or replace the debt financing as promptly as practicable following the occurrence of such event. The Sabine parties may amend, modify, supplement, alter, restate, substitute or replace or waive any of their rights under the commitment letter or any associated definitive documentation with respect to the debt financing or substitute other debt or equity financing for all or any portion of the debt financing from the same or alternative financing sources if (i) the amount thereof will be sufficient, when taken together with remaining portion of the debt financing (if any), any other debt, any equity commitment and cash on hand, to consummate the refinancing and (ii) any such amendment, modification, supplement, alteration, restatement, substitution or replacement or waiver of any rights under the commitment letter or any associated definitive documentation will not expand upon the conditions precedent or contingencies to the funding of the debt financing as set forth in the applicable commitment letter or associated definitive documentation. The Sabine parties will keep Forest reasonably informed on a reasonably current basis and in reasonable detail of the status of their efforts to consummate the debt financing or any alternative financing.

Existing Notes Tender Offer; Consent Solicitation and Debt Tender

If requested by the Sabine parties, Forest agreed to use its reasonable best efforts to assist the Sabine parties in commencing (i) an offer to repurchase or discharge one or more series of its outstanding notes (each, a debt tender) and/or (ii) a consent solicitation to amend or remove one or more covenants in the indentures governing Forest s outstanding notes such that, among other things, no aspect of the combination transaction will require a change of control offer (as defined in the applicable indenture) (each, a consent solicitation and together with each debt tender, the debt offer). Forest will not be required to commence any debt offer until the Sabine parties provide Forest with forms of the necessary offer to purchase, consent solicitation statement, dealer manager and/or solicitation agent agreement, letter of transmittal or other related documents in connection with any such debt offer a reasonable period of time in advance of commencing the applicable debt offer. Forest will not be required to pay, purchase or otherwise retire any of the outstanding notes prior to the occurrence of the effective time of the combination transaction.

Forest will, and will cause its subsidiaries to, provide all cooperation reasonably requested by the Sabine parties in connection with any debt offer.

The Sabine parties will pay the fees and out-of-pocket expenses of any dealer manager, information agent, solicitation agent, tabulation agent, depository or other agent retained in connection with any debt offer upon the incurrence of such fees and out-of-pocket expenses. The Sabine parties will reimburse Forest for all reasonable out-of-pocket costs and expenses (including reasonable attorneys fees) incurred by the Forest Entities in connection with their cooperation and will indemnify and hold harmless Forest, its subsidiaries and their respective representatives in connection with the debt offers and any information used in connection therewith, except with respect to any information provided by any of the Forest Entities.

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Other Covenants and Agreements

The merger agreement contains additional covenants and agreements between the parties relating to the following matters:

granting the other party access to its officers, employees, customers, suppliers, properties and books and records as reasonably requested by such party;

each party's agreement to maintain the confidentiality of certain nonpublic information provided by the other party;

making certain public announcements regarding the terms of the merger agreement or the combination transaction;

the administration and participation of the parties in any litigation relating to the combination transaction;

taking actions to render state takeover laws to be inapplicable to the combination transaction;

adoption by Forest of the rights plan;

obtaining NYSE listing of the Forest common shares issued to Sabine Investor Holdings and AIV Holdings; and

certain tax matters.

Other Expenses

The parties agreed that each party will pay its own expenses incident to preparing for, entering into and carrying out the merger agreement and the consummation of the combination transaction, whether or not the combination transaction is consummated.

Waivers; Amendments

Prior to the consummation of the combination transaction, the parties may extend the time for performance of the obligations of the parties or waive any of the conditions of the merger agreement, provided, that such extension or waiver is set forth in writing and signed by the party granting such extension or waiver. The merger agreement may be amended only by a written instrument signed by all the parties to the merger agreement, regardless of whether Forest common shareholders have approved the share issuance proposal and the authorized share proposal; provided, however, that after any such approval, no amendment will be made for which applicable law or the rules of the relevant stock exchange requires further approval by shareholders without such further approval. No amendment will be made to provisions relating to third-party beneficiaries, governing law and jurisdiction, amendments or certain

agreements with respect to financing sources which would be adverse to the entities that have committed to provide or otherwise entered into agreements pursuant to the commitment letter without the prior written consent of such financing sources.

Directors and Officers

The parties agreed that, prior to the closing, Forest will take all action necessary to (a) elect ten persons as directors of Forest effective as of the effective time of combination transaction (eight of whom will be designated by Sabine Investor Holdings and two of whom will be designated by Forest prior to the effective time of the combination transaction) and (b) appoint the persons who are the officers of Sabine immediately prior to the effective time of the combination transaction as officers holding the same offices of Forest effective as of the effective time of the combination transaction.

Stockholder s Agreement

In connection with the merger agreement, on July 9, 2014, Forest entered into an amended and restated stockholder s agreement with Sabine Investor Holdings and AIV Holdings.

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Corporate Governance

Pursuant to the stockholder's agreement, for so long as Sabine Investor Holdings and AIV Holdings, collectively, own Forest common shares and Forest convertible common-equivalent preferred shares representing at least 15% of the outstanding voting power of Forest, Sabine Investor Holdings or AIV Holdings will have the right to designate a number of individuals for election to the Forest board of directors equal to the percentage voting power controlled by Sabine Investor Holdings and AIV Holdings multiplied by the number of directors on the Forest board of directors, in each case, rounded to the nearest whole number. Sabine Investor Holdings or AIV Holdings, as applicable, may, in its sole discretion, elect to designate a fewer number of individuals for election to the Forest board of directors, but may not designate any individual if such person would be prohibited or disqualified from serving as a director pursuant to any applicable rule or regulation of the SEC, the NYSE or any other applicable exchange on which securities of Forest or listed, or applicable law.

Forest will cause the persons designated by Sabine Investor Holdings or AIV Holdings, as applicable, in accordance with the previous paragraph to be nominated for election at each meeting of shareholders of Forest at which directors are to be elected, and such persons will be recommended for election by the board of directors of Forest. Forest will use its reasonable best efforts to cause the election of each properly designated person to the Forest board of directors, including by soliciting proxies in favor of the election of each such designee.

For so long as Sabine Investor Holdings or AIV Holdings retains their board designation rights, Sabine Investor Holdings and AIV Holdings will vote their Forest common shares and Forest convertible common-equivalent preferred shares in accordance with the recommendation of the Nominating and Corporate Governance Committee of the Forest board of directors with respect to the election of any person to be elected to the Forest board of directors other than Sabine Investor Holdings designees or AIV Holdings designees.

These rights will remain in effect as long as Sabine Investor Holdings and AIV Holdings, collectively, beneficially own Forest common shares and Forest convertible common-equivalent preferred shares representing 15% or more of the outstanding voting power of Forest.

Transfer Restrictions

Until three months after the effective time of the combination transaction, Sabine Investor Holdings and AIV Holdings will not be permitted to sell or transfer any Forest convertible common shares or Forest common-equivalent preferred shares and certain other derivative securities issued by Forest, subject to certain exceptions. These exceptions include transfers that are approved by a majority of the directors of Forest (including a majority of the directors of Forest other than those designated by Sabine Investor Holdings or AIV Holdings, as applicable, for election to the board under the provisions summarized above), as well as certain transfers to affiliates and investors in Sabine Investor Holdings or AIV Holdings who agree to be bound by the terms of the stockholder's agreement.

Obligations to Seek Shareholder Approval

Forest, Sabine Investor Holdings and AIV Holdings agreed to take certain actions following the merger in order to cause:

Forest to form a new wholly owned Delaware subsidiary (New Delaware Holdco) and New Delaware Holdco to form a wholly owned merger subsidiary (the Reincorporation Merger Sub);

Adopt a reincorporation merger agreement, providing for the merger of the Reincorporation Merger Sub with and into Forest, with Forest surviving the reincorporation merger as a wholly owned subsidiary of New Delaware Holdco, and Forest common and preferred shareholders receiving corresponding shares in New Delaware Holdco in exchange for their Forest shares (referred to in this proxy statement as the reincorporation merger); and

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Call and hold a special meeting of shareholders of Forest to approve the reincorporation merger and related reincorporation merger agreement.

In the event the authorized share proposal is not approved, but the parties mutually agree to waive the condition with respect thereto and complete the combination transaction, Forest, Sabine Investor Holdings and AIV Holdings have also agreed to use their reasonable best efforts to cause the automatic conversion of the Series B convertible common-equivalent preferred shares prior to the three month anniversary of the completion of the combination transaction, and to take all actions reasonably necessary to call and hold a Forest special meeting promptly following the completion of the combination transaction to approve the authorized share proposal, and Sabine Investor Holdings and AIV Holdings have agreed to vote their Forest common shares and preferred shares in favor of such proposal. See Description of Capital Stock Series B Convertible Common-Equivalent Preferred Stock .

Because of these contractual obligations, and due to the fact that Sabine Investor Holdings and AIV Holdings will collectively hold Forest common shares and Forest preferred shares representing 80% of the total voting power in Forest following the combination transaction, in the event the share issuance approval is obtained and the combination transaction is completed, the reincorporation merger may also be completed without the approval of any Forest shareholders other than Sabine Investor Holdings and AIV Holdings.

Forest will be obligated to hold a special meeting of Forest shareholders to approve the reincorporation merger. In connection with such special meeting, Forest will prepare and mail to Forest shareholders a separate proxy statement, containing information related to the reincorporation merger, New Delaware Holdco, and the New Delaware Holdco shares to be received by Forest shareholders in the reincorporation merger, as well as copies of the merger agreement providing for the reincorporation merger, and the New Delaware Holdco charter documents.

Registration Rights Agreement

In connection with the merger agreement, on July 9, 2014, Forest entered into an amended and restated registration rights agreement with Sabine Investor Holdings and AIV Holdings.

Pursuant to the registration rights agreement, Sabine Investor Holdings, AIV Holdings, and certain of their respective equityholders, including First Reserve, will have certain registration rights, including demand registration rights, shelf registration rights and rights to request shelf take-downs (including marketed underwritten shelf take-downs). Forest will not be obligated to effect, at the request of First Reserve, (a) more than four demand registrations and/or marketed underwritten shelf take-downs or (b) more than one marketed underwritten offering pursuant to the registration rights agreement in any consecutive 90-day period.

Table of Contents**DIRECTORS AND MANAGEMENT OF FOREST FOLLOWING THE COMBINATION TRANSACTION**

Pursuant to the terms of the merger agreement, Sabine Investor Holdings has the right to designate eight persons for election to the Forest board at the completion of the combination transaction. Each of the current directors of Sabine is expected to serve as a director of Forest upon completion of the combination transaction, and the remaining two designees have not yet been determined. In addition, the executive officers of Sabine listed below are expected to serve as the executive officers of Forest following the combination transaction in the same capacity in which they currently serve with Sabine. The following table sets forth the names, ages and titles of such Sabine directors and executive officers.

Name	Age	Position at Sabine
David J. Sambrooks	55	Chief Executive Officer and Director
R. Todd Levesque	44	Executive Vice President and Chief Operating Officer
Cheryl R. Levesque	41	Senior Vice President, Asset Development
Timothy D. Yang	42	Senior Vice President, Land & Legal, General Counsel, Chief Compliance Officer and Secretary
Duane C. Radtke	65	Chairman of the Board of Directors
Alex T. Krueger	40	Director
John Yearwood	54	Director
Michael G. France	36	Director
Brooks M. Shughart	37	Director

Officers

David J Sambrooks. Mr. Sambrooks has served as Chief Executive Officer and Director of Sabine since May 2007. Mr. Sambrooks has extensive experience in executive management, engineering and business development. Prior to joining Sabine in early 2007, he served as Vice President and General Manager of Devon Energy Corporation's Southern Division, and prior to that their International Division. Mr. Sambrooks also held other senior positions with Santa Fe Energy Corporation. Mr. Sambrooks received a Bachelor of Science degree in Mechanical Engineering from the University of Texas at Austin and a Master of Business Administration from the Executive Program at the University of Houston. Mr. Sambrooks is on the board and executive committee of Communities in Schools.

It is expected that Mr. Sambrooks will serve as Chief Executive Officer and Chairman of Forest's board of directors following the combination transaction.

R. Todd Levesque. Mr. Levesque has served as Executive Vice President and Chief Operating Officer since October 2013. His previous roles at Sabine were Vice President, Engineering and Development, from 2007 to February 2013, and Senior Vice President, Engineering and Development, from February 2013 to October 2013. Prior to joining Sabine in 2007, Mr. Levesque held various senior level management positions with Devon/Ocean Energy, Burlington Resources and Amerada Hess. Mr. Levesque earned a Bachelor of Science degree in Petroleum Engineering from Texas A&M University. Mr. Levesque is married to Cheryl R. Levesque, who is expected to serve as Senior Vice President, Engineering and Development of Forest following the combination transaction.

It is expected that Mr. Levesque will serve as Executive Vice President and Chief Operating Officer of Forest following the combination transaction.

Cheryl R. Levesque. Ms. Levesque has served as Senior Vice President, Asset Development since August 2014. Ms. Levesque joined Sabine in 2008 as Vice President, Production & Operations and held this position

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until February 2013. From February 2013 to October 2013, Ms. Levesque served as Senior Vice President, Production & Operations and from October 2013 to August 2014, served as Senior Vice President, Engineering and Development of Sabine. Prior to joining Sabine, Ms. Levesque held the position of Exploitation Supervisor with Devon Energy Corporation. She also held senior technical positions of increasing responsibility with Ocean Energy and Burlington Resources. Ms. Levesque obtained her Bachelor of Science in Petroleum Engineering from Texas Tech University. She is a Registered Professional Engineer in Texas. Ms. Levesque is married to R. Todd Levesque, who is expected to serve as Executive Vice President and Chief Operating Officer of Forest following the combination transaction.

It is expected that Ms. Levesque will serve as Senior Vice President, Asset Development of Forest following the combination transaction.

Timothy D. Yang. Mr. Yang has served as Senior Vice President, General Counsel, Chief Compliance Officer and Secretary of Sabine since February 2013 and also assumed the position of Senior Vice President of Land in August 2014. Mr. Yang joined Sabine in 2011 as a member of the executive management team, serving as Vice President, General Counsel and Secretary from 2011 to February 2013. Mr. Yang was Associate General Counsel and Assistant Corporate Secretary for Eagle Rock Energy prior to joining Sabine. His legal experience covers both public and private companies within the energy and investment industries including Invesco/AIM Investments, Pogo Producing Company and AEI Energy. Tim graduated with a Bachelor of Arts in Biology from Trinity University and obtained his Juris Doctor from the University of Houston Law Center.

It is expected that Mr. Yang will serve as Senior Vice President, Land & Legal, General Counsel, Chief Compliance Officer and Secretary of Forest following the combination transaction.

Directors

Sabine Directors

Duane C. Radtke. Mr. Radtke has served as a director of Sabine since June 2008 and became Chairman of the Board in August 2009. Mr. Radtke has over 40 years of experience in energy executive management, engineering and business development. From 2001 until retiring, Mr. Radtke served as President and Chief Executive Officer of Dominion Exploration and Production, a subsidiary of Dominion Resources, Inc., and Executive Vice President of Dominion Resources, Inc. Previously, Mr. Radtke served as President of Devon International. Mr. Radtke is currently a director of Devon Energy Corporation, a public company, KrisEnergy Ltd., a public company whose shares are traded in Singapore, Offshore Energy Center and the Palmer Drug Abuse Program. Mr. Radtke serves as the President and Chief Executive Officer of Valiant Exploration LLC, which is engaged in investments in the oil and gas industry. Mr. Radtke is a former Chairman of the American Exploration and Production Council and former Chairman of Spindletop Charities. Mr. Radtke earned a Bachelor of Science in Mining Engineering from the University of Wisconsin.

David J. Sambrooks. Mr. Sambrooks has served as a Chief Executive Officer and Director of Sabine since May 2007. Mr. Sambrooks has extensive experience in executive management, engineering and business development. Prior to joining the company in early 2007, he served as Vice President and General Manager of Devon Energy Corporation's Southern Division, and prior to that their International Division. Mr. Sambrooks also held other senior positions with Santa Fe Energy Corporation. Mr. Sambrooks received a Bachelor of Science degree in Mechanical Engineering from the University of Texas at Austin and a Master of Business Administration from the Executive Program at the University of Houston. Mr. Sambrooks is on the board and executive committee of Communities in Schools.

It is expected that Mr. Sambrooks will serve as Chairman of Forest's board of directors upon the completion of the combination transaction.

Alex T. Krueger. Mr. Krueger has served as a director of Sabine since February 2011. Mr. Krueger is President of First Reserve which he joined in 1999 and is responsible for the development and management of

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the buyout investment team. Mr. Krueger's responsibilities include investment origination, structuring, execution, monitoring and exit strategy. He is involved in investment activities in all areas of the worldwide energy industry, with particular expertise in the natural resources sector. Prior to joining First Reserve, Mr. Krueger worked in the Energy group of Donaldson, Lufkin & Jenrette in Houston. Mr. Krueger holds two Bachelor of Science degrees from the University of Pennsylvania, one in Chemical Engineering and one in Finance and Statistics from the Wharton School.

John Yearwood. Mr. Yearwood has served as a director of Sabine since June 2007. Mr. Yearwood currently serves on the Board of Directors of Nabors Industries, Ltd., Barra Energia, Sheridan Production Partners, Premium Oilfield Services and Foro Energy. Until recently, he served as the Chief Executive Officer, President and Chief Operating Officer of Smith International, Inc. Mr. Yearwood was first elected to Smith's Board of Directors in 2006 and remained on the board until he successfully negotiated and completed the sale of Smith to Schlumberger Ltd. in August 2010. Before joining Smith, Mr. Yearwood spent 27 years with Schlumberger in numerous operations management and staff positions throughout Latin America, Europe, North Africa and North America, including as President and in financial director positions. Mr. Yearwood received a Bachelor of Science Honors Degree in Geology and the Environment from Oxford Brookes University in England.

Michael G. France. Mr. France has served as a director of Sabine since December 2007. Mr. France is a Managing Director of First Reserve which he joined in 2007. His responsibilities range from deal origination and structuring to due diligence, execution and monitoring, with particular focus on the reserves and midstream sectors. Prior to joining First Reserve, Mr. France was a Vice President in the Natural Resources Group, Investment Banking Division, at Lehman Brothers. From 1999 until 2001, Mr. France was a consultant at Deloitte & Touche. Mr. France holds a Bachelor of Business Administration degree in Finance from the University of Texas and a Master of Business Administration from Jones Graduate School of Management at Rice University. Mr. France also serves as a director on the board of Crestwood Midstream Partners LP, which is a public company.

Brooks M. Shughart. Mr. Shughart has served as a director of Sabine since December 2012. Mr. Shughart is a Director of First Reserve which he joined in 2012. His responsibilities range from deal origination and structuring to due diligence, execution and monitoring, with particular focus on the reserves sector. Prior to joining First Reserve, Mr. Shughart was a Director in the Mergers and Acquisitions Group for Credit Suisse. Prior to Credit Suisse, he held positions in the energy groups of Lazard Freres and Donaldson, Lufkin & Jenrette/CS First Boston. Mr. Shughart holds a Bachelor of Business Administration degree in Finance from The University of Texas. Mr. Shughart also serves on the board of directors of KrisEnergy Ltd., a public company whose shares are traded in Singapore.

There are no family relationships among any of Sabine's directors or executive officers, other than between R. Todd Levesque and Cheryl R. Levesque, who are married.

Forest Directors

In connection with the execution of the merger agreement, five of the seven current directors of Forest agreed to resign from the Forest board at, and conditioned upon, the completion of the combination transaction. The two directors of Forest who are also expected to serve as directors of Forest upon completion of the combination transaction are Patrick R. McDonald and Dod A. Fraser. The following table sets forth the names, ages and titles of such individuals.

Name	Age	Position at Forest
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Patrick R. McDonald	57	President, Chief Executive Officer and Director
Dod A. Fraser	63	Director

Patrick R. McDonald. Mr. McDonald has served as President, Chief Executive Officer and Director of Forest since September 2012. Mr. McDonald served as Forest's Interim Chief Executive Officer starting in June

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2012, and has served as a member of the Forest board since 2004. He was appointed as the Chief Executive Officer and as a Director of Carbon Natural Gas Co. in 2011, and continues to serve in such capacities. He has also served as Chief Executive Officer, President and Director of Carbon Natural Gas Co.'s predecessor company Nytis Exploration Company since 2004. From 1998 to 2003, Mr. McDonald served as President, Chief Executive Officer, and Director of Carbon Energy Corporation, an oil and gas exploration and production company. From 1987 to 1997, Mr. McDonald served as Chief Executive Officer, President and Director of Interenergy Corporation, a natural gas gathering, processing, and marketing company. Prior to that, he worked as an exploration geologist with Texaco, Inc. where he was responsible for oil and gas exploration efforts in the Middle and Far East. Until his appointment as interim Chief Executive Officer of Forest, Mr. McDonald was a member of the Forest board's audit committee and served as chairman of the Compensation Committee. In March 2011, Mr. McDonald was elected as a director and Chairman of Lone Pine Resources Inc., an oil and gas exploration, development and production company. He is a Certified Petroleum Geologist and is a member of the American Association of Petroleum Geologists and Canadian Society of Petroleum Geologists. Mr. McDonald received a bachelor's degree in geology and economics from Ohio Wesleyan University and a Masters in Business Administration in Finance from New York University.

Dod A. Fraser. Mr. Fraser has served as a director of Forest since 2000. Mr. Fraser has served as President of Sackett Partners Incorporated, a consulting company, and member of corporate boards, since 2000. Previously, Mr. Fraser was an investment banker, a General Partner of Lazard Freres & Co. and, most recently, Managing Director and Group Executive of Chase Manhattan Bank, now JP Morgan Chase, where he led the global oil and gas group. Mr. Fraser was a board member of Smith International, Inc., an oilfield service company, and Terra Industries, Inc., a nitrogen-based fertilizer company. Mr. Fraser is a board member of Subsea 7 S.A., a sub-sea engineering and contracting company, and of OCI GP, LLC, the general partner of OCI Partners, LP, a publicly traded master limited partnership. Mr. Fraser serves as chairman of Forest's audit committee and is a member of Forest's nominating and corporate governance committee. Mr. Fraser graduated from Princeton University with a Bachelor of Arts degree.

Controlled Company and Board Independence

Because Sabine Investor Holdings and AIV Holdings will control a majority of Forest's outstanding common shares and common-equivalent preferred shares following the combination transaction, Forest is expected to be a controlled company under the NYSE corporate governance standards. A controlled company need not comply with the NYSE corporate governance rules that require its board of directors to have a majority of independent directors and independent compensation and nominating and corporate governance committees. Notwithstanding Forest's status as a controlled company, Forest will remain subject to the NYSE corporate governance standard that requires it to have an audit committee composed entirely of independent directors.

While these exemptions will apply to Forest as long as Forest remains a controlled company, Forest expects that, as of completion of the combination transaction, its board of directors will consist of a majority of independent directors within the meaning of the NYSE listing standards currently in effect. Forest expects that each of the current Sabine directors except for Mr. Sambrooks will be considered independent under the NYSE listing standards. Forest does not expect that Mr. McDonald will be considered independent under the NYSE listing standards.

It has not yet been determined which persons will serve as members of the Audit Committee of the Forest board of directors or any other board committee.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction. Forest's compensation program is intended to be competitive with comparable oil and gas companies, reward corporate and individual performance, be consistent with Forest's strategic and financial objectives, and correlate a meaningful percentage of total compensation to Forest's share price performance.

Forest's 2013 compensation program consists of three primary components: an annual base salary, an annual cash incentive bonus, and periodic grants of longer-term equity incentive awards. Each component, as well as other employee benefits, is described in detail in the following pages. Below is a summary of the three primary components:

Annual base salaries, in general, were targeted at approximately the 50th percentile of like positions in comparable oil and gas companies with adjustments as deemed appropriate by the Compensation Committee, and are generally reviewed annually.

Annual incentive bonuses were determined by reference to metrics that reflect Forest's annual operating plan, strategic objectives, and individual performance, and are paid in cash. For each employee, the annual plan pays out between 0 and 200% of target, with the target bonus for each position set at approximately the 50th percentile of like plans for like positions in comparable oil and gas companies. Incentive bonuses are determined and paid annually in the first quarter of the year following the performance period. That is, 2013 performance period bonuses were determined and paid in February and March 2014, respectively.

Long-term equity based incentive awards for officers other than Forest's Chief Executive Officer were generally 50% time-based restricted stock and 50% performance units. Awards for the Chief Executive Officer consisted of approximately 60% performance units and 40% time-based awards. The grant-date value of the total award is set at approximately the 50th percentile of like plans for like positions in comparable oil and gas companies. The time-based restricted stock and phantom stock generally have three-year cliff vesting. The performance units are tied to Forest's total shareholder return over a three-year period relative to a group of peer companies. Depending on Forest's stock performance the number of shares that vest can range from 0 to 200% of the number of shares granted. Annual long-term incentive awards are determined and granted annually in the first or second quarter of the year, and the magnitude of the awards consider, among other things, performance during the prior year and competitive long-term incentive values for comparable positions in our industry. Performance unit awards tied to 2013 have not yet been made.

The Compensation Committee, which administers Forest's compensation program, believes the above components taken together meet the plan's design objectives. Target payouts of each component are competitive, as the targets are set at what are believed to be the median of comparable companies. Forest's strategic and financial objectives are incorporated in the annual incentive bonus plan. The value of the long-term equity incentive awards upon vesting directly relates to Forest's share price; in particular, the value of the performance units can vary greatly depending on how Forest's stock has performed versus its peers. In addition, on occasion the Compensation Committee will grant special retention equity awards or bonuses, such as the special bonus referenced below. However, such grants are not considered primary components of Forest's compensation program.

Beginning in 2011 and continuing through 2013, Forest's share price has significantly underperformed its peers. The Compensation Committee believes Forest's pay has matched performance during this period by virtue of the program design and the awards paid or granted by the Compensation Committee. Disregarding the special bonus given in 2013, which is referenced on page 90, approximately 75% of the total compensation for each named executive officer still employed by Forest at year end, 87% in the case of the Chief Executive Officer, is tied to the value of Forest's stock or is otherwise performance based, through the annual incentive bonus and

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long-term equity based incentive awards. In 2011, 2012, and 2013, the annual incentive bonus payout approved by the Compensation Committee was below target, at 67%, 75%, and 70%, respectively. Moreover, the realizable value of the long-term equity based incentive awards have been materially below the grant date values due to the absolute decline in Forest's stock price and the relative decline versus peers; the latter has resulted in a prospective payout of 0% for all outstanding performance units granted to current officers through May 2013, based on the year-end 2013 share price. By way of illustration, the cumulative realizable value of equity awards to our named executive officers for the five performance years ended 2013 was approximately 23% of the grant date value.

Additional detailed analysis of the relationship of pay to performance is provided in the section below entitled, Alternative Disclosure Regarding Long-Term Incentive Awards.

Issues Particular to 2013. Several changes were made to Forest's compensation practices in 2012, including the adoption of new severance and equity award agreements with double trigger change-of-control provisions and a clawback policy, which were reflected in the 2013 proxy statement. The Compensation Committee is still assessing the effect of such changes to determine what, if any, additional changes are necessary.

Beginning in 2012 and continuing to the present, the Board and Compensation Committee have had to address retention issues with respect to Forest's officers and employees. These issues have arisen as a result of (i) the sale of a significant portion of Forest's assets, and related workforce reductions, undertaken in an attempt to reduce debt and strengthen the balance sheet, (ii) turmoil and uncertainty caused by the termination of Forest's former Chief Executive Officer and the resignation of a number of officers and other key employees, and (iii) the significantly reduced retentive effect of Forest's outstanding equity-based awards, owing to the underperformance of Forest's stock. By way of example, since the end of 2011 Forest's workforce has been reduced by over 63%. Since the beginning of 2013, three executive officers-including the former Chief Financial Officer-have resigned. During 2013 Forest's employee resignation rate was 16.2% versus the pre-2011 historic norm of 9.6%. In order to address some of these concerns in the short term, in 2013 certain Forest employees and officers (other than the Chief Executive Officer) received special bonuses that were contingent on the successful sale of Forest's assets in the Texas Panhandle Area, as measured by net proceeds, and the individual remaining employed by Forest through the close of such transaction. See Compensation Discussion and Analysis Special Bonuses .

In general, and as described in further detail below, our recent compensation decisions must be viewed in the context of the crucial need to maintain strength and continuity in Forest's remaining senior management team.

Named Executive Officers in 2013. For the fiscal year ending December 31, 2013, our named executive officers were:

Patrick R. McDonald-President and Chief Executive Officer

Victor A. Wind-Executive Vice President and Chief Financial Officer

Cyrus D. Marter IV-Former Senior Vice President, General Counsel and Secretary

Frederick B. Dearman, II-Senior Vice President, Southern Region

Michael B. Dern-Senior Vice President, Corporate Engineering and Technology

Michael N. Kennedy-Former Executive Vice President and Chief Financial Officer

Glen J. Mizenko-Former Senior Vice President, Mid-Continent Region
Messrs. Marter, Kennedy, and Mizenko all have resigned their positions with Forest.

Table of Contents*What is each element of compensation?*

Forest's 2013 compensation program, in which all employees participated, consisted of three primary components: an annual base salary, an annual incentive bonus, and grants of longer-term equity incentive awards, which were comprised of performance units, restricted stock and, in the case of Mr. McDonald, cash-settled phantom stock awards. In addition, in 2013, certain employees-including certain of the named executive officers other than the Chief Executive Officer-received special bonuses tied to the successful completion of the sale of Forest's assets in the Texas Panhandle Area. Further, all U.S. employees participate in Forest's 401(k) Plan, which includes an employer matching provision. Forest previously maintained an executive deferred compensation plan, or the Executive Plan, which also contained an employer match. The Executive Plan was terminated in December 2012, and all amounts accrued pursuant to the plan were distributed to the participants in mid-January 2014 in accordance with Regulation 409A under the Internal Revenue Code. All employees may also participate in the Forest Oil Corporation 1999 Employee Stock Purchase Plan, or the employee stock purchase plan, wherein Forest common stock may be purchased at a discount within limits established under the Internal Revenue Code. Forest's executive officers participate in other benefit plans that are provided to all employees, and the officers also are reimbursed for the costs associated with financial planning, tax-preparation, and an annual extensive physical examination. Forest does not have employment agreements with its executive officers, but it does have severance agreements with them that provide for benefits in the event of involuntary termination within two years following a change-of-control.

The amount of base salary, annual incentive bonus, and special bonus awarded to our named executive officers for 2013 is stated in the Summary Compensation table on page 103. The restricted stock awards, performance units, and phantom stock units granted to the named executive officers in 2013 are shown in the 2013 Grants of Plan-Based Awards table on page 104. Information for each of the named executive officers regarding Forest's employer contribution to the 401(k) Plan is described in the Summary Compensation Table. See "Nonqualified Deferred Compensation" for the named executive officer's individual balances in the Executive Plan at year end 2013, as well as the amount ultimately paid out to the named executive officers. The remaining limited perquisites provided to the named executive officers are described in the Summary Compensation Table and the footnotes thereto.

Why does Forest choose to pay each element?

The purpose of base salary is to create cash compensation for executive officers that is competitive in the industry and that will enable Forest to attract, motivate, and retain capable executives. Forest chooses to pay annual incentive bonuses to ensure focus on and reward the achievement of key objectives during the applicable calendar year, because it believes that the satisfaction of the goals of its annual incentive plan furthers the interests of Forest's shareholders. The purpose of the special cash bonus was to encourage the successful sale of the assets in the Texas Panhandle Area, in order to reduce Forest's total outstanding debt. The purpose of Forest's long-term equity incentives (*i.e.*, in 2013, performance units, restricted stock and, in the case of Mr. McDonald, cash-settled phantom stock awards) is to reward individual performance, align the executive officers' compensation with their contribution to the success of Forest in creating shareholder value, tie their long-term economic interest directly to those of Forest's shareholders, and encourage retention of the executive officers. The long-term equity incentive awards also allow executive officers to have equity ownership in Forest, in addition to their direct purchases of Forest stock under the Forest employee stock purchase plan, and to share in