

MALVERN BANCORP, INC.
Form SC 13G/A
February 14, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. 3) *

Malvern Bancorp Inc (MLVF)
(Name of Issuer)

Common Stock
(Title of Class of Securities)

561409103
(CUSIP Number)

12/31/2018
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934 (“Act”) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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1 NAME OF REPORTING PERSONS I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY) FJ Capital Management

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5 SOLE VOTING POWER	
6 SHARED VOTING POWER	748,099 (1)
7 SOLE DISPOSITIVE POWER	
8 SHARED DISPOSITIVE POWER	593,099 (2)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 748,099 (1)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES

11 PERCENT OF CLASS REPRESENTED 9.63%
BY AMOUNT IN ROW 9

12 TYPE OF REPORTING PERSON IA

(1) Consists of 502,215 shares of common stock of the Issuer held by Financial Opportunity Fund LLC, and 8,981 shares of common stock of the Issuer held by Financial Opportunity Long/Short Fund LLC of which FJ Capital Management LLC is the managing member, 20,760 shares common stock of the Issuer held by Bridge Equities VIII, LLC, 20,760 shares common stock of the Issuer held by Bridge Equities IX, LLC, and 113,480 shares common stock of the Issuer held by Bridge Equities XI, LLC, of which FJ Capital Management LLC is the sub-investment advisor, and 81,903 shares common stock of the Issuer held by other managed accounts that FJ Capital Management manages; as such, the Reporting Person may be deemed to be a beneficial owner of reported shares but as to which the Reporting Person disclaims beneficial ownership.

(2) Consists of 502,215 shares of common stock of the Issuer held by Financial Opportunity Fund LLC, and 8,981 shares of common stock of the Issuer held by Financial Opportunity Long/Short Fund LLC of which FJ Capital Management LLC is the managing member and 81,903 shares common stock of the Issuer held by other managed accounts that FJ Capital Management manages; as such, the Reporting Person may be deemed to be a beneficial owner of reported shares but as to which the Reporting Person disclaims beneficial ownership.

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1 NAME OF REPORTING PERSONS Financial Opportunity Fund LLC
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS
(ENTITIES ONLY)

2 CHECK THE APPROPRIATE BOX IF (a)
A MEMBER OF A GROUP (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:
5 SOLE VOTING POWER
6 SHARED VOTING POWER 502,215 (1)
7 SOLE DISPOSITIVE POWER
8 SHARED DISPOSITIVE POWER 502,215 (1)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 502,215 (1)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES

11 PERCENT OF CLASS REPRESENTED 6.46%
BY AMOUNT IN ROW 9

12 TYPE OF REPORTING PERSON OO

- (1) Consists of 502,215 shares of common stock of the Issuer held by Financial Opportunity Fund LLC.

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1 NAME OF REPORTING PERSONS Financial Opportunity Long/Short Fund LLC
 I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS
 (ENTITIES ONLY)

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)
 (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:
5 SOLE VOTING POWER
6 SHARED VOTING POWER 8,981 (1)
7 SOLE DISPOSITIVE POWER
8 SHARED DISPOSITIVE POWER 8,981 (1)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 8,981 (1)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9 0.12%

12 TYPE OF REPORTING PERSON OO

(1) Consists of 8,981 shares of common stock of the Issuer held by Financial Opportunity Long/Short Fund LLC.

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1 NAME OF REPORTING PERSONS Martin Friedman
 I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS
 (ENTITIES ONLY)

2 CHECK THE APPROPRIATE BOX IF (a)
 A MEMBER OF A GROUP (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION United States

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5 SOLE VOTING POWER	
6 SHARED VOTING POWER	748,099 (1)
7 SOLE DISPOSITIVE POWER	
8 SHARED DISPOSITIVE POWER	593,099 (2)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 748,099 (1)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES

11 PERCENT OF CLASS REPRESENTED 9.63%
 BY AMOUNT IN ROW 9

12 TYPE OF REPORTING PERSON IN

(1) Consists of 502,215 shares of common stock of the Issuer held by Financial Opportunity Fund LLC, and 8,981 shares of common stock of the Issuer held by Financial Opportunity Long/Short Fund LLC of which FJ Capital Management LLC is the managing member, 20,760 shares common stock of the Issuer held by Bridge Equities VIII, LLC, 20,760 shares common stock of the Issuer held by Bridge Equities IX, LLC, and 113,480 shares common stock of the Issuer held by Bridge Equities XI, LLC, of which FJ Capital Management LLC is the sub-investment advisor, and 81,903 shares common stock of the Issuer held by other managed accounts that FJ Capital Management manages. Martin Friedman is the Managing Member of FJ Capital Management LLC; as such, Mr. Friedman may be deemed to be a beneficial owner of reported shares but as to which Mr. Friedman disclaims beneficial ownership.

(2) Consists of 502,215 shares of common stock of the Issuer held by Financial Opportunity Fund LLC, and 8,981 shares of common stock of the Issuer held by Financial Opportunity Long/Short Fund LLC of which FJ Capital Management LLC is the managing member and 81,903 shares common stock of the Issuer held by other managed accounts that FJ Capital Management manages. Martin Friedman is the Managing Member of FJ Capital Management LLC; as such, Mr. Friedman may be deemed to be a beneficial owner of reported shares but as to which Mr. Friedman disclaims beneficial ownership.

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1 NAME OF REPORTING PERSONS Bridge Equities VIII, LLC
 I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS
 (ENTITIES ONLY)

2 CHECK THE APPROPRIATE BOX IF (a)
 A MEMBER OF A GROUP (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5 SOLE VOTING POWER	
6 SHARED VOTING POWER	20,760 (1)
7 SOLE DISPOSITIVE POWER	
8 SHARED DISPOSITIVE POWER	20,760 (1)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 20,760 (1)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9 0.27%

12 TYPE OF REPORTING PERSON OO

(1) Consists of 20,760 shares of common stock of the Issuer held by Bridge Equities VIII, LLC.

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1 NAME OF REPORTING PERSONS Bridge Equities IX, LLC
 I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS
 (ENTITIES ONLY)

2 CHECK THE APPROPRIATE BOX IF (a)
 A MEMBER OF A GROUP (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5 SOLE VOTING POWER	
6 SHARED VOTING POWER	20,760 (1)
7 SOLE DISPOSITIVE POWER	
8 SHARED DISPOSITIVE POWER	20,760 (1)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 20,760 (1)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9 0.27%

12 TYPE OF REPORTING PERSON OO

(1) Consists of 20,760 shares of common stock of the Issuer held by Bridge Equities IX, LLC.

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1 NAME OF REPORTING PERSONS Bridge Equities XI, LLC
 I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS
 (ENTITIES ONLY)

2 CHECK THE APPROPRIATE BOX IF (a)
 A MEMBER OF A GROUP (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5 SOLE VOTING POWER	
6 SHARED VOTING POWER	113,480 (1)
7 SOLE DISPOSITIVE POWER	
8 SHARED DISPOSITIVE POWER	113,480 (1)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 113,480 (1)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES

11 PERCENT OF CLASS REPRESENTED 1.46%
BY AMOUNT IN ROW 9

12 TYPE OF REPORTING PERSON OO

(1) Consists of 113,480 shares of common stock of the Issuer held by Bridge Equities XI, LLC.

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1 NAME OF REPORTING PERSONS SunBridge Manager, LLC
 I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS
 (ENTITIES ONLY)

2 CHECK THE APPROPRIATE BOX IF (a)
 A MEMBER OF A GROUP (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5 SOLE VOTING POWER	
6 SHARED VOTING POWER	155,000 (1)
7 SOLE DISPOSITIVE POWER	
8 SHARED DISPOSITIVE POWER	155,000 (1)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 155,000 (1)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9 1.99%

12 TYPE OF REPORTING PERSON OO

(1) 20,760 shares common stock of the Issuer held by Bridge Equities VIII, LLC, 20,760 shares common stock of the Issuer held by Bridge Equities IX, LLC, and 113,480 shares common stock of the Issuer held by Bridge Equities XI, LLC, of which SunBridge Manager, LLC is the Managing Member; as such, the Reporting Person may be deemed to be a beneficial owner of reported shares.

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1 NAME OF REPORTING PERSONS SunBridge Holdings, LLC
 I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS
 (ENTITIES ONLY)

2 CHECK THE APPROPRIATE BOX IF (a)
 A MEMBER OF A GROUP (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5 SOLE VOTING POWER	
6 SHARED VOTING POWER	155,000 (1)
7 SOLE DISPOSITIVE POWER	
8 SHARED DISPOSITIVE POWER	155,000 (1)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 155,000 (1)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES

11 PERCENT OF CLASS REPRESENTED 1.99%
BY AMOUNT IN ROW 9

12 TYPE OF REPORTING PERSON OO

(1) 20,760 shares common stock of the Issuer held by Bridge Equities VIII, LLC, 20,760 shares common stock of the Issuer held by Bridge Equities IX, LLC, and 113,480 shares common stock of the Issuer held by Bridge Equities XI, LLC, of which SunBridge Manager, LLC is the Managing Member. SunBridge Holdings, LLC is the Managing Member of SunBridge Manager, LLC; as such, the Reporting Person may be deemed to be a beneficial owner of reported shares but as to which the Reporting Person disclaims beneficial ownership.

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1 NAME OF REPORTING PERSONS Realty Investment Company, Inc.
 I.R.S. IDENTIFICATION NO. OF
 ABOVE PERSONS
 (ENTITIES ONLY)

2 CHECK THE APPROPRIATE BOX IF (a)
 A MEMBER OF A GROUP (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION Maryland

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5 SOLE VOTING POWER	
6 SHARED VOTING POWER	155,000 (1)
7 SOLE DISPOSITIVE POWER	
8 SHARED DISPOSITIVE POWER	155,000 (1)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 155,000 (1)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES

11 PERCENT OF CLASS REPRESENTED 1.99%
BY AMOUNT IN ROW 9

12 TYPE OF REPORTING PERSON CO

(1) 20,760 shares common stock of the Issuer held by Bridge Equities VIII, LLC, 20,760 shares common stock of the Issuer held by Bridge Equities IX, LLC, and 113,480 shares common stock of the Issuer held by Bridge Equities XI, LLC, of which SunBridge Manager, LLC is the Managing Member. SunBridge Holdings, LLC is the Managing Member of SunBridge Manager, LLC. Realty Investment Company, Inc. is the Manager of SunBridge Holdings, LLC; as such, the Reporting Person may be deemed to be a beneficial owner of reported shares but as to which the Reporting Person disclaims beneficial ownership.

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**Item
1(a). Name of Issuer:**

Malvern Bancorp Inc.

**Item
1(b). Address of Issuer's Principal Executive Offices:**

42 East Lancaster Ave
Paoli, PA 19301

**Item
2(a). Name of Person Filing:**

This Schedule 13G is being filed on behalf of the following Reporting Persons:

Financial Opportunity Fund LLC

Financial Opportunity Long/Short Fund LLC

Bridge Equities VIII, LLC

Bridge Equities IX, LLC

Bridge Equities XI, LLC

FJ Capital Management LLC

Martin Friedman

SunBridge Manager, LLC

SunBridge Holdings, LLC

Realty Investment Company, Inc

**Item
2(b). Address of Principal Business Office or, if None, Residence:**

FJ Capital Management, LLC

1313 Dolley Madison Blvd, Ste 306

McLean, VA 22101

Financial Opportunity Fund LLC

1313 Dolley Madison Blvd., Ste 306

McLean, VA 22101

Financial Opportunity Long/Short Fund LLC

1313 Dolecial meeting is continued, adjourned or postponed, the date and time of such continued, adjourned or postponed Attendance at the special meeting will not, by itself, revoke a proxy. Only your last submitted proxy card will be considered 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 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 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 v

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 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 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 you should be urged to carefully read the entire document and the other documents referred to in this document to fully understand the information contained herein. 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 Sand and the Haynesville Shale formations; South Texas, targeting the Eagle Ford Shale formation; and North Texas, targeting the Permian Basin formation. Sabine's principal offices are at 1415 Louisiana Street, Suite 1600, Houston, TX 77002, and its telephone number is (713) 865-1000.

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 under the heading "Information About Sabine."

Forest Oil Corporation

Forest is an independent oil and gas company engaged in the acquisition, exploration, development, and production of oil and natural gas liquids (NGLs) primarily in North America. Forest was incorporated in New York in 1924, as the successor to a company that was a publicly held company since 1969. Forest's total estimated proved oil and natural gas reserves as of December 31, 2013, were approximately 1.1 billion barrels of oil and 1.1 trillion cubic feet of natural gas, all of which are located in the United States. Forest's principal executive offices and corporate headquarters are located at 1700 Broadway, 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 under the heading "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 as of 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 adjournment of the special meeting. At the close of business on the record date, there were [] Forest common shares outstanding and approximately [] restricted shares beneficially owned by employees, officers and directors of Forest subject to vesting. Holders of Forest common shares are entitled to 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-1 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 indirectly owned and controlled by Sabine Investor Holdings and AIV Holdings and to approve, in the event the authorized Share Proposal is approved, the issuance of 1,137,113 Series B convertible common-equivalent preferred shares to Sabine Investor Holdings and AIV Holdings in exchange for the common shares underlying such Series B convertible common-equivalent preferred shares. If the share issuance proposal is approved, the number of common 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. 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 the Forest to 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, and to authorize the Board of Directors to obtain additional proxies if there are insufficient votes at the time of the special meeting to approve the share issuance 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 (including proxies) at the special meeting and entitled to vote
Authorized Share Proposal (Item 2)	Affirmative vote of a majority of the outstanding Forest common shares (including proxies) at the special meeting and entitled to vote
Name Change Proposal (Item 3)	Affirmative vote of a majority of the outstanding Forest common shares (including proxies) at the special meeting and entitled to vote
2014 LTIP Proposal (Item 4)	Affirmative vote of the majority of the Forest common shares (including proxies) at the special meeting and entitled to vote
Section 162(m) Proposal (Item 5)	Affirmative vote of the majority of the Forest common shares (including proxies) at the special meeting and entitled to vote
Adjournment Proposal (Item 6)	Affirmative vote of the majority of the Forest common shares (including proxies) 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 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 affiliates to this amended and restated merger agreement throughout as the merger agreement . Pursuant to the terms and subject to the merger agreement, Forest and Sabine Holdings agreed to combine their businesses. In the combination transaction, Sabine Holdings will contribute all of the equity interests of Sabine Holdings and AIV Holdings will contribute all of the equity interests in two entities, NFR Holdings, Inc. and FR NFR, PI, Inc., to Forest, with Sabine Holdings becoming a wholly owned subsidiary of Forest. FR NFR PI, Inc. will subsequently merge with and into Forest, with Forest surviving. Sabine Holdings, SOGH II and Sabine Holdings will 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 to Sabine Investor Holdings will receive in connection with the combination transaction to Sabine Investor Holdings immediately following 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 becoming a wholly owned subsidiary of Forest. In exchange for the contribution, (i) Sabine Investor Holdings 123,837,490 and 39,874,020 shares of Forest common stock, respectively and (ii) Sabine Investor Holdings and AIV Holdings and 405,349 shares of Forest Series A convertible common-equivalent preferred stock, respectively. Upon consummation, current Forest common shareholders will continue to hold their shares of Forest common stock, which shares will represent approximately 42% of the issued and outstanding Forest common shares outstanding as of May 5, 2014) approximately 42% of the issued and outstanding Forest common shares, representing approximately 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 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 which will dilute the ownership percentages in Forest common shares listed above as well as the voting power of current Forest common shareholders. The issuance of such shares 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 approved, Sabine Investor Holdings and AIV Holdings and Sabine Investor Holdings and AIV 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 shares of Forest common stock that would have been received by them if there were available for issuance a sufficient amount of authorized but unissued shares of Forest common stock. Sabine Investor Holdings and AIV Holdings would receive (i) 37,822,023 and 12,178,187 shares of Forest common stock, respectively, (ii) 405,349 shares of Forest Series A convertible common-equivalent preferred stock and (iii) 860,155 and 276,958 shares of Forest common-equivalent preferred stock, respectively. In that case, upon consummation of the combination transaction, and based on the shares of Forest common stock 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. Sabine Investor Holdings and AIV Holdings will collectively hold approximately 30% of the issued and outstanding Forest common shares and 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 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 its share proposal or the name change proposal is approved, its certificate of incorporation will be amended as approved. In connection with the combination transaction, Sabine Investor Holdings and AIV Holdings intend to use their voting power to cause Forest to reincorporate in Delaware (from New York), with the result that Forest and its shareholders will be governed by Delaware law instead of the law of the State 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, at 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 (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 subject 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 paid under any provision of state, local or foreign tax law with respect to the making of such payment. Each Forest stock option that has an exercise price per Forest common share applicable to such Forest stock option equals or exceeds the closing price of Forest common shares 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 be 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 Forest performance unit award (including 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 be 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 be 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 in the best interests of Forest and its shareholders. In determining whether to approve the merger agreement and the transactions contemplated by the merger agreement, the Forest board considered the factors described in the section entitled Proposal No. 1 The Share Issuance Reasons for the Recommendation of 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), Morgan Securities LLC (J.P. Morgan), Forest's financial advisor, delivered to the Forest board on May 5, 2014, its opinion on the fairness of the merger agreement, 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, of the exchange ratio in the proposed transaction, taking into account the factors, assumptions, limitations and qualifications set forth in such opinion, of the exchange ratio in the proposed transaction compared to the exchange ratio in 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 Saba Capital Management, L.P. and Saba Holdings, on the other hand, receiving the same percentage economic common-equivalent interest in the post-closing combination transaction, approximately 26.5% and 73.5% respectively as they will hold or receive as of the closing of the combination transaction. For more information, see Proposal No. 1 The Share Issuance Background of the Combination Transaction. The full text of the opinion, dated May 5, 2014, which sets forth the assumptions made, matters considered and limits on the review undertaken, is attached as an exhibit to this document and is incorporated herein by reference. The holders of Forest common stock are urged to read the opinion in its entirety. The opinion is addressed to the Forest board, is directed only to the exchange ratio in the proposed transactions contemplated by the merger agreement and does not constitute a recommendation to any Forest shareholder as to how such shareholder should vote on 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 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 different from, the interests of other Forest common shareholders. The Forest board was aware of these interests and considered them in connection with the combination matters, in

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approving the merger agreement and the combination transaction and in making the recommendation that the Forest common 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

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

change-in-control severance agreements with Forest's executive officers (other than Mr. Schelin) provide for severance pay in the event of certain qualifying terminations of employment following the combination transaction, and a letter agreement with Mr. Schelin providing for 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 combination transaction. For additional information, see Proposal No. 1 The Share Issuance Interests of Forest's Executive Officers and Directors.

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, Forest common shares will continue to be listed on the NYSE. If the name change proposal is approved, Forest intends to apply to the NYSE from FST to SABO. Neither Sabine's nor Sabine Holdings' units are listed on any national securities exchange.

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 directors of Sabine Holdings. The directors will be classified with respect to their terms of office by dividing them into three classes. At each annual meeting, directors to replace those whose terms expire at such annual meeting will be elected to hold office until the next annual meeting. The initial term of the directors will end with the first, second or third annual shareholders' meeting to be held 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 the combination. Mr. 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 conduct an election under Directors and Management of Forest Following the Combination Transaction to be elected or appointed as officers and directors of the combination.

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

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 transaction using the acquisition method of accounting (acquisition accounting) with Sabine as the acquiring entity. Under the acquisition accounting, Sabine's assets and liabilities will retain their carrying values and Forest's assets and liabilities will be recorded at fair value as of the acquisition date. The excess of the purchase price over the estimated fair values of Forest's net assets acquired, including identifiable intangible assets, 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 Act of 1976, as amended (the HSR Act) terminate or expire. On May 23, 2014, Forest and Sabine Investor Holdings filed pre-merger notification forms under the HSR Act with the Federal Trade Commission (FTC) and the Antitrust Division of the U.S. Department of Justice (DOJ) with respect to Sabine Investor Holdings' acquisition of voting securities in Forest. The FTC, which administers the HSR Act, has terminated the waiting period applicable to Sabine Investor Holdings' acquisition of voting securities in Forest on June 11, 2014. After the completion of the combination transaction, the Antitrust Division, the FTC or state Attorneys General could take such actions 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 therein, Forest and Sabine have 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.

Forest will not, and will cause its subsidiaries and its and their respective directors and officers not to directly or indirectly conduct or engage in any discussions, disclose any nonpublic information, or afford access to the business, property, or confidential information of Forest with respect to, or assist, facilitate or cooperate with any third party with respect to any such alternative acquisition proposals.

Forest will not 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 proposals.

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, that such alternative acquisition proposal constitutes a superior proposal or is reasonably likely to lead to a superior proposal; and

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 and 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 so that 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 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 action restraining, enjoining or otherwise prohibiting the consummation of the combination transaction and such order, decree, ruling 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, 2011, subject to certain exceptions; or

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

by Forest:

if any of the representations or warranties of the Sabine parties was or becomes inaccurate or any breach by Sabine Investor Holdings of any covenant or other agreement of such parties contained in the merger agreement occurs and such breach (i) would result in certain closing conditions being incapable of being satisfied and (ii) is not curable, or, if curable, 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 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 Investor Holdings a 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 of the parties contained in the merger agreement occurs and such inaccuracy or breach (i) would result in certain closing conditions incapable of being satisfied and (ii) is not curable, or, if curable has not been cured prior to the earlier of the Closing 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 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 of 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 obligations under the special meeting pursuant to the merger agreement and such breach would result in certain closing conditions not being satisfied and is not curable or, if curable, has not been cured prior to the earlier of the business day prior to the Closing Date or 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 superior proposal that has not been withdrawn at least five days prior to the special meeting, (2) Forest terminates the merger agreement after the special meeting has concluded and the Forest common shareholders did not approve the share issuance proposal and the a superior proposal, (3) within 12 months after such termination, Forest enters into a definitive agreement with respect to or consummates a transaction 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 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 for 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)

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 for the years ended December 31, 2013, 2012 and 2011, Sabine's unaudited consolidated financial statements as of and for each of the years ended March 31, 2014, 2013 and 2012, Sabine's unaudited consolidated financial statements as of and for the three months ended March 31, 2014, 2013 and 2012, respectively, all of which have been prepared in accordance with U.S. GAAP. This information is not necessarily indicative of future performance and should be read in conjunction with Sabine's Management's Discussion and Analysis of Financial Condition and Results of Operations and its 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
	(unaudited)	(unaudited) (as restated) ⁽¹⁾		(in thousands) (as restated) ⁽¹⁾	(as restated) ⁽¹⁾
Total revenues	\$ 112,717	\$ 67,696	\$ 354,978	\$ 177,446	\$ 201,552
Total operating expenses	67,966	50,379	246,656	843,627	58,182
Total operating income (loss) including noncontrolling interests	44,751	17,317	108,322	(666,181)	143,370
Total other income (expenses)	(46,437)	(42,892)	(97,745)	(20,618)	31,811
Less: Net income (loss) applicable to noncontrolling interests				17	(11,111)
Net income (loss) applicable to controlling interest	\$ (1,686)	\$ (25,575)	\$ 10,577	\$ (686,782)	\$ 175,060
Balance sheet data (at period end):					
Cash and cash equivalents	891	24,256	11,821	6,193	4,300
Total property, plant and equipment, net	1,527,971	1,293,600	1,380,042	1,256,210	1,351,812
Total assets	1,812,596	1,605,542	1,678,719	1,560,559	1,529,069
Long-term debt, including current portion	1,348,880	1,297,607	1,243,312	1,242,538	764,782
Total member's capital	199,324	174,858	201,010	200,433	624,122
Total liabilities and member's capital	1,812,596	1,605,542	1,687,719	1,560,559	1,529,069
Net cash flow provided by (used in):					
Operating activities	51,652	22,197	217,198	144,166	159,032
Investing activities	(166,371)	(53,887)	(193,809)	(687,385)	(680,922)
Financing activities	103,789	49,753	(17,761)	545,106	521,750

The following table presents a non-GAAP financial measure, Adjusted EBITDA, which we use in our business. This information is presented in accordance with US GAAP.

We believe the presentation of Adjusted EBITDA provides useful information to investors to evaluate the operations of our business and for the reasons set forth below. Adjusted EBITDA should not be considered an alternative to net income, operating

operating activities or any other measure of financial performance presented in accordance with US GAAP. Our Adjusted EBITDA is not necessarily 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 hi

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to assess our operating performance and return on capital as compared to those of other companies in our industry and to evaluate our financing or capital structure;

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

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

for various purposes, including strategic planning and forecasting;

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

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

	Three Months Ended March 31		2013	Year Ended December 31	
	2014	2013	2013	2012	2011
	(unaudited)			(in thousands)	
	(unaudited)	(as restated) ⁽¹⁾		(as restated) ⁽¹⁾	(as restated) ⁽¹⁾
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
Adjustments to derive adjusted EBITDA					
Interest, net of capitalized interest	25,827	23,318	99,471	49,387	39,632
Depletion, depreciation and amortization	39,925	26,172	137,068	91,353	75,424
Impairments			1,125	664,438	4,192
Gain on bargain purchase					(99,548)
Other	(1,501)	1	1,739	599	439
Amortization of deferred rent	(27)	(133)	(249)	(532)	(406)
Accretion	217	209	952	862	628
Loss (gain) on derivative instruments	20,941	34,691	46,545	75,734	(1,272)
Option premium amortization	(6,156)	(289)	(1,171)	(56)	
Net (income) loss applicable to noncontrolling interests				(17)	117
Adjusted EBITDA	\$ 77,540	\$ 58,394	\$ 296,057	\$ 194,986	\$ 194,272

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	Three Months Ended March 31		2013	Year Ended December	
	2014	2013		2012	2011
	(unaudited)	(unaudited) (as restated) ⁽¹⁾		(in thousands) (as restated) ⁽¹⁾	(as restated) ⁽¹⁾
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
Interest adjustments	31,516	20,768	79,556	42,995	35,357
Working capital and other adjustments	(5,628)	15,429	(697)	7,825	(117)
Adjusted EBITDA	77,540	58,394	296,057	194,986	194,272

- (1) Revised for the effects of the restatement of the years ended December 31, 2012 and 2011. Please see Note 2 of Sabal's financial statements included in Annex A to this document for additional information about the reasons for the restatement and the periods commencing on or after January 1, 2011. The financial statements relating to the years ended December 31, 2012 and 2011, as 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 for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 and from Forest's unaudited condensed consolidated financial statements for the three months ended March 31, 2014 and 2013, respectively, all of which have been prepared in accordance with U.S. GAAP. These results are not necessarily indicative of future results. You should read this data in conjunction with (i) Forest's Item 1 Business Description, which discusses divestitures that affect the comparability of the results for the years presented below and is included in Forest's Form 10-K for the fiscal year ended December 31, 2013 and (ii) Forest's Management's Discussion and Analysis of Financial Operations and Forest's consolidated financial statements and notes thereto, in each case included in Forest's Annual Report for the year ended December 31, 2013 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, each of which are filed with this document. See "Where You Can Find More Information."

	Three Months Ended March 31,		Year Ended Dec		
	2014	2013	2013	2012	2011
	(in thousands, except per share amounts, volume-weighted average)				
	(unaudited)	(unaudited)			
FINANCIAL DATA⁽¹⁾					
Oil, natural gas, and NGLs sales ⁽²⁾	\$ 64,457	\$ 118,042	\$ 441,341	\$ 605,523	\$ 703,500
Net earnings (loss) from continuing operations	\$ (21,007)	\$ (67,948)	\$ 73,924	\$ (1,288,931)	\$ 98,200
Net earnings (loss) from discontinued operations ⁽³⁾					44,500
Net (loss) earnings	\$ (21,007)	\$ (67,948)	\$ 73,924	\$ (1,288,931)	\$ 142,700
Less: net earnings attributable to noncontrolling interest ⁽³⁾					4,900
Net (loss) earnings attributable to Forest Oil Corporation common shareholders	\$ (21,007)	\$ (67,948)	\$ 73,924	\$ (1,288,931)	\$ 137,800
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)	\$ 0.00
Earnings (loss) from discontinued operations					0.00
Basic earnings (loss) per common share attributable to Forest Oil Corporation common shareholders	\$ (0.18)	\$ (0.59)	\$ 0.62	\$ (11.21)	\$ 1.00
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)	\$ 0.00
Earnings (loss) from discontinued operations					0.00
	\$ (0.18)	\$ (0.59)	\$ 0.62	\$ (11.21)	\$ 1.00

Diluted earnings (loss) per common share
 attributable to Forest Oil Corporation common
 shareholders

Total assets ⁽²⁾	\$ 1,102,187	\$ 1,894,984	\$ 1,117,952	\$ 2,201,862	\$ 3,381,1
Long-term debt ⁽²⁾	\$ 800,171	\$ 1,640,363	\$ 800,179	\$ 1,862,100	\$ 1,693,0
Shareholders' equity (deficit)	\$ 34,885	\$ (104,751)	\$ 54,469	\$ (42,824)	\$ 1,193,1

OPERATING DATA⁽²⁾

Production:

Oil (MBbls)	326	559	2,271	3,146	2,4
Natural gas (MMcf)	6,438	14,332	46,676	81,008	88,4
NGLs (MBbls)	178	698	2,521	3,489	3,1

Average sales price:

Oil (per Bbl)	\$ 93.04	\$ 96.53	\$ 96.30	\$ 96.14	\$ 96
Natural gas (per Mcf)	\$ 4.38	\$ 2.98	\$ 3.16	\$ 2.37	\$ 3
NGLs (per Bbl)	\$ 33.45	\$ 30.69	\$ 29.79	\$ 31.77	\$ 42
Adjusted EBITDA ⁽⁴⁾	\$ 34,783	\$ 94,344	\$ 332,888	\$ 513,609	\$ 550,8

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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 subsidiary Lone Pine Resources Inc., which held Forest's ownership interests in its Canadian operations. On September 30, 2011, Forest sold 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 derivatives (which represent changes in the fair values of the derivative instruments), accretion of asset retirement obligations, and the reversal of impairment losses, as shown below. Adjusted EBITDA does not represent, and should not be considered an alternative to, U.S. GAAP measurements of earnings from continuing operations (its most comparable U.S. GAAP financial measure), and Forest's calculations thereof may not be directly comparable to similarly titled measures reported by other companies. By eliminating interest, taxes, depreciation, depletion, amortization, and other non-cash earnings, Forest believes the result is a useful measure across time in evaluating its fundamental core operating performance. Forest also uses Adjusted EBITDA to manage the business, including in preparing the annual operating budget and financial statements. Forest believes that Adjusted EBITDA is also useful to investors because similar measures are frequently used by securities analysts and other parties in their evaluation of companies in the oil and gas industry. Forest's management does not view Adjusted EBITDA as a substitute for 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	
	2014	2013	2013	2012	2011
	(unaudited, in thousands)				
Net (loss) earnings from continuing operations	\$ (21,007)	\$ (67,948)	\$ 73,924	\$ (1,288,931)	\$ 98,260
Income tax (benefit) expense	(1,214)	337	(707)	173,437	89,130
Unrealized losses (gains) on derivative instruments, net	8,391	38,311	30,923	39,126	(39,080)
Unrealized losses on other investments					
Interest expense	16,011	36,128	119,829	141,831	149,750
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	
Accretion of asset retirement obligations	513	1,244	2,982	6,663	6,080
Depreciation, depletion, and amortization	21,415	48,543	171,557	280,458	219,680
Stock-based compensation	794	3,647	8,875	15,074	20,530
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	
Adjusted EBITDA	\$ 34,783	\$ 94,344	\$ 332,888	\$ 513,609	\$ 550,860

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The unaudited pro forma condensed consolidated combined financial statements of Forest are based on the historical financial statements of the predecessor. Under the acquisition method of accounting, Sabine will be the acquirer in the transactions because its parent, Sabine Holdings, will obtain control of Forest after the consummation of the combination transaction. Consequently, Sabine's assets and liabilities are recorded at their carrying values. Additionally, Forest's assets acquired and liabilities assumed will be recorded at their fair values 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 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 as of March 31, 2014, giving effect to the merger as if it has been consummated on January 1, 2013, 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 January 1, 2013. The unaudited pro forma condensed consolidated combined financial statements of Forest have been adjusted to reflect certain reclassifications in order to conform to the presentation of the unaudited pro forma condensed consolidated combined financial statement presentation.

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

	Three Months Ended March 31, 2014 (in thousands, except per unit and data)	Year Ended December 31, 2013 (in thousands, except per unit and data)
Key Performance Measure		
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 111,222	\$ 111,222
Operating Data		
Oil (Bbl/d)	8,278	8,278
NGL (Bbl/d)	7,626	7,626
Natural gas (Mcf/d)	194,353	194,353
Combined (Mcf/d)	289,780	289,780
Statement of Income Data		
Operating revenues	\$ 177,911	\$ 177,911
Operating expenses	115,597	115,597
Operating income	62,314	62,314
Interest expense	(41,838)	(41,838)
Loss on derivative instruments	(34,977)	(34,977)
Other, net	(6,741)	(6,741)
Income tax benefit (expense)	460	460
Net loss	\$ (20,782)	\$ (20,782)
Net loss per share:		
Basic	\$ (0.46)	\$ (0.46)
Diluted	\$ (0.46)	\$ (0.46)

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. Adjusted EBITDA is calculated as net income (loss) applicable to controlling interests before interest, taxes, depreciation and amortization, and other non-cash or one-time items, such as impairment, accretion expense, non-cash hedge gains or losses and other 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, or other 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, or tax position. Adjusted EBITDA does not represent funds available for discretionary use because those funds are required to pay interest, capital expenditures, working capital, and other commitments and obligations. However, Sabine's management team believes Adjusted EBITDA is 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; is excluded from the calculation of such term, which can vary substantially from company to company depending on the nature of the assets 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; 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
Adjusted EBITDA	\$ 111,222
Add (deduct):	
Interest, net of capitalized interest	(41,838)
Depletion, depreciation and amortization	(60,545)
Loss on derivative instruments	(23,176)
Income taxes	460
Other, net	(6,905)
Net loss	\$ (20,782)

- (2) The consummation of the combination transaction will require a change of control offer to be made by Forest under the terms of Forest's existing 7.25% notes due 2019 and 7.50% notes due 2020 (Forest's Existing Notes). Forest may solicit

Existing Notes to amend the applicable indentures such that no aspect of the transactions contemplated by the merger or change of control offer requiring such Existing Notes to be refinanced. If successful consent solicitations do not obtain, we have commitments for bridge financing to backstop any of Forest's Existing Notes which are required to be purchased in connection with the change of control offer (a "Bond Refinancing"). At such time as any consent solicitations have been concluded, Sabine will complete the Bond Refinancing on pro forma Interest expense and Long-term debt. Sabine has also obtained commitments from lenders to provide a credit facility for Forest upon consummation of the combination transaction to refinance the Sabine Credit Facility and the credit facility of Forest (such credit facility refinancing, the "Credit Facility Refinancing"), at which such time Sabine will assess the impact on its credit 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 information for Forest, Sabine and Forest as well as similar information, reflecting the combination transaction, as if the combination transaction had been completed for the period presented, which we refer to as pro forma combined information. The merger agreement provides that Sabine Investor Holdings will receive an aggregate of 163,711,510 shares of Forest common stock and 1,664,249 Series A convertible common stock shares in exchange for the direct and indirect contribution of all of the outstanding units in Sabine Holdings to Forest. An equivalent per share data for Sabine presented below is calculated by multiplying the pro forma combined amounts for Forest by the implied in the contribution, assuming Sabine Investor Holdings and AIV Holdings received 163,711,510 shares of Forest common stock in 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 Sabine and consolidated financial data of Sabine included elsewhere in document, (ii) the historical consolidated financial statements of Forest by reference into this document and related notes thereto and the historical consolidated financial statements of Sabine and Sabine included elsewhere in this document and (iii) the unaudited pro forma condensed consolidated combined financial statements of Forest thereto that are included elsewhere in this document. The unaudited pro forma combined per share information does not represent actual results of operations of Forest would have been had the combination transaction been completed in another period of operations that may be achieved if the combination transaction is completed.

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

(1) Sabine and Forest historical earnings divided by estimated post-combination transaction shares issued and outstanding represents 163,711,510 shares of Forest common stock and 1,664,249 Series A convertible common-equivalent pro forma shares (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 expenses 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 transactions 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 of Forest and Sabine that are based on, and include statements about, Forest's and Sabine's plans, prospects, expected future financial performance, cash flows, dividends and dividend plans, objectives, beliefs, financing plans, business strategies, budgets, goals, future operations, performance, financing needs, outcomes of litigation, projected costs, operating metrics, capital expenditures, competitive positions, investment opportunities, integration, cost savings, synergies, growth opportunities, dispositions, plans and objectives of operations and any other information that is not historical information. These statements, which may include statements about the completion of the combination transaction, include, without limitation, words such as may, will, could, should, intend, anticipate, believe, estimate, predict, suggest, view, potential, pursue, target, continue, and other words and phrases, many of which have negative connotations or negative implications. These statements involve risks, uncertainties, assumptions and other factors that are difficult to predict and which may 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 affect Forest and Sabine's business and financial performance. Moreover, Forest and Sabine operate in a very competitive and rapidly changing environment, and risks and uncertainties emerge from time to time, and it is not possible to predict all risks and uncertainties, nor can Forest and Sabine control all factors on their business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from any forward-looking statements.

Although Forest and Sabine believe the expectations reflected in the forward-looking statements are reasonable, they can be affected by a number of factors, including the level of activity, performance or achievements. Moreover, neither Forest nor Sabine nor any other person assumes responsibility for, or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future performance, and Forest and Sabine are under no duty to update any of these forward-looking statements after the date of this document to conform them 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

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 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 obligations;

the impact of federal, state, and local political, regulatory, and environmental developments in the United States and other countries 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, from the combination transaction.

Forest and Sabine expressly qualify in their entirety all forward-looking statements attributable to Forest or Sabine or any of their subsidiaries in 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 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 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 to be held on [], 2014, and at any adjournment or postponement thereof. This document and enclosed proxy card is first 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 B 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 [], 2014, to Sabine Investor Holdings LLC, FR XI Onshore AIV, LLC, Sabine Oil & Gas Holdings LLC, Sabine Oil & Gas Holdings LLC, Sabine Oil & Gas Holdings LLC and Forest Oil Corporation, and to approve, in the event the authorized share proposal is not approved, the issuance of 113,711,510 Series B convertible common-equivalent preferred shares to Sabine Investor Holdings and AIV Holdings in lieu of 113,711,510 underlying such Series B convertible common-equivalent preferred shares. If the share issuance proposal is approved, we estimate that approximately 28,000,000 shares will be issued and outstanding and the shares issuable pursuant to the merger agreement, we estimate that approximately 28,000,000 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 the Forest Oil & Gas Corporation to [];

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 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, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the share issuance proposal.

The only Forest common shareholder approvals required by the merger agreement are approval of the share issuance proposal, which is waived by Forest and Sabine Investor Holdings, approval of the authorized share proposal. The vote on the 2014 LTIP 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 authorized share proposal, the combination transaction may not be completed if the other conditions to closing are not satisfied under applicable law, waived. Forest can give no assurance that the conditions to closing the combination transaction will be satisfied.

Other Business

Forest’s bylaws provide that at a special meeting of shareholders, the business discussed must be specified in the notice of 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)

FOR

the approval of the issuance of 163,711,510 common shares and 1,137,113 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 proposal is not approved, the issuance of 1,137,113 Series B convertible common shares to Sabine Investor Holdings AIV Holdings in lieu of 113,711,300 common shares and 1,137,113 Series B convertible common-equivalent preferred shares

Authorized Share Proposal (Item 2)

FOR

the approval of the amendment to the Forest certificate of incorporation to increase the number of authorized Forest common shares to 650,000,000 shares

Name Change Proposal (Item 3)

FOR

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)

FOR

the approval of the adoption of the 2014 LTIP

Section 162(m) Proposal (Item 5)

FOR

the approval of certain material terms of the 2014 LTIP for purposes of satisfying 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, and the issuance of 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 on the record date for the special meeting are entitled to notice of, and to vote at, the special meeting and any adjournment of the special meeting. No other Forest common shares are entitled to notice of and to vote at the special meeting. At the cl

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

Holders of a majority of the outstanding Forest common shares entitled to vote on the record date must be present in person at the special meeting for there to be a quorum. Abstentions are counted as present for the purpose of determining a quorum. To ensure your shares are counted towards the quorum, please 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 instructions from the 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 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 for the 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 confirmation of ownership, 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 ownership from your bank, broker, custodian or other record holder, at the special meeting. All shareholders will be required to show a valid, government-issued 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 proper 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 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 (including your 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 (including your 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 (including your proxy) at the special meeting and entitled to vote
Adjournment Proposal (Item 6)	Affirmative vote of the majority of the Forest common shares (including your 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 (by proxy) at the special meeting and entitled to vote is required to approve the share issuance proposal. If you vote to abstain or fail to vote, 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 you will not 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 (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 or fail to vote, 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 may be 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 (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 or fail to vote, 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 may be 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 (by proxy) 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 or fail to vote, 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, THE AUTHORIZED SHARE PROPOSAL ARE CONDITIONS TO CLOSING THE COMBINATION TRANSACTION DESCRIBED IN THE MERGER AGREEMENT AND OTHER TRANSACTION AGREEMENTS CONDITIONED UPON THE 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 and entitled to vote at the special meeting. Forest currently expects that its directors and executive officers will vote their 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

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 not the shareholder of record may be voted in person at the special meeting only if you obtain a legal proxy from the person that holds your shares giving you the right to vote the shares. Even if you plan to attend the special meeting, Forest recommends you obtain a 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 will be voted at the annual meeting. If you are a shareholder of record, you may vote by submitting a proxy. If you hold your shares beneficially, you may vote by submitting voting instructions to your broker, trustee, or nominee. There are three ways to vote by proxy and vote

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

By Telephone. Shareholders of record may submit proxies by telephone, by calling the number included in the materials and Computershare Shareowner Services LLC, and following the instructions. In addition, you will need to have the proxy card and your notice available when voting. Shareholders who are beneficial owners of their shares and who have received a proxy 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, 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 signing, and dating their proxy card or voting instruction card and mailing it in the accompanying pre-addressed envelope. Proxies submitted by mail and received by Forest after [], 2014 at [] may not be considered unless the special meeting is continued, adjourned or postponed 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 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.*, the 2014 LTIP proposal, FOR the authorized share proposal, FOR the name change proposal, FOR the 2014 LTIP proposal, 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 make specific Internet or telephone voting choices, your shares will not be voted because your broker, trustee, or other nominee has discretionary authority to vote. If you instruct your broker, trustee, or other nominee to vote on at least one proposal at a special meeting and 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) notifying Forest's Corporate Secretary at Forest's principal executive office, located at 707 17th Street, Suite 3600, Denver, Colorado, in writing, 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) 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 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 the nominee for instructions on revoking or changing your proxy. If you intend to revoke your voting instructions you must give notice to the nominee 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 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 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 reimburses banks, brokers, custodians and other record holders for their costs in forwarding the proxy materials to the beneficial owners of Forest common shares. Forest and its directors, officers, and regular employees also may solicit proxies by mail, personally or by other appropriate means. No additional compensation will be paid to directors, officers or other regular employees for such services. Forest has retained Innisfree M&A Incorporated, to aid in the solicitation of proxies by mail, personally, by telephone, e-mail or otherwise. For such services, Forest will pay Innisfree M&A Incorporated \$30,000 (plus an additional \$20,000 if both the share issuance proposal and the recapitalization 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 information:

Innisfree M&A Incorporated

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, a portion of their assets to Forest, with Sabine Holdings becoming a wholly owned subsidiary of Forest. In exchange for the contribution, Sabine Holdings and AIV Holdings will receive 123,837,490 and 39,874,020 shares of Forest common stock, respectively and (ii) Sabine Holdings and AIV Holdings will receive 1,258,900 and 405,349 shares of Forest Series A convertible common-equivalent preferred stock. If the share issuance proposal is approved, based on the shares currently outstanding and the shares issuable pursuant to the merger agreement, 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 outstanding.

The authorized share proposal is a condition to the consummation of the combination transaction. If the authorized share proposal is not approved, Forest and Sabine Investor Holdings mutually agree to waive this condition, then in exchange for the contribution, Sabine Investor Holdings will instead receive shares of Forest Series B convertible common-equivalent preferred stock in lieu of a portion of the shares that would have been received by them if there were available for issuance a sufficient amount of authorized but unissued shares. If the share issuance proposal is approved, 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.

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) and entitled to vote is required to approve the share issuance proposal. If you vote to abstain, it will have the same effect as if you do not vote on 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 obtain a quorum. Accordingly, it is important that you provide Forest with your proxy or attend the special meeting in person so that your vote is counted and a quorum is obtained.

The Forest board recommends a vote FOR the share issuance proposal (Item 1). For a discussion of interests of Forest's officers and directors in the combination transaction that may be different from, or in addition to, Forest's shareholders generally, see "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 SET FORTH IN THE MERGER AGREEMENT AND OTHER TRANSACTION AGREEMENTS. CONDITIONS TO COMPLETION OF THE TRANSACTION.

In addition, even if Forest common shareholders approve the share issuance proposal, the combination transaction may not close if the conditions to closing the combination transaction are not satisfied or, if allowed by applicable law, waived. Forest can give up its right to require 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 and Sabine. 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 26.5% 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. Sabine Investor Holdings and AIV Holdings will collectively hold approximately 58% of the issued and outstanding Forest common shares and 80% of the total voting power in Forest. Sabine Investor Holdings will collectively hold approximately 58% of the issued and outstanding Forest common shares and 80% of the total voting power in Forest. If the 2014 LTIP Proposal is approved, Forest expects to issue approximately 10 million shares of new common stock under the 2014 LTIP, which will dilute the ownership percentages in Forest common shares listed above 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 of 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 39,874,000 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 and the other companies becoming subsidiaries of Forest. Sabine Holdings, SOGH II and Sabine will subsequently merge with and into Forest, with Forest surviving and the other companies becoming subsidiaries of Forest.

The authorized share proposal is a condition to the consummation of the combination transaction. If the authorized share proposal is approved, Forest and Sabine Investor Holdings mutually agree to waive this condition, then in exchange for the contribution, Sabine Investor Holdings will instead receive shares of Forest Series B convertible common-equivalent preferred stock in lieu of a portion of the shares of Forest common stock that would have been received by them if there were available for issuance a sufficient amount of authorized but unissued shares of Forest common stock. Sabine Investor Holdings and AIV Holdings would receive (i) 37,822,023 and 12,178,187 shares of Forest common stock, respectively, (ii) 860,155 and 276,958 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 on 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 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 its state of incorporation will be changed to Delaware (from New York), with the result that Forest and its shareholders will be governed by Delaware law instead of New York law. If the authorized share proposal or the name change proposal is approved, its certificate of incorporation will be amended as approved. In addition, upon consummation of the combination transaction, Sabine Investor Holdings and AIV Holdings intend to use their voting power to cause Forest to change its state of incorporation to Delaware (from New York), with the result that Forest and its shareholders will be governed by Delaware law instead of New York law. See "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 considered various strategic alternatives in light of Forest's substantial leverage and constrained financial flexibility which have affected Forest's ability to fully exploit and develop its oil and gas assets, the current business and economic environment and the challenges facing participants in the oil and gas exploration, development and production industry in general. The strategic alternatives to be considered by the Forest board since 2012 have included a sale of Forest to a strategic or financial acquirer, a merger with another public company, a recapitalization, a 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 conducted a discussion with both parties, and one conducted due diligence, but by June 2013, each of the participants had elected not to proceed with a transaction. Around the same time, other industry participants approached Forest to initiate exploratory discussions regarding the possibility of 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 and Forest's substantial leverage, the Forest board instructed J.P. Morgan, which had been engaged effective as of May 2, 2013, in connection with its exploration of strategic alternatives, to commence a public sale process for the Panhandle Assets and to evaluate any potential interest in a merger or sale transaction involving all of Forest. Forest and J.P. Morgan commenced the Panhandle Asset sale process in 2013. Concurrently with, and, in some cases, as part of, the Panhandle Asset sale process, from mid-July through early October 2013, Forest contacted or was contacted by approximately 12 industry participants who were considered likely to be interested in, and to enter into, a merger or sale transaction involving all of Forest (or all of Forest excluding the Panhandle Assets). While some indicated they were engaged in some discussions with Forest or J.P. Morgan, ultimately, none of these 12 parties indicated interest in moving forward with a transaction. Forest received bids to acquire the Panhandle Assets and, in a transaction announced on October 3, 2013 and completed on October 10, 2013, sold the Panhandle Assets to Templar Energy LLC for approximately \$1.0 billion in cash. Templar Energy is a portfolio company of First Reserve. In November 2013, Forest used approximately \$840 million of the sale proceeds to repurchase outstanding debt and to pay its 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 previously identified or contacted as having potential interest) regarding a possible strategic transaction involving all of Forest (or 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 a transaction. As a result, from November 2013 through February 2014, Forest engaged in discussions and, in some cases, entered into discussions with 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 exploring strategic alternatives, including obtaining a public listing for Sabine. On December 19, 2013, Mr. McDonald met with John Yearwood, Sabine's chief executive officer. At this meeting, Messrs. McDonald and Yearwood discussed whether Sabine had considered obtaining a public listing for Sabine via a company rather than via an initial public offering. Mr. Yearwood suggested that Mr. McDonald meet with David Sambrooks, Sabine's chief financial officer, to determine whether a merger between Sabine and Forest might be of interest to the parties. On December 20, 2013, Mr. McDonald met with Mr. Sambrooks and discussed the substance of his conversation with Mr. Yearwood, and the directors encouraged Mr. McDonald to open discussions with Mr. Sambrooks regarding a possible transaction.

On January 14, 2014, Mr. McDonald met with Mr. Sambrooks in Houston. At this meeting, Messrs. McDonald and Sambrooks discussed Sabine's 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 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 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 discuss developments with Sabine, including the January 23 meeting with Sabine, and an update on the status of ongoing discussions. The board contacted parties concerning a merger or sale of Forest, as well as with several previously contacted parties interested in financing. The board intended to provide Forest with financing for development of various portions of its operations. The Forest board considered its ongoing operations, including that despite repaying a significant portion of its indebtedness from proceeds of the Panhandle, it continued to have substantial leverage relative to its asset base, which leverage continued to affect Forest's ability to fully exploit and to fully develop its oil and gas assets. At the conclusion of the meeting, the Forest board authorized management to pursue the merger and sale alternatives, and to continue to pursue the joint ventures alternatives as well, in the event Forest were 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 met to exchange technical data about the companies' respective operations. On February 5, 2014, Messrs. McDonald and Sambrooks continued their discussions concerning a possible merger of Forest and Sabine and to review the status and pace of due diligence. The board requested 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 reviewed the ongoing discussions, which were continuing at that time with Sabine and the two other parties potentially interested in a merger of Forest, and with several parties potentially interested in a joint venture alternative. The Forest board authorized management to pursue the merger alternatives.

On February 14, 2014, Sabine provided to Forest a high-level term sheet for a merger transaction in which Sabine's current shareholders would receive 70% of the equity of the post-closing equity of the combined company, and Forest's common shareholders would receive the remaining 30%. The sharing ratio 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 provided 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 boards of directors remained interested in a transaction. Mr. Sambrooks conveyed the concern expressed by the Sabine board regarding the 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 counsel, to discuss the status of strategic alternatives. By this time, the potentially interested parties other than Sabine had withdrawn their interest in a merger. Forest's actionable proposal. After discussion and analysis of Sabine's proposed transaction terms, Forest's standalone alternative

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Forest's financing and operational flexibility in light of its share price, the Forest board authorized Mr. McDonald to conduct 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. In early 2014, Mr. Sambrooks contacted Mr. McDonald to inform him that Sabine was revisiting its valuation of Forest in light of its share price and Sabine's due diligence with respect to Forest and to request an in-person meeting between Messrs. Sambrooks and Mr. McDonald to 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 a "force the vote" provision that would have required the Forest board to submit the merger to a vote of the Forest shareholders. On March 18, 2014, Forest received an unsolicited alternative proposal that it determined was a superior offer. The draft merger agreement also provided for a termination right payable to Sabine 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 sharing ratio such that Forest's common shareholders would receive 24%, rather than 30%, of the post-closing equity of the combined entity. 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 discuss Sabine's revised valuation proposal. After extensive discussion, the Forest board instructed management and Forest's legal and financial advisors 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 the transaction 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 approve the merger agreement if Forest were to receive an unsolicited alternative proposal that it determined to be a superior offer, and sought to reduce the termination right payable on the exercise by Forest of this termination right at approximately \$6 million (instead of \$40 million). Sabine sought to increase the termination right 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 discuss the transaction update.

On April 10, 2014, Messrs. McDonald and Sambrooks met in Houston. Mr. Sambrooks informed Mr. McDonald that Sabine requested additional time to analyze the transaction, and suggested that he believed the Sabine board would not be willing to offer a sharing ratio. Mr. McDonald indicated that 25% was too low, and suggested that the parties focus on a sharing ratio of 27%, the midpoint between Forest's proposal 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 that Sabine would conclude their transaction analysis shortly and would likely determine to move forward with the transaction. No agreement was reached 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 discuss an update on the status of negotiations with Sabine. During this meeting, the Forest board reviewed Forest's strategic alternatives and the exploration of those alternatives,

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

On April 25, 2014, Mr. Sambrooks spoke to Mr. McDonald by telephone. Mr. Sambrooks informed Mr. McDonald that the transaction was moving forward, and Messrs. Sambrooks and McDonald discussed the status of open negotiation points and a timeline for completion. An 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 Forest prepared transaction documents and Sabine obtained financing commitment letters, which provided commitments for the credit facility under the Credit Facility and the existing revolving credit facility of Forest and for bridge financing to finance the purchase of any assets 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 his dissatisfaction with the 24% sharing ratio proposed by Sabine, and stated that the sharing ratio would need to be increased. During the negotiation, Mr. Sambrooks informed Mr. McDonald that Sabine would be willing to consider a sharing ratio of 26%, and 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 the other, non-financial open issues in the merger agreement. Following negotiation, Sabine agreed to eliminate the "force majeure" provision to provide that the Forest board of directors would be permitted to terminate the merger agreement if Forest were to receive a superior proposal that it determined was a superior offer. The parties ultimately also agreed to a termination fee of \$15 million. In addition, Sabine Investor Holdings agreed that it would enter into a stockholder's agreement that would provide, among other things, that the right to elect directors of Holdco would remain in proportion to its equity interest in Holdco, and that Sabine Investor Holdings would hold 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 sharing ratio be increased to 27%. Mr. Sambrooks responded that Sabine's board had informed him that they would not be willing to increase the sharing ratio. During the discussion, Messrs. Sambrooks and McDonald agreed to recommend to their respective boards of directors a sharing ratio of 26.5% for equity holders and 26.5% for Forest shareholders, in each case on a fully diluted basis, and resolved several other open 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 Sabine Investor Holdings, had approved the transaction, subject to approval of the Forest board. Later on May 5, 2014, Mr. Sambrooks telephonically, together with members of management and Forest's legal and financial advisors. During this meeting, the parties discussed strategic alternatives and Forest's prospects as an independent company, including the risks associated with Forest's dependence on Sabine's financial flexibility and the impact on Forest's ability to fund its drilling operations and exploit its assets while adhering to its debt covenants. The transaction was reviewed

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with the Forest board its fiduciary obligations, summarized the material terms of the proposed merger agreement, stockholder registration rights agreement, and reported on the resolution of open issues during the course of negotiations with Sabine. The Forest board J.P. Morgan's financial analysis of the transaction, and J.P. Morgan delivered to the Forest board its oral opinion and 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 limitations and qualifications set forth in its opinion, the exchange ratio in the proposed transactions contemplated by the 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 the 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 Appendix A, including as to the matters discussed below in the section entitled "Reasons for the Recommendation to Forest Shareholders." The Forest board, by unanimous vote of all of its members, approved the merger agreement and determined that the merger and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Forest and its shareholders, and recommended that the shareholders vote to adopt the merger agreement.

Following the conclusion of the Forest board meeting, Forest, Sabine and their respective counsel finalized the transaction. The parties executed the merger agreement, stockholder registration rights 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, 2014, that J.P. Morgan in April 2014 contained an inadvertent error relating to the oil price realizations applied by Forest's management in its production in order to make Sabine's results more directly comparable to Forest's. The error resulted in an overstatement of Sabine's cash flow of approximately \$30 million, but had no effect on forward lease-level field production estimates, lease operating cost estimates for reservoir evaluation. In addition, the error affected only the baseline Base Sabine Budget Projections and the Base Sabine Budget Projections, which were provided to the Forest board and to J.P. Morgan along with the Base Sabine Budget Projections and the Financial Forecasts of Sabine. After discovery of the oil price realization error in late May 2014, Forest provided J.P. Morgan with 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. Management reviewed with the Forest board the error in oil price realization and the impact on the Base Sabine Budget Projections from management's perspectives, including management's view that the error resulted in an immaterial difference to the overall assessment of the transaction. Management reviewed with the Forest board the differences between J.P. Morgan's public trading multiples analysis for Sabine, relative to Forest's relative valuation analysis using the Base Sabine Budget Projections before and after correction for the oil basis difference. 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, 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's common stock. The receipt of the corrected Base Sabine Budget Projections in late May 2014 had not caused it to withdraw or modify its opinion delivered 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, of the date of such 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 to the holders of Forest's common stock was fair, from a financial point of view, to the holders of Forest's common stock. In this 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 to Forest's existing notes to acquire the existing notes at a price of 101% of the outstanding principal amount of existing notes. Forest has not yet been obtained to finance that offer. Following the public announcement of the transaction on May 6, the trading price of Forest's common stock 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 heard from investors and other market participants that certain hedge funds held short positions or acquired credit default swaps on Forest's debt. These 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 on its outstanding debt. As a result, the holders of these positions had interests that were directly opposed to the best interests of Forest's common stock. According to information obtained by Forest, which could not be fully confirmed, one way or another, the hedge funds were buying Forest's common shares for the purpose of voting them against the original transaction on the expectation that the transaction would cause a decrease in the trading prices of Forest's debt (including because Forest would no longer be able to make a control offer at 101% of par) or make a Forest default or bankruptcy more likely. Forest and Sabine also heard that the hedge funds were buying Forest's common shares after the record date for the special meeting, which would allow the hedge funds to vote against the transaction at the special meeting without having any ongoing economic interest in Forest's common shares and while having economic interests that were inconsistent with the interests of Forest's common shareholders. The Forest board discussed the likelihood that certain hedge funds were employing this strategy, and the risks posed to Forest's common shareholders in the event such hedge funds were in fact employing this strategy. The strategy could be deterred or weakened by restructuring the transaction to lower the approval requirement from two-thirds of all outstanding common shares thereby making it more difficult for these hedge funds to obtain a blocking position. In this regard, the Forest board discussed with its advisors that because shares not voted in connection with a vote requiring approval by two-thirds of all outstanding common shares as shares voted against the transaction, and because a not-insignificant number of shares could, based on past experience, be voted by hedge funds could achieve a blocking position under such a voting standard with far less than 33% of the outstanding common shares, it was the consensus of the Forest board that the future strategic direction of Forest should be determined by Forest's common shareholders with an interest in enhancing the value of Forest and its common stock, rather than by investors holding investment positions that have an economic interest in reducing or destroying the value of Forest and its common stock. After discussions between Forest and its advisors, the parties determined that it would be in the best interests of Forest's common shareholders to restructure the 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 position against the combination transaction and to adopt the shareholder rights plan to deter hedge funds from employing this 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 the related documents. Under the new structure, approval of the issuance of new Forest common and preferred shares to Sabine Investment Holdings by holders of a majority of the Forest common shares present (in person or by proxy) at the special meeting and the approval of the share issuance proposal, is required by NYSE rules, and cannot be waived. Approval of the authorized share proposal to facilitate the conversion of shares of Forest Series A convertible common-equivalent preferred stock into shares of Forest's common stock is 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. At the meeting, Forest's management and legal advisors reviewed with the Forest board the revised transaction structure, including the 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 proposed transaction strategy. Forest's management reaffirmed for the Forest board that although the revised transaction alters the legal structure of the combination (Sabine Investor Holdings and AIV Holdings with elevated voting rights (80% of the voting power compared to 73.5% of the combined company), the revised transaction does not alter the economic consequences of the combination transaction, and the current shareholders would after completion of the combination hold approximately 26.5% of the common-equivalent economic interest in the Forest and Sabine businesses, the same percentage as Forest's current shareholders would have held immediately after the transaction is completed on its terms. Forest's management then provided its perspectives, including management's view that the revised transaction, the shareholder vote requirements, and the adoption of the shareholder rights plan would (1) reduce or deter the ability of some shareholders, contrary to the interests of shareholders generally to engage in the suspected anti-shareholder-value trading strategy and (2) ensure that the shareholder vote on the proposals will reflect the will of Forest's common shareholders interested in enhancing the value of their shares, whether as a standalone company or combined with Sabine. Forest's management also noted that because votes on the proposals before and after the combination transaction and reincorporation merger, would generally require approval of either a majority of the voting power, or at most two-thirds of the outstanding voting power, under applicable law, regulation and the applicable certificate of incorporation, increasing the voting power of Sabine Investor Holdings and AIV Holdings to 80% (from 73.5% under the original merger agreement) would have no practical effect. At this time, representatives of J.P. Morgan were asked to join the telephonic meeting of the Forest board and confirmed that it was not withdrawing or modifying its opinion dated May 5, 2014 (as more fully described in "Opinion of J.P. Morgan Chase & Co.," Forest's Financial Advisor). After further discussion, it was the unanimous consensus of the Forest board that it would recommend to Forest and its shareholders to pursue a revised transaction, and the Forest board instructed management to complete negotiations with Sabine and restate the merger agreement and related documents.

On July 9, 2014, the Forest board met telephonically, together with members of management and Forest's legal advisors. Management and legal advisors updated the Forest board on the resolution of negotiations with Sabine for a revised transaction. The board reviewed the proposed shareholder rights plan. After discussions, including as to the matters discussed at the July 3, 2014 meeting and as to the matters discussed below in the section entitled "Reasons for the Recommendation to Forest Shareholders," 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's share issuance proposal, the authorized share proposal and the other proposals to be voted on at the special meeting, and the shareholder rights plan.

Following the conclusion of the Forest board meeting, Forest, Sabine and their respective counsel finalized the transaction. The parties executed the amended and restated merger agreement and the related revised transaction agreements. On the morning of July 10, 2014, Forest 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 its recommendation and all other information presented in this section is forward-looking in nature and, therefore, should be read in conjunction with the 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 transaction with 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 share in the 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 limited access to its asset base, its constrained financial flexibility, and the impact of these factors on Forest's ability to fund its operations, to exploit and develop its oil and gas assets, and the risks associated with Forest's limited financial flexibility in light of its current debt level;

the view that the proposed combination transaction with Sabine meets the strategic objectives established by the Forest board with respect to achieving improved financial strength and operational scale relative to Forest's publicly traded peers, and that the proposed combination transaction with Sabine would be superior both operationally and with respect to shareholder value to 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 transaction structures, and that since the beginning of 2013, Forest had contacted or been contacted by 21 potentially interested parties, and that Forest 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 that the Forest board (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 combination transaction, exceed the closing price of Forest common shares as of May 5, 2014, the last trading day before the public announcement of the combination transaction; 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

the view that the combination transaction will provide meaningful anticipated growth to the combined company's asset portfolio, including the complementary combination of 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, 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, 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

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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 be able to access more capital, and as a result will be able to maximize Forest's asset base value, compete more effectively and more readily 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 for 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 Program and the Forecasts of Forest's), and the judgment, advice and analysis of Forest's management, including their favorable recommendations regarding the transaction; and

the financial presentation and opinion, dated May 5, 2014, of J.P. Morgan to the Forest board as to the fairness, from the perspective of, as of the date of such opinion, of the exchange ratio in the transactions contemplated by the original merger agreement between Forest and its shareholders, which opinion was based upon and subject to the factors, assumptions, limitations and qualifications fully described in the Opinion of J.P. Morgan Securities LLC, Forest's Financial Advisor. While there is no longer a merger agreement the exchange ratio under the original merger agreement would have resulted in Forest's current shareholders, Sabine Investor Holdings and AIV Holdings, on the other hand, receiving the same percentage economic common equity in the post-closing combined company of approximately 26.5% and 73.5% respectively as they will hold or receive as a result of the transaction under the merger agreement. For more information, see the 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 and covenants of the parties, the conditions to closing and the form and structure of the merger consideration and the termination of the merger agreement by 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 that were 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 F (person or by proxy) at the special meeting and entitled to vote, which shareholders therefore have the option to reject 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 authorized share proposal, to discuss and negotiate, under specified circumstances, an unsolicited Acquisition if the Forest board determines in good faith, after consultation with its financial advisor and outside legal counsel, that it 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 the merger agreement from the common shareholders with respect to the approval of the share issuance proposal and the authorized share proposal; Proposal or Forest Intervening Event;

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

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

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 likelihood that the vote on the proposed transaction will reflect the will of the majority of Forest shareholders who have an economic interest in Forest and its common stock, rather than the will of investors holding investment positions that give those investors the ability to reduce or destroy 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 shares, the percentage ownership in Forest that current Forest common shareholders would have after the combination transaction may be less than the value of their existing interests in Forest common stock and the fact that the merger agreement does not provide for a termination right or other similar protection;

the risk that the potential benefits of the combination transaction (including the amount of potential efficiencies) may be less than expected;

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

the fact that, while Forest expects the combination transaction will be consummated, there can be no guarantee that the obligations to consummate the combination transaction will be satisfied, and, as a result, the combination transaction may not be completed, 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 the common shareholders may not be obtained, as well as the potential loss of value to the Forest common shareholders and the disruption of Forest's 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.

transaction;

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

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

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that Sabine Investor Holdings and AIV Holdings will hold 80% of the combined voting power of Forest after the combination transaction (up from 73.5% under the original merger agreement). However, the Forest board considered that because the Forest common shareholders, both before and after the combination transaction and reincorporation merger, would generally require a majority of the outstanding voting power, or at most two-thirds of the outstanding voting power under applicable law, regulatory requirements, certificate of incorporation and bylaws, this increase in voting power would have little to no practical effect. The Forest board believes the benefits secured by the revising the transaction structure outweighed the small reduction in Forest shareholders' voting power 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-equivalent preferred stock collectively representing a 73.5% economic interest in Forest and 80% of the combined voting power that such ownership could result in its control of the Forest board of directors and could discourage a third party from offering to acquire Forest in the future unless Sabine Investor Holdings and AIV Holdings supported such offer, and could prevent Forest common shareholders from receiving any additional control premium following completion of the transactions contemplated by the combination transaction;

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) the authorized share proposal is not subsequently approved by the Forest board to waive the authorized share proposal condition and (iii) the authorized share proposal is not subsequently approved by the Forest board following the effective time of the combination transaction (see Description of Capital Stock Series B Convertible 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 of transactions contemplated by the combination transaction. For more information, see the 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 light of the various factors considered, and the complexity of these matters, the Forest board did not find it useful and did not attempt to assign specific weights to the various factors it considered. Rather, the Forest board viewed the decisions as being based on 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 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, subject to the factors, assumptions, limitations and qualifications set forth in such opinion, the exchange ratio in the proposed combination transaction by the original merger agreement was fair, from a financial point of view, to the holders of Forest common stock. J.P. Morgan also rendered its 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 combination transactions contemplated by the original merger agreement was fair, from a financial point of view, to the holders of Forest common stock. The limitations were imposed by the Forest board upon J.P. Morgan with respect to the investigations made or procedures followed in connection with 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, on the other hand, receiving the same percentage economic common-equivalent interest in the post-closing combination of approximately 26.5% and 73.5% respectively as they will hold or receive as of the closing of the combination transaction. 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 covered, and review undertaken, is attached as Annex F to this document and is incorporated herein by reference. Forest's shareholders own its entirety. J.P. Morgan's written opinion is addressed to the Forest board, is directed only to the exchange ratio in the transaction under the original merger agreement and does not constitute a recommendation to any Forest shareholder as to how such shareholder should vote on the transactions contemplated by the original merger agreement, the merger agreement or any other matter. The summary 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 companies they operate;

compared the financial and operating performance of Forest and Sabine Investor Holdings with publicly available information concerning other companies J.P. Morgan deemed relevant and reviewed the current and historical market prices of Forest and Sabine Investor 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 other 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 in forming its opinion.

J.P. Morgan also held discussions with certain members of the management of Forest and Sabine Investor Holdings with respect to the transactions contemplated by the original merger agreement, and the past and current business operations of Forest and Sabine Investor Holdings, 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 other matters 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 information that was publicly available or was furnished to or discussed with J.P. Morgan by Forest and Sabine Investor Holdings or 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 it evaluate the solvency of Forest or Sabine Investor Holdings under any state or federal laws relating to bankruptcy, insolvency or reorganization, relying on financial analyses and forecasts provided to it or derived therefrom, including the Synergies. J.P. Morgan assumed that the analyses prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the future operations and financial condition of Forest and Sabine Investor Holdings to which such analyses or forecasts relate. J.P. Morgan

to such analyses or forecasts (including the Synergies) or the assumptions on which they were based. J.P. Morgan also as contemplated by the original merger agreement and the other transactions contemplated by the original merger agreement 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 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. 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 the transactions contemplated by the original merger agreement. 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 and that the benefits of the transactions contemplated by the original merger agreement will be realized.

The projections for Forest and the Sabine business of Sabine Investor Holdings, respectively, for the fiscal years ending December 31, 2015 furnished to J.P. Morgan were prepared by the respective managements of Forest and Sabine, and were adjusted by management by applying consistent commodity price assumptions to the projections for both companies (as so adjusted, the "Base 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, the 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 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. J.P. Morgan in connection with J.P. Morgan's analysis of the transactions contemplated by the original merger agreement was not prepared with a view toward public disclosure. These projections, and the adjustments made by Forest thereto, were based on assumptions that are inherently uncertain and may be beyond the control of Sabine and Forest, including, without limitation, changes in economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from the 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 provided with and cash flow forecasts for Sabine for the calendar/fiscal years ended December 31, 2015 provided by Forest to J.P. Morgan. 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 market value relative contribution analysis and relative valuation analysis using the Base Sabine Budget Projections before and after correction of the differential error (as corrected, the "corrected Base Sabine Budget Projections"). J.P. Morgan noted that, if J.P. Morgan had used the Base Sabine Budget Projections as of May 5, 2014, the corrected Base Sabine Budget Projections would not have changed J.P. Morgan's opinion 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 and assumptions set forth in J.P. Morgan's opinion, the exchange ratio in the proposed transactions contemplated by the original merger agreement, 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 and 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 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 J.P. Morgan's opinion.

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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 does not express an opinion as to the fairness, from a financial point of view, to the holders of Forest common stock of the exchange ratio in the proposed transaction, the terms of the original merger agreement, and J.P. Morgan has expressed no opinion as to the fairness of any consideration to be paid in the transactions contemplated by the original merger agreement to the holders of any other class of securities, creditors or other parties. J.P. Morgan does not express an opinion on the underlying decision by Forest to engage in the transactions contemplated by the original merger agreement. J.P. Morgan does not express an opinion on the price at which Forest shares or Holdco stock will trade at any future time, whether before or after the closing of the transaction contemplated by the original merger agreement.

In accordance with customary investment banking practice, J.P. Morgan employed generally accepted valuation methods. 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 of publicly traded companies engaged in businesses which J.P. Morgan judged to be sufficiently analogous to Forest's and Sabine's businesses or assets.

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 whose businesses that, for purposes of J.P. Morgan's analysis, may be considered similar to those of Forest and Sabine based on their operations and the form and geographic location of their operations. However, certain of these companies may have characteristics different from those of Forest and Sabine. The analyses necessarily involve complex considerations and judgments concerning the financial and operational characteristics of the companies involved and other factors that could affect the companies differently than Forest and Sabine.

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

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

Multiple of firm value to production (in dollars per thousand cubic feet equivalents per day (\$/Mcfepd)) for the fiscal year ended December 31, 2014 (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	
	2014E	2015E	2014E	2015E
Mean	3.9x	2.9x	6.0x	4.6x
Median	2.8x	2.4x	4.9x	4.2x

Based on the results of this analysis and other factors that J.P. Morgan deemed appropriate, including adjustments for certain companies 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 – 1.5x 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, 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 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	
	2014E	2015E	2014E	2015E
High	\$ 3.57	\$ 4.81	\$ 3.18	\$ 4.87
Low	\$ 1.78	\$ 1.92	\$ 1.48	\$ 3.64

After applying such ranges to the appropriate metrics for Forest based on the Adjusted Forest Projections, the analysis 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	
	2014E	2015E	2014E	2015E
High	\$ 2.72	\$ 4.08	\$ 1.97	\$ 3.56
Low	\$ 1.36	\$ 1.63	\$ 0.48	\$ 2.48

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The ranges of implied equity values per Forest share based on the Base Forest Budget Projections and the Adjusted 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	
	2014E	2015E	2014E	2015E
Mean	3.7x	2.8x	5.9x	4.7x
Median	3.0x	2.4x	4.9x	4.2x

Based on the results of this analysis and other factors that J.P. Morgan deemed appropriate, including adjustments for ce Morgan did not consider representative, J.P. Morgan selected multiple reference ranges for Sabine of 2.0x – 3.5x and 1.5x – 2.0x 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 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	
	2014E	2015E ⁽¹⁾	2014E	2015E ⁽²⁾
High	\$ 916	\$ 1,248	\$ 1,041	\$ 1,466
Low	\$ 523	\$ 624	\$ 662	\$ 927

(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 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	
	2014E	2015E	2014E	2015E
High	\$ 849	\$ 979	\$ 928	\$ 1,026
Low	\$ 485	\$ 490	\$ 568	\$ 574

Net Asset Value Analysis

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

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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 12%, which were chosen by J.P. Morgan based upon an analysis of the weighted average cost of capital of Forest. The present value of the 3P assets was then adjusted for Forest's net present value of projected general and administrative expenses, net present value of the present value of projected net operating loss utilization), 2013 calendar year-end net debt (calculated as the sum of settlement of stock awards) and other adjustments to indicate a range of implied net asset equity values of between \$151 and \$216 million for Forest. The implied net asset equity values for Forest were divided by the number of fully diluted shares outstanding at Forest's 2013 year-end to derive a range of implied net asset values per share of Forest common stock.

Forest Implied Net Asset Value Per Share	Low \$ 1.27
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The range of implied net asset values per share for Forest was compared to Forest's closing share price of \$1.77 on May 13, 2013.

J.P. Morgan prepared a discounted cash flow analysis of the projected cash flow derived from production of Sabine's 3P assets for 2013, based upon extrapolations from estimates provided by Forest's management that were reviewed and approved by 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's 3P assets.

Sabine Implied Net Asset Equity Value (\$ millions)	Low \$ 216
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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 leverage-adjusted EBITDAX for 2014 and 2015, estimated cash flows for 2014 and 2015 and leverage-adjusted 4Q 2013 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's 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 28% to 35% 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 Price Analysis, J.P. Morgan compared the implied equity values for Forest and the implied equity values for Sabine calculated in its Net Asset Value Analysis described above to calculate an implied range of the pro forma equity ownership of the holders of Forest common stock in the combined company. 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 Adjusted Forest 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	
	Low	High
Public Trading Multiples Analysis		
Equity value to 2014E cash flow	19%	45%
Equity value to 2015E cash flow ⁽¹⁾	15%	48%
Firm value to 2014E EBITDAX	14%	36%
Firm value to 2015E EBITDAX ⁽²⁾	23%	38%
Firm value to 4Q 2013 production	21%	41%
Firm value to 2014E production	22%	46%
Net Asset Valuation Analysis	N/A	N/A

- (1) Using the corrected Base Sabine Budget Projections would result in a low of 17% and a high of 50% for implied pro forma 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 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 resulting from this analysis were: (a) the implied pro forma ownership of the combined company following the transactions contemplated by the original merger agreement and (b) the implied pro forma ownership of the combined company following the transactions contemplated by the original merger agreement and the 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 value of Forest on a standalone basis based on the midpoint value determined in J.P. Morgan's Net Asset Value Analysis 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 integration on the combined company relative to the estimated cost of capital for Forest on a standalone basis, (2) subtracting the sum of (a) the estimated present value of the 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 the implied pro forma ownership of the combined company by the holders of Forest common stock. Based on the analysis 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 value of Forest on a standalone basis 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 (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 Forest 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 Sabine Risked Budget, less (ii) Sabine's net debt as of calendar year-end 2013 and (c) the estimated present value of the sum of (a) the implied impact on projected net operating loss usage for the combined company relative to the estimated net operating loss usage of each company on a standalone basis and (b) the estimated present value of transaction fees and other transactions contemplated by the original merger agreement, and (3) multiplying such sum of the estimated valuations derived by 26.5%, representing the approximate pro forma equity ownership of the combined company by the holders of Forest common stock. Under the assumptions described above, this analysis implied value creation for the holders of Forest common stock of approximately 26.5%.

There can be no assurance, however, that the synergies, transaction-related expenses and other impacts referred to above will be more 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 performed by J.P. Morgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis. J.P. Morgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying its opinion. In arriving at its opinion, J.P. Morgan did not attribute any particular weight to any analyses or factors considered in its opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. J.P. Morgan considered the totality of the factors and analyses performed in determining its opinion. Analyses based upon the foregoing are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. The analyses used or made by J.P. Morgan are not necessarily indicative of actual future results, which may be significantly different than those suggested by those analyses. Moreover, J.P. Morgan's analyses are not and do not purport to be appraisals or otherwise intended to represent the value of the 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 in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary offerings of unlisted securities, private placements, and valuations for estate, corporate and other purposes. J.P. Morgan was selected to provide the services contemplated by the transactions contemplated by the original merger agreement and the merger agreement on the basis of such experience.

For services rendered in connection with the transactions contemplated by the original merger agreement and the merger agreement, J.P. Morgan a fee of approximately \$9 million, \$5 million of which was payable upon delivery by J.P. Morgan of its opinion. Such fee is contingent upon the consummation of the transactions contemplated by the merger agreement. In addition, Forest has agreed to pay for its reasonable expenses incurred in connection with its services, including reasonable fees and disbursements of counsel retained by 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 or commercial or investment banking relationships with Sabine Investor Holdings. During the two years preceding delivery of its opinion, its affiliates have had commercial or investment banking relationships with Forest and certain portfolio companies of Forest. 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 with the sale of certain of its oil and gas assets to Templar Energy LLC in November 2013 and (ii) financial advisor for Forest as bookrunner on offerings of debt and equity securities and arranger on certain credit facilities for certain portfolio companies. J.P. Morgan's commercial banking affiliate is an agent bank and a lender under outstanding credit facilities of Forest, for no compensation or other financial benefits. In the ordinary course of their businesses, J.P. Morgan and its affiliates may acquire securities of Forest for their own account or for the accounts of customers and, accordingly, J.P. Morgan and its affiliates may have 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, among other reasons, the uncertainty of the underlying assumptions and estimates. The financial information concerning Forest is included in this document only because it was made available by Forest management to the Forest board, to J.P. Morgan and its fairness opinion and related financial analysis to the Forest board, and to Sabine and Sabine Investor Holdings and its affiliates in 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 years and cash flow for the fiscal years of 2014 and 2015 which were prepared independently from the proposed transactions:

	2014E	2015E	Base ⁽³⁾ (4)
Production (Mmcfepd)	126		
EBITDAX ⁽¹⁾	\$ 203		\$
Cash flow ⁽²⁾	\$ 142		\$

- (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 oil prices 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 substituted 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 Information

While these projections were prepared in good faith by Forest management, no assurance can be made regarding future production, earnings, or other financial performance, and the adjustments made by Forest thereto, involve judgments with respect to, among other things, economic conditions, industry performance, competitive, regulatory, commodity, market and financial conditions and future operations. These projections are not guaranteed, may not be realized and are inherently subject to significant uncertainties, all of which are difficult to predict and many of which are beyond Forest's control. 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 performance.

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

Forest does not intend to update or otherwise revise the prospective financial data to reflect circumstances existing since the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. 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 consummation of the 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, cash flow, or other financial information, among other reasons, the uncertainty of the underlying assumptions and estimates. Sabine management prepared certain internal forecasts and operating information for the use of the Sabine board of directors, which was also provided by Sabine to Forest. Forest management prepared the Adjusted Sabine Projections by applying consistent commodity price assumptions to the projections for both companies (as so adjusted, the Adjusted Sabine Projections). The projections were then further adjusted by Forest's management to reflect, among other things, Forest's production profiles of Sabine's wells (as so further adjusted, the Adjusted Sabine Projections). The financial information concerning the Adjusted Sabine Projections is included in this document only because it was made available to the Forest board and to J.P. Morgan in connection with Forest's financial analysis and related financial analysis to the Forest board. The projections below were not prepared by or disclosed to Sabine or Forest.

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

	2014E	2015E
Production (Mmcfepd)	224	N/A
EBITDAX ⁽¹⁾	\$ 379	\$ 500
Cash flow ⁽²⁾	\$ 262	\$ 300

- (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 oil price as of March 31, 2014.
- (4) Forest made certain revisions to the Base Sabine Budget Projections for 2014 and 2015 to reflect consistent commodity prices between the Base Sabine Budget Projections and the Base Forest Budget Projections. In late May 2014, Forest discovered an error made with respect to the forecasted oil price realizations used for the Base Sabine Budget Projections, which resulted in a \$100 million reduction to Sabine's 2015E EBITDAX and cash flow. The amounts in the table above for 2015E EBITDAX and cash flow reflect an 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 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 Information

While these projections were prepared in good faith by Forest management based on projections 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, involve judgments with respect to, among other things, future economic conditions, industry performance, competitive, market and financial conditions and future business decisions that may not be realized and are inherently subject to significant uncertainty, 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 projections would be realized or that actual results would not differ materially from those presented in the financial data. Such projections should not be considered a reliable predictor of future operating results, and this information should not be relied on as such. The information was 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 (SEC) regarding forward-looking statements, or U.S. generally accepted accounting principles. In the view of Forest management, the projections were 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 Sabine. However, the projections should not be relied upon as being necessarily indicative of future results, and readers of this document are cautioned not to rely on this information.

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

Neither Sabine nor Forest intends to update or otherwise revise the prospective financial data to reflect circumstances existing at the time the prospective financial data were prepared, or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be incorrect. Neither Sabine nor Forest intends to update or revise the prospective financial data to reflect changes in general economic conditions.

These projections are not included in this document to induce any Forest shareholder to vote in favor of the approval and consummation of the 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 different from, or different from, the interests of other Forest common shareholders. The Forest board was aware of these interests at the time the matters, in approving the merger agreement and the combination transaction and in making the recommendation that the Forest board approve the share issuance proposal, the authorized share proposal and the related proposals. For purposes of the Forest board's resolution set forth 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 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 combination transaction will, as of the effective time of the combination transaction, automatically be cancelled and the holder will receive an amount of cash, without interest, equal to the product of (1) the total number of Forest common shares subject to the option (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 and (b) the exercise price per Forest common share applicable to such Forest stock option (with the aggregate amount of such payment rounded 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 such payment. Each Forest stock option for which the exercise price per Forest common share applicable to such Forest stock option is greater than 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 terms of the award 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 combination transaction will, automatically become fully vested at the effective time of the combination transaction and will be paid in cash or shares at the effective time of the combination transaction in accordance with the terms of the applicable award agreement for such performance unit award (including concluding the performance period as of the closing date for purposes of measuring performance under the award conditions).

Forest Phantom Unit Awards

Each Forest phantom unit award, including those held by Forest executive officers, that is outstanding immediately prior to the combination transaction will, automatically become fully vested at the effective time of the combination transaction and will be paid in cash or shares at 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 combination transaction will, automatically become fully vested at the effective time of the combination transaction and the restrictions thereon 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 equity-based awards, see "Quantification of Potential Payments to Forest's Named Executive Officers in Connection with the Combination." The aggregate value that Forest's three other executive officers would be entitled to receive on vesting and settlement of their awards if the effective time of the combination transaction were July 7, 2014, and based on a price per Forest common share equal to the closing price of a Forest common share over the first five business days following the first announcement of the combination transaction would be \$608,040. The aggregate value that all of Forest's directors would be entitled to receive on vesting and settlement of their awards would be \$1,000,000.

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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 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 as described below upon a termination of employment without cause or a resignation following a change of duties within the time of the combination transaction (a *Qualifying Termination*). A *change of duties* is generally defined under the 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 base salary, (iii) a material reduction in the executive officer's annual bonus opportunity, (iv) a material reduction in the long-term cash and equity compensation grants to the executive officer or (v) a change in the executive officer's principal residence of 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 be entitled to a severance 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 at the time of the *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 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 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 continue until 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 90 days after the executive officer's last day of employment (but in no event will an option be exercisable for a longer period than the shorter period than already provided for under the terms of the option). Because all Forest stock options held by the executive officers to the effective time of the combination transaction are being cashed-out, this benefit would apply only to Forest stock options held by an executive officer, other than Mr. Busnardo, after the effective time of the combination transaction and prior to the date of the *Qualifying Termination*.

If any payment, distribution, or benefit, whether pursuant to the severance agreement or otherwise, would be subject to tax on parachute payments then, under the terms of the severance agreement, any such payment, distribution or benefit would be reduced by the amount of such tax. If 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, a committee of Forest's board (the *Compensation Committee*) will make a determination under Forest's annual incentive plan 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 *Qualifying Termination*. 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 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 to each of Forest's named executive officers, see Quantification of Potential Payments to Forest's Named Executive Officers in the Combination Transaction. The aggregate amount of the cash severance payments described above that would become payable to each of the named executive officers if the effective time of the combination transaction were July 7, 2014 and they all experienced a Qualifying Termination (such as the case of Mr. Schelin, an involuntary termination of employment that is not based on unsatisfactory performance) at such time would be \$2,490,458.

Restrictive Covenants

The change in control severance agreements with the executive officers contain restrictive covenants that apply until the executive officer's termination of employment following a change of control while the change in control severance agreement is in effect (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 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 disclosure of 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 following the effective time of the combination transaction. For additional details regarding the terms of the payments described below, see the Merger Agreement and Other Transaction Agreements Indemnification; Directors' and Officers' Insurance. See also 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 on the relevant date, including assumptions described below, and do not reflect compensation actions that may occur before the effective time of the transaction. For purposes of calculating such amounts, the following assumptions were made: (i) July 7, 2014 is the closing date of the combination transaction; and (ii) each named executive officer experiences a Qualifying Termination on the closing date.

Name	Cash (\$)⁽²⁾	Equity (\$)⁽³⁾
<i>Named Executive Officers⁽¹⁾</i>		
Patrick R. McDonald	2,850,000	1,103,850
Victor A. Wind	1,525,000	709,140
Frederick B. Dearman II	1,278,750	519,590
Michael J. Dern	1,186,250	229,690

- (1) Cyrus D. Marter IV was a named executive officer of Forest as of December 31, 2013 and subsequently resigned 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, includes an involuntary termination of employment without cause or a resignation following a change of control) are based on the assumption that each named executive officer experiences a Qualifying Termination on the closing date.

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- duties within two years following the effective time of the combination transaction) consist of a lump sum payment equal to three 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 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, upon the effective time of the combination transaction, all Forest stock options will be cashed-out, all Forest performance units will be based on performance through the closing date and will be settled in accordance with their terms, all Forest phantom units will be vested and will be settled in accordance with their terms and all unvested Forest restricted shares will become vested. The table below assumes a price per Forest common share of \$2.23, the average closing price of Forest common shares on the date of the first announcement of the combination transaction. Set forth below are the values of each type of equity-based compensation 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 dependents for twenty-four months following the Qualifying Termination (which, as described above, is a termination without cause or a resignation following a change of duties within two years following the effective time of the combination transaction). All such amounts are double-trigger.
- (5) As described above, if a named executive officer's transaction-related compensation would be subject to the federal estate tax, then, under the terms of the change in control severance agreement, such compensation would be reduced to the extent of the potential reduction. Amounts included above would result in a greater net after-tax amount being retained by the named executive officer.

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

Regulatory Approvals Required for the Combination Transaction

Governmental and regulatory approvals are required to complete the combination transaction. These approvals include the approval of the applicable waiting period under the HSR Act. Under the HSR Act and related rules, certain transactions, including the combination transaction, cannot be completed until notifications have been given and information furnished to the Antitrust Division and the FTC and the applicable requirements have been satisfied. On May 23, 2014, Forest and Sabine Investor Holdings each filed the required notification with the HSR Act with the FTC and the Antitrust Division with respect to Sabine Investor Holdings' acquisition of voting securities in Forest Bancorp. The Antitrust Division administers the HSR Act, granted early termination of the waiting period applicable to Sabine Investor Holdings' acquisition of voting securities in Forest Bancorp on June 5, 2014. At any time before or after the completion of the combination transaction, the Antitrust Division or the FTC could take action under the antitrust laws as deemed necessary or desirable in the public interest, including without limitation, to suspend or delay completion of the combination transaction or to permit completion only subject to divestiture of assets, regulatory concessions, or other conditions.

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

Accounting Treatment

In accordance with U.S. GAAP, Forest will account for the combination transaction using acquisition accounting, with Sabine's net assets. 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 value of the 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, Forest common shares will continue to be listed on the NYSE. If the name change proposal is approved, Forest intends to apply to the NYSE to change the ticker symbol from FST to SABO. Neither Sabine's nor Sabine Holdings' units are listed on any national securities exchange.

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 Southern District of New York by purported Forest common shareholders. These actions are captioned *Stourbridge Investments LLC v. Forest Oil Corp.*, 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.*, Index No. 651499/2014, filed May 15, 2014; *Gawlikowski v. Forest Oil Corp., et al.*, Index No. 651506/2014, filed May 16, 2014; *Forest Oil Corp. v. Forest Oil Corp.*, 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 17, 2014, the New York Court consolidated the New York actions and captioned the case *In re Forest Oil Corporation Shareholder Litigation*. On July 17, 2014, the New York plaintiffs filed an amended consolidated complaint (the "New York Action"). The New York Action seeks to enjoin each of the current directors of Forest, as well as Sabine Oil & Gas LLC and certain of its affiliates and investors, and seek to enjoin the combination transaction or, in the event the combination transaction is consummated, to recover damages. The New York Action also seeks to enjoin the members of the Forest board of directors from breaching their fiduciary duties to Forest shareholders by agreeing to the combination transaction announced by Forest and Sabine on May 6, 2014 for inadequate consideration and pursuant to an inadequate process, that the combination 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 statement were materially false and misleading.

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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 assets to Templar Energy, which closed on November 25, 2013. The New York Action further alleges that Sabine Oil & Gas and 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 for the benefit of common shareholders (the Colorado Action), captioned *Olinatz v. Forest Oil Corp., et al.*, Case No. 1:14-cv-01409, filed by the Colorado Action filed an amended complaint on June 13, 2014. The Colorado action names as defendants each of the company, as well as Forest, Sabine Holdings, and certain of their respective affiliate entities. The action seeks, among other things, to recover damages, or, in the event the original transaction is consummated, to recover damages. The action alleges, among other things, that the board of directors breached their fiduciary duties to Forest shareholders by agreeing to sell Forest transaction for inadequate consideration, to an inadequate process, and that certain of the entity defendants, including Sabine Holdings and certain of its affiliates, breached. In addition, the Colorado Action further alleges violations of the federal securities laws in connection with Forest's registration statement filed by Forest on May 29, 2014. Forest and Sabine Holdings believe the allegations in the complaint are false and

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 A; 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; the form of certificate of amendment (evidencing preferred stock), a copy of which is attached as Annex E. You are urged to read 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 or indirectly, contribute the equity interests of Sabine Holdings to Forest, with Sabine Holdings becoming a wholly owned subsidiary of Forest. (i) Sabine Investor Holdings and AIV Holdings will receive 123,837,490 and 39,874,020 shares of Forest common stock, respectively. (ii) Sabine Investor Holdings and AIV Holdings will receive 1,258,900 and 405,349 shares of Forest Series A convertible common 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 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 the same number of shares of Forest common stock, which shares will represent (based on the number of Forest common shares outstanding as of May 5, 2014) 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. Sabine Investor Holdings and AIV Holdings will collectively hold approximately 58% of the issued and outstanding Forest common shares, 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 100,000 shares of Forest common stock under the 2014 LTIP, which will dilute the ownership percentages in Forest common shares listed above. The issuance of the 2014 LTIP shares will affect 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 approved, Sabine Investor Holdings and AIV Holdings will receive shares of Forest Series B convertible common-equivalent preferred stock in lieu of a portion of the shares of Forest common stock that would have been received by them if there were available for issuance a sufficient amount of authorized but unissued shares of Forest common stock. Sabine Investor Holdings and AIV Holdings would receive (i) 37,822,023 and 12,178,187 shares of Forest common stock, respectively, (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 on the number of shares 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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of Forest common shares on the NYSE on the last trading day prior to the closing date will be cancelled pursuant to the consideration.

Forest Performance Unit Awards

Each Forest performance unit award that is outstanding immediately prior to the effective time of the combination transaction will be 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 Forest performance unit award (including 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 be 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 be 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 with the SEC with respect to the common shares of Forest that may be granted to employees, consultants and directors of Forest.

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 expired (which waiting period terminated on June 5, 2014);

no governmental entity will have enacted, issued, promulgated, enforced or entered any decision, injunction, decree or order (temporary, preliminary or permanent) that is in effect and enjoins or otherwise prohibits or makes illegal the consummation 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 the Holdings).

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

(i) certain representations and warranties of Sabine Investor Holdings, Sabine Holdings, SOGH II and Sabine (the Holdings) relating to capitalization will be true in all respects as of the date of the merger agreement and as of the closing date (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or otherwise) 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 Sabine parties and AIV Holdings relating to organization, authority and enforceability, capitalization, compliance with the Foreign Corrupt Practices Act, and U.S. Trading with the Enemy Act, Sabine Holdings approvals, brokers' fees and expenses 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); (iii) all representations and warranties of the Sabine parties and AIV Holdings in the merger agreement will be true and correct in all material respects as of the date of the merger agreement (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import except for representations and warranties of Sabine relating to the absence of certain changes) in all respects as of the date of the merger agreement 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 material respects as of such specific date), except, in the case of this clause (iii), where the aggregate failure of such representations and warranties has not had, and would not reasonably be expected to have a Sabine Material Adverse Effect (described in the Merger Agreement).

the Sabine parties and AIV Holdings will have performed or complied with, in all material respects, the obligations of the Sabine parties and AIV Holdings under the merger agreement to be performed or complied with by the Sabine parties and AIV Holdings on or prior to the closing date.

Forest will have received the required closing certificate from each of Sabine Investor Holdings and AIV Holdings confirming that certain of the closing conditions applicable to the obligations of the Sabine parties and AIV Holdings have been satisfied.

Forest will have received a duly executed (i) FIRPTA certificate of non-foreign status and (ii) IRS Form W-9, in each case from 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 operations of Sabine Holdings and its subsidiaries, taken as a whole; provided, that any effect resulting from any of the following events, changes in market conditions, circumstances, matters, occurrences or state of facts shall not be considered when determining whether a material adverse effect has occurred: (i) any change in general economic, political, business or other capital market conditions (including prevailing interest rates and the economy arising as a result of acts of terrorism); (ii) any change or developments in prices for oil, natural gas or other raw materials used by Sabine Holdings or its subsidiaries in its raw material inputs and end products; (iii) any change affecting the oil and natural gas industry generally; (iv) any change in accounting requirements or principles imposed by U.S. GAAP or any change in law applicable to Sabine Holdings or its subsidiaries as of the date of the merger agreement; (v) any change resulting from the execution of the merger agreement or the announcement of the merger agreement; (vi) any change resulting from compliance by Sabine Holdings and its subsidiaries with the terms of the merger agreement or any of its subsidiaries; (vii) earthquakes, any weather-related or other force majeure event or natural disasters; (viii) escalation of hostilities or acts of war; (ix) any failure by Sabine Holdings or any of its subsidiaries to meet any financial obligations or estimates of revenues, earnings or other financial metrics for any period (provided, that the underlying causes of such failure of its subsidiaries may be considered); or (ix) any changes in the credit rating of Sabine Holdings or any of its subsidiaries (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), (v), (vi), (vii), (viii) and (ix), an effect resulting from such events disproportionately affects Sabine Holdings and its subsidiaries, taken as a whole, relative to other 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 (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 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 in all respects (except for representations and warranties made as of a specific date, which shall be true and correct other than as a result of such specific date); (ii) certain representations and warranties of Forest relating to organization, authority and existence, and compliance with the USA PATRIOT ACT, the Foreign Corrupt Practices Act, and U.S. Trading with the Enemy Act, and all other representations and warranties of Forest relating to the financial advisor and transactions with affiliates, will be true and correct in all material respects as of the date 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 (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import) and all other representations and warranties of Forest relating to the absence of certain changes) in all respects as of the date 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 the representations and warranties to be true and correct has not had, and would not reasonably be expected to have a Forest Material Adverse Effect (described in the Prospectus 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 that certifies 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 matters and the 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 as of the Closing and (ii) certain nominees designated by Sabine will be appointed to serve as members of the Forest as of the Closing.

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

Table of Contents**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, and hold a special meeting, as soon as reasonably practicable following the date that the SEC confirms it has no further comments on this proposal, to approve the authorized share proposal, to approve the name change proposal. Forest agreed to use its reasonable best efforts to cause its common shareholders to exercise their right to change its recommendation in the circumstances described below, to recommend that Forest common shareholders approve the authorized share proposal, to approve the authorized share proposal and to approve the name change proposal and to use its reasonable best efforts to cause its common shareholders votes in favor of the foregoing. Forest may continue, adjourn or postpone the special meeting, if, a 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 after 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 or other similar activities with any person other than Sabine Investor Holdings and its affiliates and its and their representatives with respect to, or that may reasonably be expected to lead to an Acquisition Proposal (as defined below) and (ii) immediately cause any person other than Sabine Investor Holdings and its affiliates and its and their representatives to any data room (virtual or otherwise) containing nonpublic information with respect to Forest or its subsidiaries previously furnished with respect to any Acquisition Proposal to the fullest extent permitted under any confidentiality agreement or similar agreement with such person) such person to promptly delete and destroy, 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, delete and destroy, 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 (including a combination transaction) from any third party involving: (A) a merger, reorganization, share exchange, consolidation, combination, recapitalization, dissolution, liquidation or similar transaction involving Forest or any of its subsidiaries whose assets, tangible or intangible, constitute fifteen percent (15%) or more of Forest's consolidated assets based on fair market value, (B) any purchase (including any lease, mortgage, pledge or other arrangement having similar economic effect), directly or indirectly, in any manner of any business or other interest in one or more subsidiaries) that constitute fifteen percent (15%) or more of the consolidated assets of Forest or fifteen percent (15%) or more of Forest's consolidated revenues or (C) the acquisition, directly or indirectly, of beneficial ownership of securities of Forest after which any person or group would own securities representing fifteen percent (15%) or more of the outstanding securities 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 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 to), directly or indirectly:

solicit, initiate (including by way of furnishing information), knowingly encourage, or knowingly facilitate any inquiry, request, 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 to or its subsidiaries to, or afford access to the business, properties, assets, books or records of Forest or any of its subsidiaries 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, 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, and their representatives may conduct or engage in any discussions or negotiations with, disclose any nonpublic information to or its subsidiaries to, or afford access to the business, properties, assets, books or records of Forest or any of its subsidiaries 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 a 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, that such Acquisition Proposal constitutes a Superior Proposal (as defined below) or is reasonably likely to lead to a combination transaction, except that (1) Forest will not deliver any nonpublic information or nonpublic data to such third party or grant access to such information or data, unless Forest enters into an acceptable confidentiality agreement with such third party and (2) Forest will, as promptly as practicable (but 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 or any of its subsidiaries 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, that references in the definition of Acquisition Proposal to 15% shall be replaced by 50%) made by a third party that, in good faith (after consultation with its financial advisor and outside legal counsel) (i) would be, if consummated, more favorable to Forest than the combination transaction (taking into account all of the terms and conditions of such proposal and the merger agreement to the terms of the merger agreement proposed by Sabine Investor Holdings in response to such offer or otherwise)) and (ii) after consideration of all conditions, and legal, financial and regulatory aspects of the proposal, the identity of the third party making such proposal, the probability of 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) any request for information or any Acquisition Proposal by Forest, its subsidiaries or any of their representatives from any person in respect to any Acquisition Proposal. This notice is required to include the material terms and conditions of, and the identity of the person making the Acquisition Proposal, request or inquiry. Forest further agreed to provide to Sabine Investor Holdings copies of any written information received in connection with the foregoing and to keep Sabine Investor Holdings informed of any material developments, regarding any Acquisition Proposal on a reasonably current basis (and in any event in each case within 24 hours). Forest and its subsidiaries will not enter into any confidentiality agreement with any person subsequent to the date that the merger agreement is entered into, which 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 related to the combination transaction. Except as described below, neither the Forest board nor any committee thereof may take any 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 modify or withdraw its recommendation;

fail to include the Forest recommendation in the proxy statement sent to the Forest common shareholders 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 of 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 Rule 14d-9 under the Exchange Act, or make any stop-look-and-listen communication to the Forest common shareholders in accordance with the Exchange Act; provided, that in no event will any such requirement affect, eliminate or modify the obligations of Forest under the 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 an unsolicited Acquisition Proposal is received, the Forest board will be permitted to make a Forest Recommendation Change and/or to take any action in order to enter into a definitive agreement with respect to such Acquisition Proposal if, prior to taking such action, the Forest board acts 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 and shall specify the material terms and conditions of any Superior Proposal (including the identity of the person making such proposal) and shall contemporaneously provide to Sabine Investor Holdings a copy of any proposed transaction agreements with the person making such Proposal (and any amendment to the financial or other material terms of a Superior Proposal after delivery of notice of such amendment). Any Superior Proposal will require delivery of another notice and will commence a new three business day notice period with respect to such Proposal);

Forest has negotiated, and has caused its representatives to negotiate, in good faith with Sabine Investor Holdings (Sabine Investor Holdings seeks to negotiate with Forest) during such notice period described above to enable Sabine Investor Holdings to terminate 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 Superior Proposal in writing by Sabine Investor Holdings and determined in good faith, after consultation with its financial advisor and legal counsel, 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 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, Forest may be permitted to make a Forest Recommendation Change in response to a Forest Intervening Event (as defined below) if Forest acts 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, known or unknown to the Forest board as of the original execution date of the merger agreement (or if known, the magnitude or consequences 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 after the common shareholders approve the share issuance proposal and the authorized share proposal; provided, that (a) in no event shall any of the following terms of an Acquisition Proposal constitute a Forest Intervening Event and (b) any effect resulting from any of the following 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 interest rates and any effects on the economy arising as a result of acts of terrorism); (ii) any change or developments in commodity prices or for raw material inputs and end products; (iii) any change affecting the oil and natural gas export market generally; (iv) any change in accounting requirements or principles imposed by U.S. GAAP or any change in law after the merger agreement; or (v) earthquakes, any weather-related or other force majeure event or natural disasters or outbreak 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, vice versa.

The Forest board will not make a Forest Recommendation Change in connection with a Forest Intervening Event unless

Forest has given Sabine Investor Holdings at least three business days notice of its intention to take such action and, in the event 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 (and if Sabine Investor Holdings seeks to negotiate with Forest) during such notice period described above to enable Sabine Investor Holdings to complete the merger agreement such that a failure of the Forest board to effect a Forest Recommendation Change in response to a 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 proposed in writing by Sabine Investor Holdings and will have determined in good faith, after consultation with its 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 shall 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 Forest junior preferred stock related to the plan, referred to as the rights. Forest may, in its sole discretion, amend or waive or redeem such rights or make any determinations with respect to the rights plan, the rights and the Forest junior preferred stock, but not take any such action that would have an adverse effect on the issuance of the Forest common shares and preferred stock of 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 common shares of Forest without the approval of Forest's board of directors. The rights plan also provides that if a shareholder of Forest's common shares as of the time of the public announcement of the rights plan and associated dividend declaration (including through entry into certain derivative positions), that shareholder's then existing ownership percentage would become exercisable if at any time after such announcement the shareholder increases its ownership percentage by any person or group, together with all of its affiliates and associates, has or will have at any time prior to December 31, 2014, a transaction, security or derivative or synthetic arrangements having the characteristics of a short position in or with respect to 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, together with all affiliates and associates of such shareholder, does not and will not at any time prior to 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 that would increase in value as a result of decline in Forest's credit rating and (2) such shareholder will continue to satisfy clause (1) for so long as such shareholder would not become 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. The applicability of the preceding paragraph to any such shareholder, including by promptly, and in any event within 24 hours, providing to Sabine Investor Holdings with (i) a copy of any certification received by Forest pursuant to the rights plan, and (ii) copies of the terms and summaries of any oral communications with shareholders with respect to the continuing accuracy of the certification.

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 of the 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 action 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 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 would make the combination transaction illegal or otherwise prohibited, provided, that the party seeking to avail itself of the combination transaction 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, 2011, provided, that such right to terminate the merger agreement pursuant to this provision will not be available to the terminating party if the failure to fulfill any of its covenants or agreements under the merger agreement has been the principal cause of, or a substantial cause 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 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 of the parties 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 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 by Forest, provided, that Forest will not have the foregoing right to terminate if, at the time of such 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 shares of Forest have been issued in compliance with the merger agreement with respect to a Superior Proposal (which definitive agreement will be entered into concurrently with 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 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 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 will not have the foregoing right to terminate if, at the time of such failure of certain specified closing conditions to be satisfied;

a Forest Recommendation Change has occurred, whether or not such Forest Recommendation Change is per
or

Forest engaged in a willful and material breach of its non-solicitation and termination of discussions obligati
(i) such willful and material breach is a result of an isolated action by a person that is a representative of For
director or employee of Forest or any of its subsidiaries), (ii) such willful and material breach was not cause
facilitated by, or taken with the knowledge of, Forest, (iii) Forest uses reasonable best efforts to immediatel
material breach upon the discovery thereof by Forest or any officer, director or employee of Forest or any of
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 and certain other provisions of the merger agreement, including the enforcement of the terms of the merger agreement) will be of no liability or obligation on the part of any party, except that no party will be relieved from liability for any damages resulting from 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 of a willful and material breach of its non-solicitation obligations (second and third sub-bullets of the fourth bullet described in the Merger Agreement);

Sabine Investor Holdings terminates the merger agreement because of Forest's willful and material breach of its obligation to hold the special meeting pursuant to the merger agreement and such breach would result in certain closing conditions not 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 notice of such inaccuracy or breach is provided to Forest by Sabine Investor Holdings (first sub-bullet of Termination of the Merger Agreement);

Termination of the Merger Agreement) due to Forest's willful and material breach of its obligation with respect to the 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 to Forest that has not been withdrawn at least five days prior to the Forest special meeting, (2) Forest terminates the merger agreement, the Forest special meeting has concluded and the Forest common shareholders did not approve the share issuance proposal, and (3) within twelve (12) months after such termination, Forest enters into a definitive agreement with respect to the Acquisition Proposal (substituting 50% for references to 15% in the definition of Acquisition Proposal above);

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 to Forest, on 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, in Material Adverse Effect or a Forest Material Adverse Effect. Generally, the representations and warranties do not constitute representations and warranties contained in the merger agreement are complicated and are not easily summarized. You are referred to the sections of the merger agreement, which is attached as Annex B hereto, entitled Representations and Warranties of Forest 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. The representations and warranties, may be subject to limitations agreed upon by the contracting parties, including being qualified by a materiality standard, in annual reports to certain of its investors or Forest's filings with the SEC and/or confidential disclosures, made for the purpose of reducing the risk among the parties to the agreements instead of establishing these matters as facts, and may be subject to standards of disclosure of 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 the disclosures. Sabine, or its affiliates, and Forest will provide additional disclosure in their public reports to the extent that they become aware of any material facts that are required to be disclosed under federal securities laws that might otherwise contradict the terms of 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 to take and not to take certain actions until the earlier of the consummation of the 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 exchange or regulatory organization or (iii) to the extent the other party otherwise consents in writing, each of Sabine Holdings, 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 dealings; and

use reasonable best efforts to maintain in full force without interruption its present insurance policies or comparable policies. In addition, subject to certain exceptions, Sabine Holdings and Forest have agreed not to, and not to authorize or permit any person to, among other things:

make any material change or amendment to their organizational documents (and, in the case of Sabine Holdings, those documents 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, make any investment in or make loans or capital contributions to any person (x) in the case of Forest, in excess of (i) ordinary course overnight investments consistent with the cash management policies of Forest and purchases of securities in the ordinary course of business and (ii) certain loans or advances by certain subsidiaries to Forest or a wholly owned subsidiary of Forest or (y) in the case of Sabine Holdings, in excess of \$50,000,000 other than ordinary course overnight investments) or 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, \$40,000,000, 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 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 as provided in 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 securities in respect of, in lieu of or in substitution for, its capital stock or equity securities, except for the rights issued pursuant to the 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 capital stock or equity securities;

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

sell assets (including equity interests in any other persons), other than (x) in the case of Forest, (i) sales of hydrocarbons in the ordinary course of business, (ii) sales of assets to third parties for a purchase price that does not exceed \$10,000,000, or (iii) certain sales by certain subsidiaries of Forest or (y) in the case of Sabine Holdings, (i) sales of hydrocarbons 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 Forest's existing credit agreements, as applicable, and (B) other indebtedness of less than \$10,000,000 in the aggregate, subject to certain exceptions;

(i) settle any claims, demands, lawsuits or state or federal regulatory proceedings for damages to the extent such settlements would result in an out-of-pocket expense 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 (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 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, merger, acquisition or sale of assets;

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

in the case of Forest only, except as required pursuant to the terms and conditions of a Forest benefit plan as in effect immediately prior to the closing date of the merger agreement (i) increase the salary, bonus or other compensation (including incentive compensation) payable to any executive officer of Forest in excess of increases in annual base salaries or wage rates in the ordinary course of business consistent with past practice, or (ii) adopt or make any amendment to any Forest benefit plan, other than amend any pension or profit sharing plans that are defined contribution or welfare plans that do not materially increase the cost to Forest and its subsidiaries;

in the case of Forest only, recognize any union or establish, negotiate or become obligated under any collective bargaining agreement or 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 executive officer of Forest with a base salary in excess of \$200,000 or (ii) terminate, other than for cause, the employment of any executive officer of Forest with a 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 any material contract, or (ii) enter into a contract after the original execution date of the merger agreement that is more favorable to the other party (as defined in the merger agreement) if entered into prior to the original execution date of the merger agreement; 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 to such employee 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 pension plans and equity-based compensation arrangements) that are no less favorable in the aggregate than those made available to such employee by 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 bonus opportunities and employee benefits that are no less favorable than those provided to such employee immediately prior to the closing date and employee benefits including retiree health and

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

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. 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 steps 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 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 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 by other regulatory laws, including covenants to respond promptly to inquiries received from governmental entities, notify such entities of communications with such entities and, subject to applicable law, allow the other party to review and provide comments on such communications in advance. In connection with such antitrust and regulatory review, Sabine Investor Holdings and AIV Holdings have, to the extent practicable, expired the waiting period under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and will not result in making proposals, offering remedies, commitments or undertakings, executing or carrying out agreements or securities transactions (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 subsidiary of Forest, business, assets, categories of assets or products of Sabine Investor Holdings, AIV Holdings, Forest or any of their

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 or its 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.

Sabine Investor Holdings and AIV Holdings will not be obligated to make or agree to make any Regulatory Divestiture that is not 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, or enter into, consent to or acquiesce to any Regulatory Divestiture without the prior written consent of Sabine Investor Holdings, and (ii) will commit to, enter into, consent to or acquiesce to any Regulatory Divestitures as directed by Sabine Investor 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, in the same manner as provided by Forest immediately prior to the original execution date of the merger agreement, each director, officer and employee of Forest and its subsidiaries (in all of their capacities, collectively, the "Indemnified Parties"), against and to the extent of any judgments, fines, losses, claims, damages or liabilities incurred in connection with any suit, investigation or other proceeding brought against or to such Indemnified Parties in their capacity as such.

Forest agreed that, until the six-year anniversary date of the effective time of the combination transaction, Forest's organizational documents shall contain provisions no less favorable with respect to indemnification of the current and former directors and officers of Forest than the provisions contained in Forest's organizational documents, which provisions will not be amended, repealed or otherwise modified in any manner that would curtail the rights thereunder of any such individuals until the expiration of the statutes of limitations applicable to such matters or until such 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 that is no less favorable in the aggregate than the policies provided by the Forest's directors and officers' insurance and indemnification policies in effect on the execution date of the merger agreement, provided, that Forest will not be required to pay an annual premium for such insurance coverage in excess 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 necessary for the refinancing of Forest's existing indebtedness, including using reasonable best efforts to, among other things, furnish performance information (including certain financial information) to consummate any customary offerings of debt securities contemplated by the arrangement of loans contemplated by the Sabine parties. Forest's obligations under any agreement or document related to its 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 its indebtedness prior to the effective time of the combination transaction. Forest is not obligated to take any action or provide any information that unreasonably interferes with the ongoing operations of Forest or any of its subsidiaries. The Sabine parties will reimburse Forest for out-of-pocket costs and expenses (including reasonable attorneys' fees) incurred by Forest or its subsidiaries in connection with the refinancing of its indebtedness.

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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 any of its subsidiaries.

The Sabine parties will use their commercially reasonable effort to obtain the proceeds of the debt financing on the terms set forth in the commitment letter and will comply with their obligations and enforce their rights under the commitment letter in a timely 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 with the control offer. If any portion of the debt financing becomes unavailable, the Sabine parties will use their commercially reasonable effort to modify, supplement, alter, restate, substitute or replace the debt financing as promptly as practicable following the occurrence of the event. The Sabine parties may amend, modify, supplement, alter, restate, substitute or replace or waive any of their rights under the commitment letter in definitive documentation with respect to the debt financing or substitute other debt or equity financing for all or any portion of the debt financing the same or alternative financing sources if (i) the amount thereof will be sufficient, when taken together with remaining cash on hand (if any), any other debt, any equity commitment and cash on hand, to consummate the refinancing and (ii) any such amendment, alteration, restatement, substitution or replacement or waiver of any rights under the commitment letter or any associated 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 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 a debt tender offer to discharge one or more series of its outstanding notes (each, a "debt tender") and/or (ii) a consent solicitation to amend or replace the indentures governing Forest's outstanding notes such that, among other things, no aspect of the combination transaction is a control offer (as defined in the applicable indenture) (each, a "consent solicitation") and together with each debt tender, Forest is not required to commence any debt offer until the Sabine parties provide Forest with forms of the necessary offer to purchase agreement, dealer manager and/or solicitation agent agreement, letter of transmittal or other related documents in connection with any debt offer within a period of time in advance of commencing the applicable debt offer. Forest will not be required to pay, purchase or otherwise acquire any 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 the debt tender offer.

The Sabine parties will pay the fees and out-of-pocket expenses of any dealer manager, information agent, solicitation agent or other agent retained in connection with any debt offer upon the incurrence of such fees and out-of-pocket expenses. To the extent Forest incurs any such fees and out-of-pocket 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 tender offer 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 and other confidential information of the other 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 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 conditions of the merger agreement, provided, that such extension or waiver is set forth in writing and signed by the parties to the merger agreement or waiver. The merger agreement may be amended only by a written instrument signed by all the parties to the merger agreement and the Forest common shareholders have approved the share issuance proposal and the authorized share proposal; provided, however, that without such further approval, no amendment will be made for which applicable law or the rules of the relevant stock exchange requires further approval. No amendment will be made to provisions relating to third-party beneficiaries, governing amendments or certain agreements with respect to financing sources which would be adverse to the entities that have committed to enter 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 at the time of combination transaction (eight of whom will be designated by Sabine Investor Holdings and two of whom will be designated by Forest at the effective time of the combination transaction) and (b) appoint the persons who are the officers of Sabine immediately prior to the combination transaction as officers holding the same offices of Forest effective as of the effective time of the combination transaction.

Stockholders Agreement

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

Table of Contents***Corporate Governance***

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

Forest will cause the persons designated by Sabine Investor Holdings or AIV Holdings, as applicable, in accordance with the stockholder's agreement, to be nominated for election at each meeting of shareholders of Forest at which directors are to be elected, and such persons will be elected 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 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 not transfer their Forest common shares and Forest convertible common-equivalent preferred shares in accordance with the recommendations of the Corporate Governance Committee of the Forest board of directors with respect to the election of any person to be elected to the 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 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 transfer any Forest convertible common shares or Forest common-equivalent preferred shares and certain other derivatives, subject to certain exceptions. These exceptions include transfers that are approved by a majority of the directors of Forest, other than directors of Forest other than those designated by Sabine Investor Holdings or AIV Holdings, as applicable, for election to the board of directors (as summarized above), as well as certain transfers to affiliates and investors in Sabine Investor Holdings or AIV Holdings in accordance with 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 (the "New Delaware Holdco") and New Delaware Holdco to merge with Forest merger subsidiary (the "Reincorporation Merger Sub");

Adopt a reincorporation merger agreement, providing for the merger of the Reincorporation Merger Sub with Forest, with Forest surviving the reincorporation merger as a wholly owned subsidiary of New Delaware Holdco, and Forest convertible common shares and Forest common shares receiving corresponding shares in New Delaware Holdco in exchange for their Forest shares (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 agreement.

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

Because of these contractual obligations, and due to the fact that Sabine Investor Holdings and AIV Holdings will collectively own all of the common shares and Forest preferred shares representing 80% of the total voting power in Forest following the combination transaction, 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 the special meeting, Forest will prepare and mail to Forest shareholders a separate proxy statement, containing information related to the reincorporation merger, the New Delaware Holdco, and the New Delaware Holdco shares to be received by Forest shareholders in the reincorporation merger, 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 equity holders, including First Reserve, will have certain registration rights, including demand registration rights, shelf registration rights and rights to register securities (including marketed underwritten shelf take-downs). Forest will not be obligated to effect, at the request of First Reserve, 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 upon completion of the combination transaction. Each of the current directors of Sabine is expected to serve as a director of Forest following the combination transaction, and the remaining two designees have not yet been determined. In addition, the executive officers of Sabine are expected to serve as the executive officers of Forest following the combination transaction in the same capacity in which they serve at 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
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 General Manager of Devon Energy Corporation's Southern Division, and prior to that their International Division. Mr. Sambrooks also held several 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 a member of the 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. Mr. Levesque was 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 at Devon Energy, Burlington Resources and Amerada Hess. Mr. Levesque earned a Bachelor of Science degree in Petroleum Engineering from the University of Texas at Austin. Mr. Levesque is married to Cheryl R. Levesque, who is expected to serve as Senior Vice President, Engineering and Development 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 also served as Senior Vice President, Production & Operations and held this position from August 2013 to August 2014.

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until February 2013. From February 2013 to October 2013, Ms. Levesque served as Senior Vice President, Production & 2013 to August 2014, served as Senior Vice President, Engineering and Development of Sabine. Prior to joining Sabine, of Exploitation Supervisor with Devon Energy Corporation. She also held senior technical positions of increasing responsibility with Burlington Resources. Ms. Levesque obtained her Bachelor of Science in Petroleum Engineering from Texas Tech University and is a Professional Engineer in Texas. Ms. Levesque is married to R. Todd Levesque, who is expected to serve as Executive Vice President, 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 August 2013 and also assumed the position of Senior Vice President of Land in August 2014. Mr. Yang joined Sabine in 2011 as part of the management team, serving as Vice President, General Counsel and Secretary from 2011 to February 2013. Mr. Yang was previously Assistant Corporate Secretary for Eagle Rock Energy prior to joining Sabine. His legal experience covers both public and private energy and investment industries including Invesco/AIM Investments, Pogo Producing Company and AEI Energy. Mr. Yang received his 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 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 2013. Mr. Radtke has over 40 years of experience in energy executive management, engineering and business development. From 2001 until 2007, Mr. Radtke was President and Chief Executive Officer of Dominion Exploration and Production, a subsidiary of Dominion Resources, Inc. of Dominion Resources, Inc. Previously, Mr. Radtke served as President of Devon International. Mr. Radtke is currently Chairman of KrisEnergy Corporation, a public company, KrisEnergy Ltd., a public company whose shares are traded in Singapore, Offshore Energy and Gas Abuse Program. Mr. Radtke serves as the President and Chief Executive Officer of Valiant Exploration LLC, which is engaged in the oil and gas industry. Mr. Radtke is a former Chairman of the American Exploration and Production Council and former Chairman of the American Petroleum Institute. 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, Mr. Sambrooks was President and General Manager of Devon Energy Corporation's Southern Division, and prior to that their International Division. Mr. Sambrooks held 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 Texas at Austin. Mr. Sambrooks is a member of 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 Energy Services 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 management of investment activities in all areas of the worldwide energy industry, with particular expertise in the natural gas and oil sectors. Prior to joining First Reserve, Mr. Krueger worked in the Energy group of Donaldson, Lufkin & Jenrette in Houston. Mr. Krueger holds a Bachelor's degree from the University of Pennsylvania, one in Chemical Engineering and one in Finance and Statistics from the University of Pennsylvania.

John Yearwood. Mr. Yearwood has served as a director of Sabine since June 2007. Mr. Yearwood currently serves on the boards of Sabal Trail, Sabal Trail Industries, Ltd., Barra Energia, Sheridan Production Partners, Premium Oilfield Services and Foro Energy. Until recently, Mr. Yearwood was Executive Officer, President and Chief Operating Officer of Smith International, Inc. Mr. Yearwood was first elected to the board of Sabal Trail in 2006 and remained on the board until he successfully negotiated and completed the sale of Smith to Schlumberger Ltd. In 2006, Mr. Yearwood spent 27 years with Schlumberger in numerous operations management and staff positions throughout the world, including North Africa and North America, including as President and in financial director positions. Mr. Yearwood received a Bachelor's 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 Energy, which he joined in 2007. His responsibilities range from deal origination and structuring to due diligence, execution and monitoring of investments in the oil, gas, reserves and midstream sectors. Prior to joining First Reserve, Mr. France was a Vice President in the Natural Resources Group, Energy Division, at Lehman Brothers. From 1999 until 2001, Mr. France was a consultant at Deloitte & Touche. Mr. France holds a Bachelor's Administration degree in Finance from the University of Texas and a Master of Business Administration from Jones Graduate School of Business, 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 Energy since 2012. His responsibilities range from deal origination and structuring to due diligence, execution and monitoring, with a focus on the oil and gas sector. Prior to joining First Reserve, Mr. Shughart was a Director in the Mergers and Acquisitions Group for Credit Suisse. Mr. Shughart has held positions in the energy groups of Lazard Freres and Donaldson, Lufkin & Jenrette/CS First Boston. Mr. Shughart holds a Bachelor's Administration degree in Finance from The University of Texas. Mr. Shughart also serves on the board of directors of KBR, 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 Leach and R. Todd Leach, 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 board of Forest, conditioned upon, the completion of the combination transaction. The two directors of Forest who are also expected to resign from the board of Forest upon completion of the combination transaction are Patrick R. McDonald and Dod A. Fraser. The following table sets forth the names and positions of the individuals.

Name	Age	Position at Forest
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 2012.

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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 Gas Co. in 2011, and continues to serve in such capacities. He has also served as Chief Executive Officer, President and Gas Co.'s predecessor company Nytis Exploration Company since 2004. From 1998 to 2003, Mr. McDonald served as Chief Executive Officer, and Director of Carbon Energy Corporation, an oil and gas exploration and production company. From 1987 to 2003, Mr. McDonald served as Chief Executive Officer, President and Director of Interenergy Corporation, a natural gas gathering, processing, and marketing company. Before his appointment as interim Chief Executive Officer of Forest, Mr. McDonald was a member of the Forest board's audit committee and the Compensation Committee. In March 2011, Mr. McDonald was elected as a director and Chairman of Lone Pine Resources, an oil and gas exploration, development and production company. He is a Certified Petroleum Geologist and is a member of the American Society of Petroleum Geologists and Canadian Society of Petroleum Geologists. Mr. McDonald received a bachelor's degree in geology and geophysics from New York 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 Paine & Wells, a private equity company, and member of corporate boards, since 2000. Previously, Mr. Fraser was an investment banker, a General Partner and Managing Director, most recently, Managing Director and Group Executive of Chase Manhattan Bank, now JP Morgan Chase, where he led the bank's investment banking division. Mr. Fraser was a board member of Smith International, Inc., an oilfield service company, and Terra Industries, Inc., a natural gas processing 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 nominating and corporate governance committee. Mr. Fraser graduated from Princeton University with a Bachelor of Arts degree in Economics.

Controlled Company and Board Independence

Because Sabine Investor Holdings and AIV Holdings will control a majority of Forest's outstanding common shares and Forest's common shares following the combination transaction, Forest is expected to be a controlled company under the NYSE corporate governance rules. Controlled companies 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 of independent directors.

While these exemptions will apply to Forest as long as Forest remains a controlled company, Forest expects that, as a result of the transaction, its board of directors will consist of a majority of independent directors within the meaning of the NYSE listing standards. 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.

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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 performance, be consistent with Forest's strategic and financial objectives, and correlate a meaningful percentage of total compensation to stock price performance.

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

Annual base salaries, in general, were targeted at approximately the 50th percentile of like positions in comparable 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 performance and individual performance, and are paid in cash. For each employee, the annual plan pays out between 0 and 200% of the bonus for each position set at approximately the 50th percentile of like plans for like positions in comparable companies. Incentive bonuses are determined and paid annually in the first quarter of the year following the performance period. For 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 made in the form of 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 companies. The time-based restricted stock and phantom stock generally have three-year vesting periods. Performance units are tied to Forest's total shareholder return over a three-year period relative to a group of comparable companies. Forest's stock performance the number of shares that vest can range from 0 to 200% of the number of shares granted. Incentive awards are determined and granted annually in the first or second quarter of the year, and the magnitude is determined, among other things, performance during the prior year and competitive long-term incentive values for comparable companies. Performance unit awards tied to 2013 have not yet been made.

The Compensation Committee, which administers Forest's compensation program, believes the above components take into account Forest's strategic and financial 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 vesting directly relates to Forest's share price; in particular, the value of the performance units can vary greatly depending on Forest's performance versus its peers. In addition, on occasion the Compensation Committee will grant special retention equity awards, 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. Disregarding the special bonus given in 2013, which is referenced on page 90, approximately 75% of the total compensation of the 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 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 C below target, at 67%, 75%, and 70%, respectively. Moreover, the realizable value of the long-term equity based incentiv below the grant date values due to the absolute decline in Forest s stock price and the relative decline versus peers; the l payout of 0% for all outstanding performance units granted to current officers through May 2013, based on the year-end illustration, the cumulative realizable value of equity awards to our named executive officers for the five performance ye approximately 23% of the grant date value.

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

Issues Particular to 2013. Several changes were made to Forest s compensation practices in 2012, including the adopti award agreements with double trigger change-of-control provisions and a clawback policy, which were reflected in the 2 Compensation Committee is still assessing the effect of such changes to determine what, if any, additional changes are n

Beginning in 2012 and continuing to the present, the Board and Compensation Committee have had to address retention officers and employees. These issues have arisen as a result of (i) the sale of a significant portion of Forest s assets, and undertaken in an attempt to reduce debt and strengthen the balance sheet, (ii) turmoil and uncertainty caused by the term Executive Officer and the resignation of a number of officers and other key employees, and (iii) the significantly reduce outstanding equity-based awards, owing to the underperformance of Forest s stock. By way of example, since the end o reduced by over 63%. Since the beginning of 2013, three executive officers-including the former Chief Financial Officer Forest s employee resignation rate was 16.2% versus the pre-2011 historic norm of 9.6%. In order to address some of th 2013 certain Forest employees and officers (other than the Chief Executive Officer) received special bonuses that were c of Forest s assets in the Texas Panhandle Area, as measured by net proceeds, and the individual remaining employed by 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 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 we

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 incentive bonus, and grants of longer-term equity incentive awards, which were comprised of performance units, restricted stock awards, and cash-settled phantom stock awards. In addition, in 2013, certain employees-including certain of the named executive officers-received special bonuses tied to the successful completion of the sale of Forest's assets in the U.S. All U.S. employees participate in Forest's 401(k) Plan, which includes an employer matching provision. Forest previously had a deferred compensation plan, or the Executive Plan, which also contained an employer match. The Executive Plan was terminated, and all amounts accrued pursuant to the plan were distributed to the participants in mid-January 2014 in accordance with Reg. 1.401(k)-10, Section 401(k) of the Internal Revenue Code. All employees may also participate in the Forest Oil Corporation 1999 Employee Stock Purchase Plan, or the ESPP, a plan, wherein Forest common stock may be purchased at a discount within limits established under the Internal Revenue Code. All employees participate in other benefit plans that are provided to all employees, and the officers also are reimbursed for the costs associated with tax-preparation, and an annual extensive physical examination. Forest does not have employment agreements with its executive officers, but it has severance agreements with them that provide for benefits in the event of involuntary termination within two years following termination.

The amount of base salary, annual incentive bonus, and special bonus awarded to our named executive officers for 2013 is shown in the 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' employer contribution to the 401(k) Plan is described in the Summary Compensation Table. See "Nonqualified Deferred Compensation" for information regarding executive officer's individual balances in the Executive Plan at year end 2013, as well as the amount ultimately paid out. The remaining limited perquisites provided to the named executive officers are described in the Summary Compensation Table.

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 to attract, motivate, and retain capable executives. Forest chooses to pay annual incentive bonuses to ensure focus on and reward the executive officers during the applicable calendar year, because it believes that the satisfaction of the goals of its annual incentive plan further the interests of the shareholders. The purpose of the special cash bonus was to encourage the successful sale of the assets in the Texas Panhandle and to reduce Forest's total outstanding debt. The purpose of Forest's long-term equity incentives (*i.e.*, in 2013, performance units, restricted stock awards, and 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 the shareholders, and encourage retention of the executive officers. The long-term equity incentive awards also allow executive officers to have the opportunity to purchase additional shares of Forest stock in addition to their direct purchases of Forest stock under the Forest employee stock purchase plan, and to share in any appreciation of Forest stock over time.

Beginning in late 2012, Forest revised its forms of equity incentive award agreements so that such awards may only vest if there is no change-of-control on a double trigger basis. That is, under the new forms of agreement, accelerated vesting only occurs if the award is terminated after a change-of-control or if the surviving entity does not assume the award or replace it with another award that is at least as favorable in all economic respects. Forest also revised its severance agreements to replace single trigger severance benefits with double trigger severance benefits. Forest believes that these provisions create important retention tools for Forest,

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allowing employees to receive value in the event of certain terminations of employment that were beyond their control.

Forest believes that it is important to provide the named executive officers with a sense of stability, both during the course of their employment and post-termination as they seek future employment, and provide the off-boarding benefits regarding the equity incentive compensation awards they were granted prior to a change-of-control. The protection of double-trigger payments allow management to focus their attention and energy on making the best objective business decisions without the need for special considerations to cloud the decision-making process. Executive officers at other companies in Forest's industry and the industry generally competes for executive talent commonly have severance agreements and equity compensation plans that provide for double-trigger payments (if not single trigger), and Forest believes that providing double trigger benefits to the named executive officers is competitive in attracting and retaining skilled professionals in our industry. This goal is further served through the severance agreements entered into with key non-officer employees and through Forest's general severance plan, which applies to all other Forest employees. Forest's equity incentive award agreements for employees, all of which now also have double trigger benefits or acceleration upon termination.

Forest's 401(k) Plan is designed to encourage all employees, including the participating named executive officers, to save for retirement. Because of their higher compensation levels, our named executive officers are generally prevented from receiving what would otherwise be an employer match as a percentage of their salary under the 401(k) Plan. Forest also reimburses the named executive officers for tax or financial planning expenses and the cost of an annual extensive physical examination. Such benefits are common for executive officers in the industry. They increase the competitiveness of the total compensation package, save the executive officer's time spent on time-consuming activities associated with tax preparation and estate or financial planning, and aid in retaining these key employees.

How does Forest determine the amount (and, where applicable, the formula) for each element?

Base Salary. The Compensation Committee generally reviews the base salaries of Forest's executive officers on an annual basis. In 2013, the Compensation Committee reviewed and increased the base salaries of Mr. Dern and Mr. Wind in January and August 2013, respectively, in connection with their promotions to their current positions. In analyzing the base salaries of Forest's executive officers, the Compensation Committee reviewed 2013 oil and gas industry surveys and other third-party data gathered by Forest's Vice President, Human Resources, including data on peer companies (described below). At its regular meeting in August 2013 and in discussions continuing thereafter, the Compensation Committee reviewed and determined to increase the base salary of the named executive officers (other than Mr. Wind) by three percent, effective August 1, 2013. Based on the available data, the Compensation Committee attempted to maintain the base salary of Forest's executive officers at levels comparable to those of comparable executive officers at Forest's peer group of companies. The three percent salary increase, however, was less than the increase received by Forest's non-officer employees.

The Compensation Committee is responsible for advising Forest in the selection of its peer group of companies, which is used for the purposes of the Committee's assessment of base salaries and to establish the terms of the performance unit awards granted to the named executive officers. The Compensation Committee tried to select non-integrated oil and gas production companies that resemble Forest, to the extent possible, in terms of revenues, geographic focus, employee count, and operational challenges. The peer group

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of companies that the Compensation Committee chose to consider for executives during 2013 consisted of the following

- | | |
|--------------------------------|-------------------------------|
| 1. SM Energy Company | 7. Comstock Resources, Inc. |
| 2. EXCO Resources, Inc. | 8. Quicksilver Resources Inc. |
| 3. Ultra Petroleum Corporation | 9. Bill Barrett Corporation |
| 4. Cimarex Energy Co. | 10. Rosetta Resources |
| 5. Range Resources Corporation | 11. Swift Energy Company |
| 6. Cabot Oil & Gas Corporation | 12. Carrizo Oil & Gas, Inc. |

Assuming the accuracy of Forest's compensation data and industry surveys, the base salary of each of our named executives was at the 50th and 60th percentile of base salaries for comparable officer positions of the peer group. Following the sale of the Company, the Compensation Committee has revised the peer group.

Annual Incentive Bonus. The annual incentive bonuses for fiscal 2013 were awarded under the terms of Forest's Annual Incentive Plan (AIP) for 2013, which was adopted by the Compensation Committee. The 2013 AIP was filed with the SEC on May 17, 2013 and was designed to meet the following objectives:

provide an annual incentive plan framework that was performance-driven and focused on objectives considered in 2013;

offer competitive cash compensation opportunities to all employees; and

incentivize and reward outstanding achievement.

The 2013 AIP provided for annual incentive awards determined primarily on the basis of Forest's results under specified performance measures. The framework of the 2013 AIP was similar to annual incentive plans utilized by Forest in the past. Each year, the Compensation Committee sets performance levels for each performance measure and its appropriate weighting. These performance measures and their weightings are reviewed and adjusted in light of changing Forest priorities and strategic objectives. The awards under the 2013 AIP were based upon the success of the corporate staff of Forest in achieving the objectives established by the Compensation Committee and included in the plan. The specific performance measures, were derived in part from Forest's 2013 business plan. The Compensation Committee may adjust awards up or down to account for corporate achievements and non-quantitative results, including individual performance not captured in the performance measures.

For 2013, performance measures were established for (i) production growth, (ii) reserves growth, (iii) capital budget adherence, (iv) drilling capital, and (v) specific business unit or corporate department performance objectives. The performance measures were tied to that officer's business unit or corporate departments. If the officer worked in the corporate group, the performance was measured for Forest as a whole.

The production growth measure under the 2013 AIP was based on a targeted annual growth in net production for the entire company (as defined in Forest's 2013 business plan), on a per-diluted-share basis. Production growth per diluted share for the entire company was calculated as the quotient of Forest's production during 2013 and the average number of diluted shares of Forest's common stock outstanding in 2013 by the quotient of Forest's production during 2012 and the average number of diluted shares of Forest's common stock outstanding of each month in 2012. The business units were each given aggregate net production goals that, taken together, were needed to meet the production growth target.

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The reserves growth measure under the 2013 AIP was similarly based on targeted annual growth in reserves for the equivalent share basis. The target took into account proved developed extensions and discoveries plus the proved undeveloped conversions completed during the year. New proved undeveloped extensions and discoveries were excluded. The business units were given goals that, taken together, were needed to reach the consolidated reserves growth target. Reserves growth per diluted share was calculated by dividing the quotient of Forest's proved developed reserves at the end of 2013 and the average number of shares of common stock outstanding on the last day of each month in 2013 by the quotient of Forest's proved developed reserves at the end of 2012 and the average number of diluted shares of Forest's common stock outstanding on the last day of each month in 2012. The assessment of the merit of published year-end reserve estimates, which are audited by Forest's independent reserve engineers, DeGolyer and MacKenzie, in evaluating the reserves growth and production growth measures, equivalent volumes were calculated based on an oil/condensate-to-natural gas economic ratio of 15-to-1 and a natural gas liquids-to-natural gas economic ratio of 7.5-to-1.

The capital budget adherence objective under the 2013 AIP measured capital expenditures during the year to determine whether the capital budget approved by the Board. For 2013, the total approved capital budget was \$362 million, consisting of: \$317 million for completions; \$22 million for leasehold, seismic, maintenance, and plugging and abandonment costs; and \$23 million for the capitalized portion of Forest's general and administrative expenses under the full-cost method of accounting). The Compensation Committee's results against performance on the production growth and reserves growth measures in determining whether this measure was met.

The rate of return on drilling capital measure under the 2013 AIP was based on a targeted, consolidated pre-tax rate of return during the year related to drilling, completion, and recompletion projects, but excluding acquisitions, land lease, seismic, and abandonment expenditures, and capitalized G&A, equity compensation, and interest. Only wells completed and put on production may be included in the calculation. However, undrilled proved undeveloped reserves added as a result of drilling were not to be included. The effect of our joint venture in the Eagle Ford Shale area was to be included in the calculated results. The commodity prices used in the computations were to be consistent with those used in Forest's 2013 business plan. In assessing the results under the merit objective, the Compensation Committee was to consider all revisions to proved reserves taken during the year.

The business unit and department performance objectives under the 2013 AIP were designed based on what the Chief Executive Officer would advance Forest's interests in a meaningful fashion during 2013 and were reasonably measurable. The objectives included increasing oil and natural gas liquids production and reserves, reducing lease operating expense, divesting non-core assets, implementing a 3P resource database, reducing debt, controlling and reducing general and administrative costs, and increasing cash flow measures.

Each participant in the 2013 AIP has a target bonus expressed as a percentage of his or her base salary. Other than Mr. Wind, who was promoted during the year, the Compensation Committee determined not to change the target bonus percentage for each participant from what the percentage had been in 2012. For the named executive officers, the aggregate target percentages of salary were:

Executive	Aggregate target bonus as % of salary
Patrick McDonald	10
Victor Wind	6
Cyrus Marter	6
Frederick Dearman	6
Michael Dern	5
Michael Kennedy	7
Glen Mizenko	6

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- (1) Represents an aggregate target bonus percentage based on the period before his appointment as Chief Financial Officer when his target bonus was 60%, and the period after his promotion, when his target bonus was increased to 75%.
 - (2) Represents an aggregate target bonus percentage based on the period before his appointment as Senior Vice President of Technology in January 2013, when his target bonus was 45%, and the period after his promotion, when his target bonus was increased to 75%.
- The total expected pool under the 2013 AIP is equal to the sum of the target bonuses for each of the participants in the pool. As a result of the performance measures below, the final size of the pool could be lower or higher than the expected amount and is dependent on the extent to which the participants in the pool satisfied the 2013 performance measures.

With respect to each of the performance measures under the 2013 AIP other than the capital budget adherence measure, department objectives, the Compensation Committee determined a threshold, target, and outstanding (or maximum) performance level. The threshold level was the level at which any payout under the 2013 AIP begins for the applicable performance measure. If the actual performance was below the threshold level, no payout would occur with respect to that measure. The target level was that at which the applicable performance measure would occur. Where applicable, the target levels for the 2013 AIP performance measures were based on the production, reserves, and expense projections contained in Forest's 2013 Business Plan. The outstanding level was that at which 200% of the applicable performance measure would occur. The maximum total bonus pool achievable under the 2013 AIP was limited to 200% of the target bonus pool.

Payout under the 2013 AIP was on a sliding scale ranging from 0% to 200% of target. Actual performance that fell some distance below the threshold and outstanding levels was rewarded in direct proportion to where it fell between those performance level benchmarks. Performance at or below the threshold level received no payout.

The table below contains the specific performance levels for the production growth, reserves growth, and rate of return on drilling capital performance measures.

Business Unit/Department	Threshold	Target	
Forest (and corporate departments) ⁽¹⁾	Production Growth-(8)% Reserves Growth-8% ROR Drilling Capital-15%	Production Growth-2% Reserves Growth-12% ROR Drilling Capital-20% Capital Budget-\$366.9 ⁽²⁾	Production Growth-2% Reserves Growth-12% ROR Drilling Capital-20% Capital Budget-\$366.9 ⁽²⁾
Mid-Continent	Production-89.1 Bcfe Reserves-121.5 Bcfe	Production-99 Bcfe Reserves-142.9 Bcfe Capital Budget-\$242.5 ⁽²⁾	Production-99 Bcfe Reserves-142.9 Bcfe Capital Budget-\$242.5 ⁽²⁾
Southern	Production-18.2 Bcfe Reserves-67.6 Bcfe	Production-20.2 Bcfe Reserves-79.6 Bcfe Capital Budget-\$119.4 ⁽²⁾	Production-20.2 Bcfe Reserves-79.6 Bcfe Capital Budget-\$119.4 ⁽²⁾

- (1) Production growth, reserves growth, and rate of return on drilling capital for Forest as a whole and for the corporate departments and the cumulative performance of the Mid-Continent and Southern business units.
- (2) In millions.

As noted in the table above, the Compensation Committee did not set a threshold and outstanding performance level for the capital budget performance measure. Instead, for this measure the Committee only determined the target performance level, achieved performance level, and maximum performance level. Payout of 100% on this measure. Performance that exceeded the target performance level (i.e., capital expenditures less than the target capital budget) was rewarded in direct proportion to where it fell between those performance level benchmarks.

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than the amount budgeted) or that came in below the target performance level (i.e., capital expenditures in excess of the out at an amount greater or less than 100% of the target payout on this performance measure, as determined in the sole discretion of the Compensation Committee. With respect to the business unit and corporate department objectives, an achievement percentage ranging from 0% to 100% is assigned to each business unit or corporate department based on an assessment by the Chief Executive Officer, with input from the Compensation Committee executives, of the accomplishment of its objectives.

Each participant's target bonus was to be paid if all of the 2013 performance measures reached the target level. Each participant's bonus was a percentage of the total target bonus. In 2013, the weightings for each participant, as set by the Compensation Committee, were: (i) 25% for production growth, (ii) 12.5% for reserves growth, (iii) 12.5% for capital budget adherence, (iv) 25% for rate of return on capital. The specific payout for each performance measure was determined based on the performance level for the measure falls in relation to the threshold, target, and outstanding benchmark levels. An individual's bonus was considered in the context of the extent to which his or her performance during 2013 contributed to the overall success of the company or success of his or her business unit or corporate department. If in the opinion of the Compensation Committee and the Chief Executive Officer (with respect to executive officers other than himself), the individual makes a disproportionately positive contribution, his or her bonus would be adjusted upward; conversely, if the individual does not contribute appropriately, his or her bonus would be adjusted downward.

At its regular meeting in February 2014, and in subsequent communications among the members and with Mr. McDonald, the Compensation Committee reviewed the performance of Forest and its business units under the 2013 AIP. The Committee also considered the retention of employees, the need to recognize the loyalty that the remaining employees demonstrated to Forest during 2013, with the uncertainty of the market, significant asset sales, and related workforce reductions. The Committee reviewed with Mr. McDonald other accomplishments while taking into account Forest's disappointing stock price performance during the year. With respect to the four performance measures under the 2013 AIP were as follows (calculated on a pro forma basis for the sale of the Texas Panhandle Assets):

Business Unit/Department	Production Growth (% of Target)⁽¹⁾	Reserves Growth (% of Target)⁽¹⁾	Capital Budget Adherence (%)
Forest	0	0	25
All corporate departments	0	0	25
Mid-Continent	20	0	20
Southern	0	0	20

(1) The appearance of a 0 in the column means that the threshold performance level for that measure was not met. Annual incentive bonus awards for executive officers in charge of business units were calculated in accordance with the performance of the unit which, as noted in the table above, may vary from the performance of Forest as a whole. In 2013, the calculated annual incentive bonus awards for Messrs. McDonald, Wind and Dern were based on the performance of Forest as a whole, while Mr. Dearman's award was based on the performance of the Southern Business Unit. Messrs. Kennedy, Marter and Mizenko did not receive annual incentive bonus awards because they were not employed by Forest at the time awards were determined and made.

The calculated payout under the 2013 AIP, based on the achievement of its performance measures, was 70% of the total cash bonus awards approved by the Compensation Committee under the 2013 AIP in the aggregate amount of \$1,412,000 for a group, including Mr. McDonald. The Compensation Committee and the full Board (excluding Mr. McDonald) reviewed

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executive officers at their regular meetings in February 2013 and in subsequent communications. The Compensation Committee determined that the bonus awards to Mr. McDonald equal to 70% of his target award. The other named executive officers other than Mr. Wind and Mr. Dern received approximately 70% of the officers' target awards. The Compensation Committee exercised their discretion by adjusting the bonus awards for Messrs. Wind and Dern, in recognition of the additional responsibilities undertaken by both of them during 2013 in light of multiple divestitures. Mr. Wind and Mr. Dern received approximately 80% and 71% of their target awards, respectively. All bonus awards were reviewed and approved by the Compensation Committee. Individual executive officer bonus awards are set forth in the Compensation Committee.

The Compensation Committee establishes the target level of performance such that achievement of the target level on any financial or operating measure represents above-average performance by management. At the time target levels are established, the outcome is intended to be achievable with a high level of performance from Forest's executives. Further, the Compensation Committee intends that achievement of the target level on any financial or operating measure be very difficult. Over the past five years, Forest has achieved performance in excess of the target level two times, that being in 2009 and 2010. The following table shows the specific achievement percentage under AIPs, for the past five years:

Year	AIP Achievement Percentage-Total Compensation
2009	132% of target
2010	148% of target
2011	67% of target
2012	75% of target
2013	70% of target

Special Bonuses. At a special meeting held in July 2013, the Board of Directors implemented a special bonus program for certain key roles in the Texas Panhandle Area, aimed specifically at incentivizing certain non-executive employees to succeed and remain employed with Forest through the completion of the sale process. The incentive awards would provide cash to the employees in recognition of management's assessment of the importance of each such employee's contribution to the sale process.

At its regular meeting in November 2013, the Compensation Committee considered awards of special bonuses to certain key roles in the divestiture of Forest's assets in the Texas Panhandle Area. The purpose of the special bonuses was to recognize and reward the employees who expended extraordinary efforts with respect to the divestiture in light of the significant size and the importance to Forest of the divestiture of Forest's long-term debt. On November 25, 2013, following the successful completion of the Texas Panhandle Area divestiture, the Compensation Committee approved the payment of cash incentive awards totaling \$1,510,767 to 51 non-executive employees pursuant to the special bonus program implemented by the Board, and \$615,167 to certain executive officers, excluding Mr. McDonald. The amount of the special bonus awards to the executive officers is included in the Summary Compensation Table on page 103.

Special Retention Grants. There were no grants of special retention equity awards in 2013.

Long-Term Incentive Awards. At its regular meeting in May 2013 and through subsequent communications with Mr. McDonald, the Compensation Committee determined to make long-term equity incentive awards to our named executive officers. The 2013 equity awards were based on, among other things, the executive officers' performance during 2012 and competitive long-term incentive values for comparable positions. Mr. McDonald, Messrs. Dern and Wind received restricted stock and cash-settled phantom stock awards, respectively, at the time of their awards.

As it has done the last several years, the Compensation Committee once again chose to grant restricted stock (rather than cash) to the executive officers, the exception being the grant to Mr. McDonald. The

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Committee chose restricted stock for the grants because (i) the majority of Forest's competitors have shifted to restricted stock, a combination of restricted stock awards and stock option awards, and away from stock option awards only, (ii) restricted stock is more valuable than stock options, and (iii) in the Committee's opinion, restricted stock provides a more effective retention incentive. Mr. McDonald received a grant of restricted stock and instead, for reasons noted below, received a grant of cash-settled phantom stock units. The phantom stock units granted to Forest officers in May 2013 have a three-year cliff vesting schedule.

In addition, the Compensation Committee also granted performance unit awards to Forest officers in 2010, 2011, 2012, and 2013. As noted below, the payout on the performance unit awards is tied to Forest's total shareholder return, or TSR, over a three-year period. For the 2013 awards, April 1, 2013 through March 31, 2016) relative to that of the applicable group of peer companies. Each officer governed by a performance unit award agreement, the forms of which were approved by the Compensation Committee in 2010 and filed with the SEC. In 2013, the award for each officer other than Mr. McDonald contains a target number of performance units, with each unit representing a contractual right to receive the cash value of one share of Forest common stock. Under the terms of the performance unit award agreements, at the end of the three year performance period, the recipient will earn anywhere from 200% of the value of the target to 100 percent of such target, depending on Forest's TSR performance relative to the peer companies. Mr. McDonald's award is similar to that of other officers, except that one half of his award will be settled in cash and the other half will be settled in shares of Forest common stock.

As the name of the awards implies, the performance units are designed to reward greater performance with greater rewards. The more an officer performs during the applicable performance period, as measured by relative TSR, the more shares, at higher value, the officer will receive at the end of the period. Thus, for the performance awards granted in 2010, which were payable in Forest common stock and the period ended on March 31, 2013, the executive officers received zero shares as a result of Forest's poor TSR. Likewise, assuming each of the 2011, 2012, and 2013 performance unit grants had ended on December 31, 2013, the executives again would have received zero shares.

With respect to the May 2013 grant, the mixture of equity awards to each officer (other than Mr. McDonald) consisted of 60% performance units and 40% phantom stock. Mr. McDonald's award consisted of 60% performance units (one half of which settles in stock and one half in cash) and 40% phantom stock (which may be settled only in cash). In determining the individual awards to our named executive officers, the Compensation Committee considered the competitive value of incentive grants for similar positions in our industry, the individual's performance, the magnitude of his or her responsibilities within the Forest organization, and how critical the individual's position is in terms of the organization's success. The Compensation Committee also considered the award and share limitations under the Forest Oil Corporation 2007 Stock Incentive Plan (the "2007 Stock Plan"). The 2007 Stock Plan includes a provision that limits the maximum number of shares, including performance units, that may be awarded to any one person in any given year to a maximum of 1,000,000 shares and a value of \$5,000,000. The 2007 Stock Plan also requires Forest to assume at the time of grant that, for purposes of the individual award cap, the maximum 200% distribution performance unit award will ultimately occur. In other words, when a grant of stock-settled performance unit awards is made, the potential shares that might be issued must be reserved under the 2007 Stock Plan, and therefore are not available for other grants. Shares are released as a result of forfeiture or because the full award is not paid out. In addition, the number of shares available under the 2007 Stock Plan at any given time is limited, and cannot be increased without shareholder approval, and in general the number of shares available has increased as the value of the stock has decreased. As a result, in order to limit the number of shares reserved for issuance under the 2007 Stock Plan (or, stated differently, in order to ensure a higher number of shares available for grant in other years), the Compensation Committee chose to award cash-settled performance unit awards to executive officers in 2013. Likewise, Mr. McDonald's award, with the individual limitations

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in the 2007 Stock Plan, the Compensation Committee chose to award cash-settled phantom stock units instead of restricted stock units to the Chief Executive Officer in 2013.

Alternative Disclosure Regarding Long-Term Incentive Awards. The Summary Compensation Table, as required by the Exchange Act, describes the value of all compensation as of December 31 of the applicable year, with respect to salary, AIP, bonus, and other cash compensation, and as of the grant date, with respect to equity-based compensation. But as previously noted, Forest's equity-based compensation vests over time, and thus the amount that may be realized by the executive upon vesting, or the realizable value, may be more or less than the grant date fair value of the award, depending on performance. The following table shows the grant date fair value of equity-based awards granted to our former and current CEO in 2012, as determined in accordance with applicable disclosure rules, compared to the realizable value, which is the actual amount realized on such date occurred prior to December 31, 2013, and (ii) December 31, 2013, if the applicable vesting date occurs after such date.

CEO Equity Award Value Comparison (2007-2013) ⁽¹⁾		
Applicable Year of Performance ⁽²⁾	Grant Date Fair Value	Realizable Value
Former CEO		
2006	\$ 3,313,200	\$
2007	\$ 5,186,000	\$
2008	\$ 1,941,515	\$
2009	\$ 4,219,695	\$
2010	\$ 4,115,399	\$
2011	\$ 2,720,846	\$
Current CEO		
2012	\$ 4,136,950	\$
2013	N/A	

- (1) Includes only the equity awards granted to our current and former Chief Executive Officers.
- (2) As noted above, long-term equity incentive awards generally are granted based on the previous year's performance.
- (3) The award applicable to the 2006 year of performance was granted in 2007 and vested on June 11, 2010, and consisted of (i) restricted stock (realizable value of \$3,313,200), and (ii) performance units (realizable value of \$0).
- (4) The award applicable to the 2007 year of performance was granted in 2008 and vested on May 8, 2011, and consisted of (i) restricted stock (realizable value of \$5,186,000), and (ii) performance units (realizable value of \$0).
- (5) The award applicable to the 2008 year of performance was granted in 2009 and vested on May 27, 2012, and consisted of (i) restricted stock (realizable value of \$668,000), and (ii) cash settled phantom stock (realizable value of \$342,684).
- (6) The award applicable to the 2009 year of performance was granted in 2010 and vested on June 21, 2012 (the date of the Chief Executive Officer's termination) and consisted of (i) restricted stock (realizable value of \$528,878) and (ii) performance units (realizable value of \$0).
- (7) The award applicable to the 2010 year of performance was granted in 2011 and vested on June 21, 2012 (the date of the Chief Executive Officer's termination) and consisted of (i) restricted stock (realizable value of \$406,290), (ii) performance units (realizable value of \$0), (iii) time-based cash award (realizable value of \$193,706), and (iv) performance-based cash award (realizable value of \$0).
- (8) The award applicable to the 2011 year of performance was granted to our former CEO in 2012 and vested on June 21, 2012 (the date of the Chief Executive Officer's termination) and consisted of (i) restricted stock (realizable value of \$609,435), (ii) performance units (realizable value of \$0), (iii) time-based cash award (realizable value of \$93,739), and (iv) performance-based cash award (realizable value of \$0).
- (9) The award applicable to the 2012 year of performance was granted to our CEO in 2013 and consisted of (i) cash settled phantom stock (realizable value of \$1,119,100) and performance units (realizable value of \$0). The above table does not show the realizable value of the award granted to the CEO at the time of his election in 2013.

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September 2012, which had a grant date fair value of \$4,650,393 and consisted of (i) a restricted stock award (realizable value on December 31, 2013 of \$667,850), (ii) an inducement performance unit award (realizable value on December 31, 2013 of \$0), and (iii) an award under the 2007 Stock Incentive Plan (realizable value on December 31, 2013 of \$0).

(10) Awards for the 2013 year of performance have not been granted.

The table and footnote (9) above indicate that Forest's equity incentive awards function as intended. Over the period covered by the table and as a result the ultimate payout or realizable value has been poor compared to the grant date value shown on the Summary Compensation Table.

Retirement Plans. Forest's 401(k) Plan is designed to encourage U.S. employees, including the named executive officers, to participate in a long-term compensation program generally is not linked to Forest's performance and was not so linked during 2013. The 401(k) Plan provides all full-time employees with the opportunity to contribute certain eligible earnings on a pre-tax basis to an account investing in various investment options. Employees may elect to contribute up to 80% of their eligible compensation, subject to certain limitations. Forest matches an employee's contribution a designated percentage of an employee's total eligible compensation, with Forest's contributions vesting for newly-hired employees over a three-year period. During 2013, Forest contributed a total of \$122,500 to the 401(k) Plan on behalf of the named executive officers.

Until December 2012, Forest also permitted named executive officers and other executives to participate in the Executive Plan. In lieu of an election to participate and defer a sufficient amount of base salary into the Executive Plan, the Executive Plan allowed the named executive officers to elect to the Executive Plan the company's 401(k) matching contribution that could not be made into the 401(k) Plan due to limits on contributions. In December 2012, the named executive officers elected in December 2012 to terminate the Executive Plan. All amounts in the plan were paid to participants in lump sum payments in accordance with Section 409A of the Internal Revenue Code. See "Nonqualified Deferred Compensation" for the named executive officers' balances in the Executive Plan at year end 2013, as well as the amount ultimately paid out to the named executive officers.

Forest does not maintain an active defined benefit retirement program for its employees.

Other Benefits. During 2013, the Compensation Committee did not make any changes to the other benefits or perquisites provided to the named executive officers receive at Forest. Those benefits include participation in plans available to all Forest employees, such as medical, dental, vision, life and accidental death and dismemberment insurance plans, and short-term and long-term disability plans. Named executive officers also receive reimbursement of tax-preparation and estate or financial planning expenses and the cost of an annual extensive physical examination. Other reimbursements have involved small dollar amounts, and the Compensation Committee believes that they are reasonable and more generous than, the compensation practices of Forest's competitors.

In general, the severance agreements and the benefits that would flow to the executive officers in the event of an involuntary termination are set forth below under "Potential Payments Upon Termination or Change-of-Control." In addition to the rationale provided above, the Compensation Committee believes that the double-trigger change-of-control severance benefits provided in the severance agreements provides a sufficient level of protection for the executive officer as well as a retention incentive for the executive officer without creating an unreasonable obstacle to potential bona fide purchasers of Forest.

In the past, all of the severance agreements with Forest's officers contained an excise tax gross-up provision for any excise tax liability under the meaning of Section 280G of the Internal Revenue Code. In conjunction with Mr. McDonald's election as Chief Executive Officer, the other officers' severance agreements came to the end of their term in December 2012, the Compensation Committee terminated the officers' severance agreements and implemented new severance agreements for all officers, including Mr. McDonald. The

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new forms do not include an excise tax gross-up provision. Instead, a best net approach was included in the new agreement. Any payment, distribution, or benefit, whether pursuant to the severance agreement or otherwise, is subject to the federal excise tax. If the amount payable will be reduced to an amount necessary to avoid such excise tax if doing so would result in a net loss to the officer, the amount payable will be reduced to that amount. In no event will a tax gross-up be provided.

Forest keeps records regarding other expenses that it pays on behalf of its executive officers. If those expenses are not paid directly by the officer or are reimbursed to Forest. Certain expenses that are in fact related to company business are included in the officer's compensation.

How does each compensation element and Forest's decisions regarding that element fit into Forest's overall compensation program regarding other elements?

The Compensation Committee considers each element of Forest's compensation program and, when making decisions regarding compensation, takes into account how that element fits into Forest's overall compensation objectives. The Committee also considers how the various elements in the program.

At its regular meetings in February 2013, May 2013, August 2013, November 2013, and February 2014, the Compensation Committee reviews cumulative (i) compensation tally sheets, (ii) severance valuations, and (iii) valuations of outstanding equity awards for each named executive officer. The tally sheets, severance valuations, and equity valuations were prepared by Forest's Vice President, Human Resources. Each tally sheet describes each named executive officer's base salary, the prior year's annual incentive bonus, the annual value of perquisites, the annual compensation granted to and held by the officer, the annual amount of employer matching for the 401(k) Plan, and the value of restricted stock for each named executive officer. The tally sheets then state the cumulative total value of these components. The severance valuations describe the severance payment and other benefits that each named executive officer would receive in the context of a termination from Forest in connection with a change-of-control. The equity valuations describe the current market value of all equity incentive awards held by each named executive officer, as well as the value derived by the officer through recent vesting of restricted stock or exercises of options.

The Compensation Committee believes that the tally sheets, severance valuations, and equity valuations allow it to keep track of the retentive quality of prior compensation grants, which in turn allows the Committee to maintain an appropriate perspective on its compensation decisions.

The Compensation Committee has instructed Forest's Vice President, Human Resources, to continue to survey peer group compensation data, tally sheets, severance valuations, and equity valuations and present the updates to the Committee on a quarterly basis. The Committee will continue using these items, as well as advice from its compensation consultant, Meridian Compensation Partners LLC, to make informed decisions regarding all of the components of Forest's compensation program.

What is the role of Forest's compensation consultant?

As noted above, the Compensation Committee has engaged Meridian as its independent consultant with respect to compensation matters for Forest's executive officers. Meridian reports directly to the Compensation Committee, which has authority under its charter to engage independent consultants at Forest's expense, although its representatives may also meet with management from time to time. All of the Compensation Committee's executive compensation, however, are made by the Committee. The Committee did not direct Meridian to perform its services in any particular manner or under any particular method. The Committee evaluates the compensation consultant annually to determine if it is still the best qualified to provide such services. The last such evaluation occurred in August 2013.

How does Forest's prior year say-on-pay vote impact its compensation practices?

Forest's full Board of Directors reviewed Forest's say-on-pay vote in May 2013, in which approximately 72% of the voters approved the executive compensation. The Board also reviewed the analyses

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provided by the larger proxy advisory services, and Board members met with or otherwise communicated with Forest's Compensation Committee determined from its review that by and large the shareholders were encouraged by the changes to the pay practices in 2012. The Compensation Committee continues to monitor and review communications and analyses from shareholders and will make additional changes to Forest's compensation practices when deemed warranted.

How do accounting and tax treatments of each element of compensation impact Forest's decisions to provide the named element of compensation?

The Compensation Committee generally makes compensation decisions for the named executive officers that are considered on an individual's position in Forest's industry, what is considered competitive for that position at peer companies and in the context of the individual's performance and any changes in duties that the individual may experience in the near future. The resulting accounting and tax treatment of compensation for Forest from the compensation is generally a secondary consideration to the Compensation Committee's decisions regarding compensation for the individual or Forest in light of then-current circumstances. However, Forest does account for its equity compensation under the rules of FASB ASC Topic 718, which requires Forest to estimate and record an expense for each award of long-term incentive compensation over the vesting period of the award. Accounting rules also require Forest to record cash compensation as an expense at the time it is accrued.

Section 162(m) of the Internal Revenue Code and its underlying regulations pertain to the deductibility of compensation for named executive officers in excess of \$1,000,000. Forest has adopted a policy to provide performance-based compensation that is exempt from Internal Revenue Code limitations to the extent practicable. The 2007 Stock Plan has been approved by Forest's shareholders and the elements of the 2007 Stock Plan are designed to provide performance-based incentive compensation that would be fully deductible under the Internal Revenue Code. The 2010, 2011, 2012, and 2013 performance unit grants made to our named executive officers, including a unit award of 145,000 units granted to Mr. McDonald upon his hiring as Chief Executive Officer pursuant to the inducement provisions of the New York Stock Exchange listing rules, are intended to be fully deductible under Section 162(m) of the Internal Revenue Code. The shareholder approval of performance measures at least once every five years. We last sought and obtained such approval in 2013.

While the deductibility of compensation is important to Forest and actions will sometimes be taken to ensure the deductibility of compensation, the Compensation Committee has also determined that some flexibility is required, notwithstanding the statutory and regulatory requirements, in designing and implementing incentive compensation programs. It has, therefore, retained the discretion to award some bonus payments based on performance measurements and other criteria that it may determine in its discretion from time to time.

Forest Plans and Programs Following the Combination Transaction

Annual Incentive Plan

In connection with the closing of the combination transaction, all participants in Forest's Annual Incentive Plan for 2013, including named executive officers, will receive pro rata annual bonus payments based on performance through the closing date as determined by the Compensation Committee in its discretion. The AIP payments will be prorated based on the number of days elapsed between January 1, 2014 and the closing date.

Forest Oil Corporation 2007 Stock Incentive Plan

In the event that the 2014 LTIP Proposal is approved by Forest's shareholders and the 2014 LTIP becomes effective in 2014, Forest will make no further grants under the 2007 Stock Plan following the effective date of the 2014 LTIP.

Table of Contents**Summary Compensation Table**

The following table discloses the total compensation paid or earned by the named executive officers for the three years ended 2013; provided, that only years during which an executive was a named executive officer are shown.

As reflected in the table, in 2013, on average, the named executive officers' base salary accounted for approximately 18% of total compensation; non-equity incentive plan compensation (consisting of cash bonuses awarded under Forest's 2013 AIP for services rendered and bonuses granted to certain officers in connection with the sale of Forest's assets in the Texas panhandle area) accounted for 22% of total compensation; long-term time-based equity incentive awards accounted for 34% of total compensation; long-term performance-based equity incentive awards accounted for 38% of total compensation; and the remainder was comprised of other benefits and perquisites. The Summary Compensation Table provides disclosure for fiscal year 2013, unless otherwise indicated.

Name and Principal Position (a)	Year (b)	Salary (\$)(c) ⁽¹⁾	Bonus (\$)(d) ⁽²⁾	Stock Awards (\$)(e) ⁽³⁾	Option Awards (\$)(f)	Non-Equity Incentive Plan Compensation (\$)(g) ⁽⁴⁾	Nonqualified Deferred Compensation Earnings (\$)(h)	Change in Pension Value and Other Benefits
Patrick R. McDonald President and Chief Executive Officer	2013	655,000	0	4,136,950	0	470,000		
	2012	197,083	0	4,650,393	0	260,000		
Victor A. Wind Executive Vice President and Chief Financial Officer	2013	371,093	66,667	1,477,180	0	210,000		
	2012	336,250		1,756,700	0	160,000		
Cyrus D. Marter IV Senior Vice President, General Counsel and Secretary	2013	418,125	113,563	1,140,575	0	0		
	2012	396,250	0	1,891,200	0	187,000		
Frederick B. Dearman II Senior Vice President, Southern Region	2011	375,000	0	819,601	0	200,000		
	2013	352,625	0	933,680	0	151,000		
Michael J. Dern Senior Vice President, Corporate Engineering and Technology	2013	325,125	87,188	671,890	0	140,000		
Michael N. Kennedy ⁽⁶⁾ Former Executive Vice President and Chief Financial Officer	2013	275,433	0	1,655,160	0	0		
	2012	406,250	0	2,503,345	0	240,000		
	2011	362,500	0	1,366,002	0	240,000		
Glen J. Mizenko ⁽⁷⁾ Former Senior Vice President, Mid-Continent Region	2013	364,177	110,000	933,680	0	0		
	2012	370,833	0	1,891,200	0	180,000		
	2011	323,750	0	819,601	0	225,000		

- (1) Amounts shown represent base salary paid for the fiscal year, as described under the caption Compensation Discussion and Analysis above.
- (2) Amounts reflect a special discretionary bonus approved by the Compensation Committee on November 25, 2013, awarded to employees who were involved with Forest's sale of its assets in the Texas Panhandle Area. Cash bonus awards paid in the first quarter of 2014 are reflected in the column Non-Equity Incentive Plan Compensation and discussed in the Compensation Discussion and Analysis.
- (3) The applicable proxy statement disclosure rules require that Forest disclose the value of equity awards in the year the awards were granted, discussed above under Compensation Discussion and Analysis Alternative Disclosure Regarding Long-Term Incentives. The Compensation Committee has generally granted such awards based on the executive's and Forest's performance during the prior year. It is noted that it would be more informative for readers to include the fair value of such grants with the previous year's compensation under Forest's AIP are treated. Nonetheless, in accordance with the applicable disclosure rules, amounts in this column represent the grant date fair value of stock awards and other equity compensation computed in accordance with FASB ASC Topic 718, less forfeitures relating to service-based vesting conditions. The grant date fair value of the restricted stock and phantom stock awards is averaged the high and low closing prices of Forest's common stock during the year.

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low stock price of a share of Forest's common stock as published by the NYSE on the date of grant. The grant date fair value of the units was determined using a process that takes into account probability-weighted shareholder returns assuming a large number of price paths (which are modeled based on inputs such as volatility and the risk-free interest rate). See 2013 Grants of Restricted Stock for a complete description of the awards granted to named executive officers during 2013.

- (4) Amounts reflect the cash bonus awards to the named executive officers under the 2013 AIP, which is discussed in full in the Compensation Discussion and Analysis Annual Incentive Bonus table above. Bonus awards under the 2013 AIP were made in the first quarter of 2014.
- (5) Amounts shown for each named executive officer in 2013 include: (i) matching contributions of \$17,500 to the 401(k) plan; and (ii) the taxable value of group term life insurance coverage in excess of \$50,000. The amounts attributable to each named executive officer during 2013 did not exceed the greater of \$25,000 or 10% of the total amount of perquisites. The amounts shown in the All Other Compensation column for Mr. McDonald in 2012 also include \$148,778 paid for his service as interim CEO. The amounts include potential amounts for personal travel paid for by Forest, which are in the process of being determined.
- (6) Mr. Kennedy resigned as an executive officer of Forest on August 23, 2013. As a result of his resignation, Mr. Kennedy's 2013, 2012 and 2011 awards were forfeited.
- (7) Mr. Mizenko resigned as an executive officer of Forest on November 30, 2013. As a result of his resignation, Mr. Mizenko's 2013, 2012 and 2011 awards were forfeited.

2013 Grants of Plan-Based Awards

The following table provides information about plan-based awards, including cash payouts, restricted stock, phantom stock, and restricted stock units granted to each of the named executive officers during 2013.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares or Units
		Threshold	Target	Maximum	Threshold	Target	Maximum	
(a)	(b)	(\$)	(\$)	(\$)	(#)	(#)	(#)	(i)
Patrick R. McDonald		0	670,000	1,340,000				
Performance Units	05/21/13				0	465,000	930,000	
Phantom Stock Units	05/21/13				0			310,000 ⁽⁵⁾
Victor A. Wind		0	261,368	522,736				
Performance Units	05/21/13				0	88,000	176,000	
Restricted Stock	05/21/13							88,000 ⁽⁶⁾
Phantom Stock Units	08/24/13							100,000 ⁽⁵⁾
Cyrus D. Marter IV ⁽⁷⁾		0	256,500	513,000				
Performance Units	05/21/13				0	107,500	215,000	
Restricted Stock	05/21/13							107,500 ⁽⁶⁾
Frederick B. Dearman II		0	216,300	432,600				
Performance Units	05/21/13				0	88,000	176,000	
Restricted Stock	05/21/13							88,000 ⁽⁶⁾
Michael J. Dern		0	197,539	395,078				

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Performance Units	05/21/13	0	44,000	88,000	
Restricted Stock	01/24/13				30,000 ⁽⁶⁾
	05/21/13				44,000 ⁽⁶⁾
Michael N. Kennedy ⁽⁸⁾		0	328,125	656,250	
Performance Units	05/21/13				
Restricted Stock	05/21/13				156,000 ⁽⁶⁾
Glen J. Mizenko ⁽⁹⁾		0	247,200	494,400	
Performance Units	05/21/13				
Restricted Stock	05/21/13				88,000 ⁽⁶⁾

- (1) Amounts represent a range of possible cash payouts under Forest's 2013 AIP. As described under Compensation Committee sets target bonus amounts at the beginning of the fiscal year under our AIP. The target amount (d) represents the amount, in dollars, that the executive would receive by achieving his target bonus. The target

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- bonus of each executive is expressed as a percentage of his base salary. See Compensation Discussion and Analysis for more information. The amount that may be received by each executive ranges from 0%, the threshold amount reflected in column (c), to 200%, the maximum amount reflected in column (e), of the executive's target bonus. Messrs. Marter, Kennedy, and Mizenko were not eligible to receive payouts as they were no longer employed by Forest at the time the payouts were determined.
- (2) The amounts represent the threshold, target and maximum payouts for performance unit awards granted to each named executive officer under the 2007 Stock Plan. The executives other than Mr. McDonald received performance unit awards that may be settled in cash or common stock. Mr. McDonald's performance unit award is settled 50% in cash and 50% in common stock. Each of these awards was approved by the Compensation Committee. The restrictions on the performance unit awards lapse on the dates shown in the footnotes to the Outstanding Equity Table, with total payout based on relative shareholder return compared to a list of peer companies. Under the performance unit award agreements granted to each of the named executive officers, including Mr. McDonald, under the 2007 Stock Plan, a performance unit represents a contractual right to receive, in cash, an amount equal to the fair market value of one share of Forest common stock at the time of payment, or the number of performance units for which payment may be made under an award will range from 0% to 200% of the number of performance units awarded, depending on Forest's relative total shareholder return in comparison to an identified peer group during the performance period ending on March 31, 2016. In the case of the stock-settled portion of Mr. McDonald's performance unit award, the award represents a contractual right to receive one share of Forest's common stock; provided that the actual number of shares received under an award will range from 0% to 200% of the number of performance units awarded, depending on Forest's relative total shareholder return in comparison to an identified peer group during the 36-month performance period ending on March 31, 2016. The payouts for performance unit awards will be at (x) zero if Forest's relative total shareholder return ranks 13th among a group of 13 companies in the peer group, (y) target (or 100% of the initial award) if Forest's relative total shareholder return is 7th, and (z) maximum (or 200% of the initial award) if Forest's relative total shareholder return ranks 1st among its peers. Forest's required ranking to achieve a target or maximum payout may change as provided in the performance unit award agreement if the number of peer companies is reduced during the performance period. For purposes of the performance unit awards, total shareholder return means the annualized rate of return on the value of Forest common stock, including changes and the assumed reinvestment of dividends paid over the applicable 36-month performance period, and is calculated based on the 30-day average price prior to the date of grant and the end of the performance period, respectively.
 - (3) No stock options were awarded to the named executive officers during fiscal year 2013.
 - (4) The amounts shown in this column reflect the grant date value of the awards under FASB ASC Topic 718 used by Forest for financial reporting purposes, disregarding estimated forfeitures. The grant date value of the restricted stock and phantom stock awards is determined by averaging the high and low price of a share of Forest's common stock as published by the NYSE on the date of grant. The value of performance units was determined using a process that takes into account the probability-weighted shareholder return over the performance period, possible stock price paths (which are modeled based on inputs such as volatility and the risk-free interest rate). See Compensation Discussion and Analysis, Awards Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table for more information.
 - (5) Amounts represent phantom stock units awarded to Messrs. McDonald and Wind under the 2007 Stock Plan, which were approved by the Compensation Committee. Mr. Wind's award was granted at the time of his promotion to Executive Vice President in August 2013. The restrictions on these awards lapse on the date shown in the footnotes to the Outstanding Equity Table, or as shown below. As reflected in the table, the restrictions generally lapse 100% on the third anniversary of the date of the award, or the date of continued employment. These phantom stock units may be settled solely in cash, with the grantee receiving, in cash, an amount equal to the fair market value of one share of Forest common stock for each unit on which the restrictions have lapsed. Messrs. McDonald and Wind have no right to receive cash equivalents with respect to any shares covered by the phantom stock unit awards.
 - (6) Amounts represent shares of restricted stock awarded to the respective named executive officers under the 2007 Stock Plan, which was approved by the Compensation Committee. The restrictions on these awards lapse on the dates shown in the footnotes to the Awards at Fiscal Year-End Table. As reflected in the table, the restrictions generally lapse 100% on the third anniversary of the date of award, subject to the named executive officer's continued employment. The restricted shares are held by Forest until the named executive officer may exercise voting power and participate in dividends, if any, declared on Forest's common stock.
 - (7) Mr. Marter resigned as an executive officer of Forest effective January 24, 2014. He did not receive a cash payout for performance unit awards were forfeited on January 24, 2014, the date of his termination from Forest.
 - (8) Mr. Kennedy resigned as an executive officer of Forest effective August 23, 2013. He did not receive a cash payout for performance unit awards were forfeited on August 23, 2013, the date of his termination from Forest.
 - (9)

Mr. Mizenko resigned as an executive officer of Forest effective November 30, 2013. He did not receive a cash payment and unvested awards were forfeited on November 30, 2013, the date of his termination from Forest.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

The agreements that govern the equity awards made to our named executive officers during 2013 generally provide that awards are restricted, unvested, or unearned for a period of three years from the date of grant. However, in the event of an executive officer's disability, or an involuntary termination, such awards will no longer be subject to restrictions, or will receive accelerated vesting.

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awards only vest upon a Corporate Change, with respect to the restricted stock and phantom stock awards, or a Change of Control, with respect to performance units, if such change is followed by an involuntary termination, or if the surviving entity does not assume the obligations of the awards that are substantially similar in all economic respects. With respect to the named executive officer's cash-settled performance unit awards (a) upon a termination due to death or disability the executive will be deemed to have earned an amount of cash equal to the number of shares of common stock on the date of such termination multiplied by the number of initial performance units granted pursuant to the award as a fraction, the numerator of which is the number of months of the three-year performance period that the executive was employed and the denominator of which is 36, and (b) in the event of an involuntary termination (whether or not occurring in connection with, or following, a Change-of-Control) the executive will be entitled to receive an amount of cash equal to the product of the number of performance units earned as of the date of executive's involuntary termination based on Forest's total shareholder return in comparison to its peer companies as of the date of termination or Change-of-Control, as the case may be, as the last day of the performance period. With respect to Mr. McQuinn's performance unit award, (a) upon a termination due to death or disability he will be deemed to have earned a number of shares of common stock equal to the number of initial performance units granted pursuant to the award multiplied by a fraction, the numerator of which is the number of months of the three-year performance period that he was employed and the denominator of which is 36, and (b) in the event of a termination (whether or not occurring in connection with, or following, a Change-of-Control), he will be entitled to receive a number of shares of common stock that would have been earned based on Forest's total shareholder return in comparison to its peer companies, assuming the date of termination or Change-of-Control, as the case may be, as the last day of the performance period. In addition, in the event of a Change-of-Control, the Compensation Committee may elect, in its sole discretion, to have Forest satisfy the executive's rights in respect of any stock-settled performance unit awards in part, by making a cash payment in lieu of shares of Forest common stock. The named executive officers have no rights in respect of the awards or equivalents with respect to any shares covered by the performance unit awards.

For purposes of the restricted stock, phantom stock, and performance unit awards granted to named executive officers under the agreements, an executive generally will be considered to have a Disability if, as a result of the executive's incapacity due to physical or mental illness, he or she has been absent from full-time performance of the executive's duties for a period of six consecutive months, and the executive is not able to resume employment within a thirty-day period after the executive has been given notice by Forest that his employment will be terminated. The agreements generally define an Involuntary Termination as any termination that does not result from the executive's resignation, a termination as a result of death, disability, or a termination by Forest by reason of the executive's unsatisfactory performance, a termination for a misdemeanor involving moral turpitude or a felony. A Corporate Change, or Change-of-control, pursuant to the agreement includes (i) a merger, consolidation or other reorganization where Forest is not the surviving entity; (ii) a sale, lease or exchange of all or substantially all of Forest's assets; (iii) a dissolution or liquidation of Forest; (iv) a person or entity acquiring or gaining ownership or control of more than 50% of Forest's common stock; or (v) the persons who were directors of Forest prior to a contested election of directors no longer constituting a majority of the board of directors following such an election.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End**

The following table provides information on the unexercised stock options, unvested performance units settled in cash awards, and unvested phantom stock unit awards that will be settled solely in cash held by our named executive officers. The vesting dates for each option grant and equity award are shown in the accompanying footnotes. The market value of the closing market price of Forest's common stock as of December 31, 2013, the last trading day in 2013, which was \$3.61, reflect the value actually realized by the named executive officers.

Name (a)	Number of Securities Underlying Unexercised Options (#) (b)	Number of Securities Underlying Unexercised Options (#) (c) ⁽¹⁾	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#)(g)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(h)
Patrick R. McDonald	7,600 ⁽²⁾	0	N/A	24.21	05/10/17	185,000 ⁽³⁾	667,850
	7,600 ⁽²⁾	0		24.31	05/10/16	310,000 ⁽⁵⁾	1,119,100
	11,293 ⁽²⁾	0		16.93	05/10/15		
	11,293 ⁽²⁾	0		11.56	02/26/14		
Victor A. Wind	13,552	0	N/A	17.63	04/14/15	143,000 ⁽⁷⁾	516,230
	2,568	0		13.70	01/03/15	190,000 ⁽⁹⁾	685,900
Cyrus D. Marter IV ⁽¹²⁾	20,328	0	N/A	13.56	12/08/14	162,500 ⁽¹²⁾	586,625
	11,293	0		11.09	02/25/14	108,000 ⁽¹²⁾	389,880
Frederick B. Dearman II	0	0	N/A			155,000 ⁽¹³⁾	559,550
						90,000 ⁽¹⁴⁾	324,900
Michael J. Dern	16,940	0	N/A	13.56	12/08/14	113,000 ⁽¹⁵⁾	407,930
	9,034	0		11.09	02/25/14	0	0
Michael N. Kennedy ⁽¹⁶⁾	0	0	N/A	N/A	N/A	0	0
Glen J. Mizenko ⁽¹⁷⁾	2,188	0	N/A	13.56	02/28/14	0	0

(1) For each named executive officer, other than Mr. McDonald, unvested options vested in equal increments of 25%, on the anniversary date of the grant, and have a term of ten years.

(2) Option awards for Mr. McDonald reflected in this table are awards that he received as a Non-Employee Director prior to becoming President and Chief Executive Officer on September 12, 2012. The options awards vested 100% on the date of grant.

- The option for 11,293 shares with an exercise price of \$11.56 expired and was cancelled effective February 26, 2014.
- (3) The forfeiture restrictions on Mr. McDonald's unvested restricted stock will lapse on September 12, 2015.
 - (4) The number of units listed shows the target number of performance units outstanding. Each performance unit represents the right to receive one share of Forest's common stock; provided that the actual number of shares that may be deliverable under the award will range from 0% to 200% of the number of performance units identified in the award, depending on Forest's relative total shareholder return in comparison to an identified peer group during the 36-month performance period ending on September 11, 2015.
 - (5) The forfeiture restrictions on Mr. McDonald's unvested phantom stock unit award will lapse 100% on May 21, 2015, in cash.
 - (6) On May 21, 2013, Mr. McDonald was awarded 232,500 stock-settled and 232,500 cash-settled performance units. The number of units listed shows the target number of performance units outstanding. Each stock-settled performance unit represents the right to receive one share of Forest's common stock; provided that the actual number of shares that may be deliverable under the award will range from 0% to 200% of the number of performance units awarded, depending on Forest's relative total shareholder return in comparison to an identified peer group during the 36-month performance period ending on March 31, 2016. Each cash-settled performance unit represents the right to receive, in cash, an amount equal to the fair market value of one share of common stock; provided that the number of shares that may be delivered in payment may be made under an award will range from 0% to 200% of the number of performance units awarded, depending on Forest's relative total shareholder return in comparison to an identified peer group during the 36-month performance period ending on March 31, 2016.

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- (7) The forfeiture restrictions on Mr. Wind's unvested restricted stock will lapse as follows: 15,000 shares on June 10, 2015, and 88,000 shares on May 21, 2016.
- (8) The number of units listed shows the target number of performance units outstanding. Each cash-settled performance unit represents the right to receive, in cash, an amount equal to the fair market value of one share of common stock; provided that the amount which payment may be made under an award will range from 0% to 200% of the number of performance units awarded, depending on the relative total shareholder return in comparison to an identified peer group during the 36-month performance period ending on February 28, 2015.
- (9) The forfeiture restrictions on Mr. Wind's unvested phantom stock unit awards will lapse as follows: 20,000 units on November 12, 2015, 40,000 units on November 12, 2016, and 100,000 units on August 24, 2013. All of these phantom stock units will be settled solely in cash.
- (10) The number of units listed shows the target number of performance units outstanding. Each performance unit represents the right to receive one share of Forest's common stock; provided that the actual number of shares that may be deliverable under an award will range from 0% to 200% of the number of performance units awarded, depending on Forest's relative total shareholder return in comparison to an identified peer group during the 36-month performance period ending on February 28, 2015.
- (11) The number of units listed shows the target number of performance units outstanding. Each performance unit represents the right to receive one share of Forest's common stock; provided that the actual number of shares that may be deliverable under an award will range from 0% to 200% of the number of performance units awarded, depending on Forest's relative total shareholder return in comparison to an identified peer group during the 36-month performance period ending on March 31, 2014.
- (12) Mr. Marter resigned as an executive officer of Forest on January 24, 2014. Pursuant to the terms of Mr. Marter's stock options and exercisable stock options outstanding on the date of termination may be exercised for a period of three months to the extent of 11,293 shares that remain exercisable through April 24, 2014. The option for 11,293 shares expired and was cancelled effective January 24, 2014. All unvested shares of restricted stock, cash-settled phantom stock units, and performance unit awards held by Mr. Marter were cancelled and forfeited on January 24, 2014.
- (13) The forfeiture restrictions on Mr. Dearman's unvested restricted stock will lapse as follows: 12,000 shares on June 10, 2014, 40,000 shares on March 12, 2015, and 88,000 shares on May 21, 2016.
- (14) The forfeiture restrictions on Mr. Dearman's unvested phantom stock unit award will lapse as follows: 20,000 units on November 12, 2015, and 40,000 units on November 12, 2016. All of these phantom stock units will be settled solely in cash.
- (15) The forfeiture restrictions on Mr. Dern's unvested restricted stock will lapse as follows: 10,000 shares on June 10, 2014, 23,000 shares on March 12, 2015, 30,000 shares on January 24, 2016, and 44,000 shares on May 21, 2016.
- (16) Mr. Kennedy resigned as an executive officer of Forest on August 23, 2013. Pursuant to the terms of Mr. Kennedy's stock options and exercisable stock options outstanding on the date of termination remained exercisable through November 30, 2013, all outstanding stock options were unexercised and cancelled. All unvested shares of restricted stock, cash-settled phantom stock units, and performance unit awards held by Mr. Kennedy were cancelled and forfeited on August 23, 2013.
- (17) Mr. Mizenko resigned as an executive officer of Forest on November 30, 2013. Pursuant to the terms of Mr. Mizenko's stock options and exercisable stock options outstanding on the date of termination remained exercisable through February 28, 2014. All unvested shares of restricted stock, cash-settled phantom stock units, and performance unit awards held by Mr. Mizenko were cancelled and forfeited on November 30, 2013.

Option Exercises and Stock Vested in 2013

The following table provides information, on an aggregate basis, about stock option exercises, and restricted stock awards that vested, during the fiscal year ended December 31, 2013 for each of the named executive officers.

Name (a)	Option Awards		Number Shares Acquired Vesting (#)(c)
	Number of Shares Acquired on Exercise (#)(b)	Value Realized on Exercise \$(c)	

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Patrick R. McDonald	0	0	14,006
Victor A. Wind	0	0	20,000
Cyrus D. Marter IV	0	0	27,000
Frederick B. Dearman II	0	0	20,000
Michael J. Dern	0	0	10,000
Michael N. Kennedy	0	0	22,500
Glen J. Mizenko	0	0	27,000

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- (1) The number of shares reflected in this column exhibits the gross number of restricted stock awards and phantom stock awards net of tax withholding. The restricted stock units were settled in shares of common stock. The phantom stock units were settled in cash.
- (2) The value realized is based upon the gross shares underlying the restricted stock awards and the phantom stock units multiplied by the mean of the high and low sales prices of Forest's common stock on the NYSE on the date preceding the date of vesting.
- (3) Forfeiture restrictions lapsed with respect to 14,006 restricted shares on May 8, 2013, \$62,397 was the value realized. Mr. McDonald received this award while he was serving as a non-employee director, on May 8, 2012, prior to his appointment as Chief Executive Officer. Mr. McDonald timely filed an election pursuant to Section 83(b) under the Internal Revenue Code with respect to the award of \$150,004, and therefore no shares were surrendered by the executive to Forest at the time of vesting to satisfy tax withholding during 2013.
- (4) Forfeiture restrictions lapsed with respect to 10,000 restricted shares on May 21, 2013, \$53,253 was the value realized. 2,735 shares of restricted stock were surrendered by the executive to Forest at the time of vesting to satisfy tax withholding.
- (5) Forfeiture restrictions lapsed with respect to 10,000 phantom stock units on November 12, 2013, \$42,840 was the value realized.
- (6) Forfeiture restrictions lapsed with respect to 15,000 restricted shares on May 21, 2013, \$79,880 was the value realized. 2,735 shares of restricted stock were surrendered by the executive to Forest at the time of vesting to satisfy tax withholding.
- (7) Forfeiture restrictions lapsed with respect to 12,000 phantom stock units on November 12, 2013, \$51,408 was the value realized. Mr. McDonald resigned as an executive officer of Forest on January 24, 2014. All unvested awards were forfeited on January 24, 2014, from Forest.
- (8) Forfeiture restrictions lapsed with respect to 10,000 restricted shares on September 8, 2013, \$56,600 was the value realized. 2,735 shares of restricted stock were surrendered by the executive to Forest at the time of vesting to satisfy tax withholding.
- (9) Forfeiture restrictions lapsed with respect to 10,000 phantom stock units on November 12, 2013, \$42,840 was the value realized.
- (10) Forfeiture restrictions lapsed with respect to 10,000 restricted shares on May 21, 2013, \$53,253 was the value realized. 2,735 shares of restricted stock were surrendered by the executive to Forest at the time of vesting to satisfy tax withholding.
- (11) Forfeiture restrictions lapsed with respect to 22,500 restricted shares on May 21, 2013, \$119,819 was the value realized. 2,735 shares of restricted stock were surrendered by the executive to Forest at the time of vesting to satisfy tax withholding.
- (12) Forfeiture restrictions lapsed with respect to 12,000 phantom stock units on November 12, 2013, \$51,408 was the value realized. Mr. McDonald resigned as an executive officer of Forest effective August 23, 2013. All unvested awards were forfeited on August 23, 2013, from Forest.
- (13) Forfeiture restrictions lapsed with respect to 15,000 restricted shares on May 21, 2013, \$79,880 was the value realized. 2,735 shares of restricted stock were surrendered by the executive to Forest at the time of vesting to satisfy tax withholding.
- (14) Forfeiture restrictions lapsed with respect to 12,000 phantom stock units on November 12, 2013, \$51,408 was the value realized. Mr. McDonald resigned as an executive officer of Forest effective November 30, 2013. All unvested awards were forfeited on November 30, 2013, from Forest.

Pension Benefits

We have a qualified, non-contributory defined benefit pension plan, the Forest Oil Corporation Pension Trust Agreement. The plan was suspended effective as of May 31, 1991. None of the named executive officers participate in this plan.

Table of Contents**Nonqualified Deferred Compensation**

In addition to Forest's 401(k) Plan, which is a qualified plan within the meaning of Section 401(a) of the Internal Revenue Code, the Executive Deferred Compensation Plan, or the Executive Plan, which provided deferred compensation benefits for certain named executive officers. Accumulations under the 401(k) Plan are limited by certain provisions of the Internal Revenue Code. Subject to certain conditions, a participant in the Executive Plan was permitted to defer a portion of his or her compensation with respect to which his or her 401(k) Plan were so limited. In addition, amounts deferred by a participant under the Executive Plan for a particular year were based on the matching formula used in the 401(k) Plan (which, for 2013, was a dollar-for-dollar match up to 8% of the participant's salary). The Executive Plan also allowed for the participant to defer, per an election, all or a portion of his or her bonus compensation.

The Executive Plan was terminated by amendment in December 2012, and except as noted in the footnotes to the table below, all amounts were liquidated and disbursed to the participants on January 16, 2014, in accordance with Section 409A of the Internal Revenue Code.

The following table provides information concerning contributions to the Executive Plan by each of the named executive officers and aggregate earnings in the Executive Plan during 2013:

Name (a)	Executive Contributions in Last FY \$(b)(1)	Registrant Contributions in Last FY \$(c)(2)	Aggregate Earnings in Last FY \$(d)	V D
Patrick R. McDonald	N/A	N/A	N/A	
Victor Wind	0	0	20,891	
Cyrus D. Marter IV ⁽⁵⁾	0	0	43,631	
Frederick B. Dearman II	0	0	2	
Michael J. Dern	N/A	N/A	N/A	
Michael N. Kennedy ⁽⁶⁾	0	0	2,567	
Glen J. Mizenko ⁽⁷⁾	0	0	63,953	

- (1) Amount contributed to the Executive Plan by each named executive officer is included in the amount reflected in the "Executive Contributions" column of the Summary Compensation Table above.
- (2) Amount contributed to the Executive Plan by Forest for each named executive officer is included in the amount reflected in the "Registrant Contributions" column of the Summary Compensation Table above.
- (3) On December 9, 2013 the Compensation Committee of the Board of Directors of Forest determined to disburse, on the Disbursement Date, all amounts held in participant accounts in the Executive Plan that would not have been distributed under the terms of the Executive Plan prior to the Disbursement Date. The actual amounts disbursed to the named executive officers were: Mr. McDonald, N/A; Mr. Wind, \$332,451; Mr. Marter, \$319,226; Mr. Dearman, \$16,690; Mr. Dern, N/A; Mr. Kennedy, \$2,567; Mr. Mizenko, \$1,462,472. Mr. Kennedy resigned as an executive officer on August 23, 2013, and therefore he received his disbursement on January 15, 2014, in accordance with his prior election under the Executive Plan.
- (4) Aggregate amounts reported as compensation to each named executive officer in the Summary Compensation Table for 2012 (or that would have been reported if the individual had been an named executive officer during such time) are: Mr. McDonald, N/A; Mr. Wind, \$314,241; Mr. Marter, \$234,321; Mr. Dearman, \$16,688; Mr. Dern, N/A; Mr. Kennedy, \$503,340; Mr. Mizenko, \$1,462,472.
- (5) Mr. Marter resigned as an executive officer of Forest on January 24, 2014.
- (6) Mr. Kennedy resigned as an executive officer of Forest effective August 23, 2013.
- (7) Mr. Mizenko resigned as an executive officer of Forest effective November 30, 2013.

Table of Contents**Potential Payments Upon Termination or Change-of-Control**

None of Forest's executive officers have employment agreements with Forest, and their employment may be terminated by the Board. As described below, Forest has entered into severance agreements with each of the named executive officers and other benefits if the officer's employment is terminated under certain circumstances within two years following a change-of-control. The awards provide for vesting in connection with a change-of-control event only if the successor entity does not assume or operate a business substantially similar in all economic respects, or if the executive is terminated involuntarily following the change-of-control. The agreements also provide for only double-trigger severance benefits to the executive officers. The rationale for providing these agreements and the equity compensation awards has been provided above in Compensation Discussion and Analysis.

Severance Agreements with the Named Executive Officers. Forest entered into a severance agreement with Mr. McDonald. Forest also entered into severance agreements with each of the named executive officers, other than Mr. McDonald and Mr. Dern, effective as of January 2013. Forest entered into a severance agreement with Mr. Dern in January 2013. Each of these severance agreements provide for benefits if the executive is Involuntarily Terminated (as defined below) within two years following a change-of-control of Forest. The term change-of-control is defined as follows:

Under the severance agreements, an executive will be considered Involuntarily Terminated if his employment is terminated by cause, death, disability, or his resignation (other than a resignation within 60 days after receiving notice of a change-of-control). A change-of-control is generally defined under the severance agreements as a significant and adverse change in the executive's authorities or duties, a reduction in the executive's annual base salary, a material reduction in the annual grant date value of long-term cash and equity compensation awards, or a change in the executive's principal place of employment by more than 50 miles, if such change results in an increase in the executive's commuting distance to his residence. Forest's change of duties definition is commonly referred to as a Good Reason termination at many of our locations. As a condition to receiving any payments under a severance agreement, the executive must release Forest in writing from all claims arising out of the executive's employment or his termination of employment, and agree not to compete with or solicit employees of Forest for two years following his termination of employment. The severance agreements run in perpetuity. However, the Compensation Committee may terminate or modify the severance agreements upon not less than one year's advance written notice, provided that such termination or modification will not take effect prior to the date that is 30 months following the effective date of the agreement or, if a change-of-control occurs, 30 months following such change-of-control. See the Potential Payments Upon Termination or Change-of-Control and Benefits Upon Termination or Change-of-Control, for additional information.

Change-of-Control. Each of the named executive officers' severance agreements includes a definition of a change-of-control, which is consistent with applicable definitions and requirements of Section 409A of the Internal Revenue Code and applicable regulations. For purposes of the severance agreements, a change-of-control means the occurrence of any one of the following types of events:

One person (or more than one person acting as a group) acquires stock ownership of Forest constituting more than 10% of the market value or total voting power of Forest's stock;

Individuals who, as of the effective date of the agreement, constitute the board of directors, or an incumbent board of directors, constitute at least a majority of the board; provided that any individual who becomes a director subsequent to the effective date of the agreement (other than an individual whose initial assumption of office occurs as a result of an actual or threatened change-of-control) whose nomination or election was approved by at least a majority then comprising the incumbent board shall constitute a change-of-control of the incumbent board;

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Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction of Forest or its subsidiaries, a sale or other disposition of more than 60% of the total gross fair market value of Forest's assets or other disposition, or the acquisition of assets or securities of another entity by Forest, in each case unless (i) all individuals and entities that were the beneficial owners of Forest's common stock and voting securities beneficially owned, directly or indirectly, more than 50% of the common equity securities and voting power of the resulting entity in substantially the same manner as they did prior to the transaction, (ii) no individual or entity owns 30% or more of the common equity securities of the resulting entity, (iii) a majority of the members of the board of directors of the resulting entity were members of the Board at the time of the initial agreement or of the action of the Board approving such transaction; or

Forest's shareholders approve a complete liquidation or dissolution of Forest.

Severance Payments Following a Change-of-Control. In the event any of the named executive officers' employment with Forest is Terminated as described above within 24 months after the date upon which a change-of-control occurs, the executive will receive severance benefits under his respective severance agreement or equity award agreement:

a cash severance payment consisting of a lump sum payment in an amount equal to 2.5 times the sum of (i) the executive's annual salary in effect on the date of the Involuntary Termination, (b) his annual base salary at the annual rate in effect on the date of the Involuntary Termination, or (c) his annual base salary in effect immediately prior to the change-of-control, whichever is most recently paid; provided, that if the named executive officer was employed by Forest for only a portion of the year in which such bonus was paid, then the annual bonus shall equal (A) an amount determined by annualizing the bonus for the portion of the year in which such bonus was paid in respect of such partial year based on the ratio of the number of days the executive was employed by Forest during such partial year to (B) the annual bonus earned by the executive (whether or not previously paid) in respect of the year immediately preceding the Involuntary Termination, if the executive has not received a bonus in respect of such partial year by the date of the Involuntary Termination, provided, further, that if the executive has not received an annual bonus from Forest at any time prior to the Involuntary Termination, then the annual bonus shall equal the amount of the executive's target annual bonus for the year in which the Termination occurs. The cash severance payment shall be paid 60 days after an Involuntary Termination, unless required by applicable Revenue Code to be paid at a later date;

continued coverage under Forest's medical and dental benefit plans for the executive and his spouse and his dependent children for a period of 24 months, in general without any cost to the executive other than income tax imposed on the named executive officer for the value of such continued coverage (this coverage will be terminated if the executive becomes eligible to receive such coverage from his employer during such period);

vesting of all outstanding stock options, restricted stock, and cash-settled phantom stock units to the extent provided in the award agreement; for awards granted prior to October 1, 2012, vesting will occur upon the change-of-control, whereas for awards granted on or after that date, vesting will occur in connection with a change-of-control only if the successor entity does not assume the award substantially similar in all material economic respects, or if the executive subsequently suffers an Involuntary Termination;

outstanding stock options will remain exercisable for a period of 12 months following the executive's last day of employment with Forest; if an event will an option be exercisable for a longer period than the original term of the option or a shorter period than the original term of the option (the terms of the option);

with respect to the performance unit awards granted prior to October 1, 2012, the executive will be entitled to common stock that would have been earned based on Forest s

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total shareholder return in comparison to its peer companies, assuming the date of the change-of-control as the performance period. In addition, in the event of a change-of-control the Compensation Committee may elect, in its sole discretion, to have Forest satisfy the executive's rights in respect of any performance units, in whole or in part, by making a cash payment in lieu of shares of Forest common stock;

with respect to the performance unit awards granted on or after October 1, 2012, if the successor entity does not make awards with awards substantially similar in all material respects, the executive will be entitled to receive a number of shares of Forest common stock, or an amount of cash, that would have been earned based on Forest's total shareholder return in comparison to its peer companies, assuming the date of change-of-control as the last day of the performance period. In addition, in the event of a change-of-control the Compensation Committee may elect, in its sole discretion, to have Forest satisfy the executive's rights in respect of any performance units, in whole or in part, by making a cash payment in lieu of shares of Forest common stock; and

if any payment, distribution, or benefit, whether pursuant to the severance agreement or otherwise, is subject to the provisions of the Internal Revenue Code regarding excess parachute payments, under the terms of the severance agreement, Forest may reduce any such payment to the extent necessary to ensure that the executive will receive a greater net after-tax amount to be paid to the executive.

Delayed Severance Payments. Section 409A of the Internal Revenue Code places restrictions on the timing of certain types of payments to executive officers and other officers, including the payments and benefits that may be payable under each officer's severance agreement. Our severance agreements include restrictions that will delay the payment of any amount until a date that is six months after the date of termination of employment, or an earlier date to the extent such amount may be paid to the executive without being subject to the provisions of Section 409A of the Internal Revenue Code. If the payment of any amount is delayed, the amounts of any such payments will accrue interest at the prime rate announced by JPMorgan Chase Bank from the date that such payment would have been made. The six-month payment restrictions will not be applied to the actual date the amount is paid to the executive.

Severance Payments Upon Termination Not Involving a Change-of-Control. As noted above, our executives' severance payments are payable only if the executive is involuntarily terminated within two years of a change-of-control. However, all of our executives' severance awards will vest and be payable in accordance with the terms thereof in the event the executive suffers an Involuntary Termination.

Payments Upon Retirement or Death or Disability. If a named executive officer retires in accordance with Forest's normal retirement policy, or if his employment is terminated as a result of death or disability, he will receive various benefits as reflected in the following table, which are available to all Forest employees. Forest's retirement policy states that an individual may retire when he has attained the age of 55 but having also completed 15 years of service with Forest. Under the terms of Forest's forms of stock option agreements, and cash-settled phantom stock unit agreements, upon death, disability, or, in the case of stock options (but not phantom stock units, performance units), retirement, any vesting or forfeiture provisions will lapse and the executive will be entitled to receive the underlying shares and any outstanding stock options will remain exercisable for a period of 12 months. With respect to restricted stock agreements, upon death or disability the executive will be entitled to receive the stock or cash, as the case may be, that he would have been entitled to receive on the date of death or disability as the end of the applicable performance period and reducing the payout by the ratio of total shareholder return for the applicable performance period by the full number of months in the performance period. With respect to restricted stock, cash-settled phantom stock units, performance units, Forest may, in its discretion, accelerate the vesting or lapse of forfeiture restrictions upon the retirement of the executive. Upon attaining age 65 or termination of employment due to death or disability, a participant in Forest's 401(k) Plan (including

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executive officer who is a participant) will have a 100% vested interest in his accounts under such plan. Generally, the Forest plan defines retirement as a voluntary resignation on or after reaching age 62 and 15 years of qualifying service, although Forest's retirement means reaching age 65. None of the named executive officers are currently eligible to receive any retirement benefits.

Summary of Forest's Payment Obligations and Other Benefits Upon Termination of Employment. The following table summarizes the payment obligations and the continuation of benefits to the named executive officers under various termination circumstances and events that occurred on December 31, 2013.

	Resignation for Good Reason or Termination		Termination as a Result of	
	Without Cause	Change-of- Control ⁽¹⁾	For Cause or Without Good Reason	Voluntary Resignation
Unpaid base salary through date of termination	x	x	x	x
Accrued but unpaid vacation	x	x	x	x
Earned but unpaid annual incentive compensation		x		
Unpaid deferred compensation	x	x	x	x
Unpaid reimbursements	x	x	x	x
Multiple of (a) base salary plus (b) amount equal to annual incentive bonus for last year		x		
Continued medical and dental benefits ⁽²⁾		x		
Full and immediate vesting under stock option agreements	x ⁽⁴⁾	x ⁽⁴⁾		
Full and immediate vesting under restricted stock agreements	x ⁽⁴⁾	x ⁽⁴⁾		
Full and immediate vesting under cash-settled phantom stock unit agreements	x ⁽⁴⁾	x ⁽⁴⁾		
Vesting of earned stock-and cash-settled performance units	x ⁽⁴⁾			
Disability income or life insurance payments				

(1) Includes payments and benefits that may be available under the named executive officer's severance agreement and the named executive officer's employment is Involuntarily Terminated within 24 months after a change-of-control.

(2) Upon a change-of-control, the named executive officers (and their spouses and eligible dependents) will receive the same benefits as if they had retired.

(3) This benefit is available only to retirees who were employed by Forest prior to January 1, 2009, the date the retiree's employment terminated. The medical benefits require retirement on or after reaching age 62 and 15 years of continuous qualifying service. None of the named executive officers are currently eligible to receive any retirement benefits.

(4) Equity awards granted prior to October 1, 2012 vest upon a change-of-control regardless of termination. Equity awards granted on or after October 1, 2012, provide for vesting upon a change-of-control only if (i) the surviving entity does not assume or replace such a named executive officer with a similar individual in all economic respects, or (ii) an Involuntary Termination occurs within 24 months.

Potential Severance Payments and Benefits Upon Termination or Change-of-Control. The following table assumes that the named executive officers terminated employment (other than as a result of death, disability, or retirement) with Forest on December 31, 2013, and the closing price of Forest's common stock on that date was \$10.00 per share.

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stock was \$3.61. These amounts are in addition to any benefits generally available to all U.S. employees upon a involuntary termination, such as distributions from the 401(k) Plan, the payment of accrued vacation, and, subject to the terms of restricted stock, performance unit, and option agreements, the right to exercise or receive vested stock options, stock awards, and cash-settled awards. These amounts represent our best estimates, as the actual amounts to be paid to the named executive officers can vary from the actual date of separation.

Name/Termination or Resignation Scenario	Severance & Bonus (\$)	Long-Term Incentive Plans ⁽²⁾					Executive Deferred Compensation Plan (\$) ⁽³⁾	Other Benefits (\$)
		Value of Accelerated Restricted Stock (\$)	Value of Accelerated Cash-Settled Phantom Stock (\$)	Value of Accelerated Stock-Settled Performance Units (\$)	Value of Accelerated Cash-Settled Performance Units (\$)	Value of Accelerated Cash-Settled Executive Compensation Plan (\$) ⁽³⁾		
Patrick R. McDonald-President and Chief Executive Officer								
Involuntary-Not Within 24 Months of a Change-of-Control	0	667,850	1,119,100	0	0	N/A		
Involuntary-Within 24 Months After a Change-of-Control	2,325,000	667,850	1,119,100	0	0	N/A	10,000,000	
Voluntary resignation ⁽⁶⁾	0	0	0	0	0	N/A		
Termination For Cause ⁽⁶⁾	0	0	0	0	0	N/A		
Victor A. Wind-Executive Vice President and Chief Financial Officer								
Involuntary-Not Within 24 Months of a Change-of-Control	0	516,230	361,000	0	0	334,297		
Involuntary-Within 24 Months After a Change-of-Control	1,400,000	516,230	361,000	0	0	334,297	10,000,000	
Voluntary resignation ⁽⁶⁾	0	0	0	0	0	334,297		
Termination For Cause ⁽⁶⁾	0	0	0	0	0	334,297		
Cyrus D. Marter IV-Senior Vice President, General Counsel and Secretary⁽⁷⁾								
Involuntary-Not Within 24 Months of a Change-of-Control	0	586,625	389,880	0	0	324,050		
Involuntary-Within 24 Months After a Change-of-Control	1,536,250	586,625	389,880	0	0	324,050	10,000,000	
Voluntary resignation ⁽⁶⁾	0	0	0	0	0	324,050		
Termination For Cause ⁽⁶⁾	0	0	0	0	0	324,050		
Frederick B. Dearman II-Senior Vice President, Southern Region								
Involuntary-Not Within 24 Months of a Change-of-Control	0	559,550	324,900	0	0	2		
Voluntary resignation ⁽⁶⁾	1,296,250	559,550	324,900	0	0	2	10,000,000	

Involuntary-Within 24 Months
After a Change-of-Control

Voluntary resignation ⁽⁶⁾	0	0	0	0	0	2
Termination For Cause ⁽⁶⁾	0	0	0	0	0	2

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

Involuntary-Not Within 24

Months of a Change-of-Control	0	407,930	0	0	0	N/A
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Involuntary-Within 24 Months

After a Change-of-Control	1,081,250	407,930	0	0	0	N/A	7
Voluntary resignation ⁽⁶⁾	0	0	0	0	0	N/A	
Termination For Cause ⁽⁶⁾	0	0	0	0	0	N/A	

**Michael N. Kennedy-Former
President and Chief Financial
Officer⁽⁸⁾**

Involuntary-Not Within 24

Months of a Change-of-Control	0	0	0	0	0	0
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Involuntary-Within 24 Months

After a Change-of-Control	0	0	0	0	0	0
Voluntary resignation	0	0	0	0	0	0
Termination For Cause	0	0	0	0	0	0

**Glen J. Mizenko-Former
Senior President,
Mid-Continent⁽⁹⁾**

Involuntary-Not Within 24

Months of a Change-of-Control	0	0	0	0	0	0
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Involuntary-Within 24 Months

After a Change-of-Control	0	0	0	0	0	0
Voluntary resignation	0	0	0	0	0	0
Termination For Cause	0	0	0	0	0	0

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- (1) Reflects the cash benefits payable in the event of a termination under the executive's severance agreement. The amount includes the executive's annual base salary and, in the event of termination within 24 Months of a change-of-control, annual bonus. Bonus amounts represent the annual bonuses paid to the named executive officers during 2013.
- (2) Reflects the accelerated value of unvested shares of restricted stock, cash-settled phantom stock units, and performance units under the terms of Forest's stock incentive plans and assumes successor entity does not assume or replace awards in connection with a change of control. Performance unit amounts represent a number of units vested equal to 0% of the initial performance units awarded, based on Forest's shareholder return ranking among its peers as of December 31, 2013. Each named executive officer's stock options outstanding at the time of termination, he would have the right to exercise all vested, unexercised stock options. The amounts shown in the table represent the value of a share of Forest common stock on December 31, 2013, or \$3.61. In the event of an Involuntary Termination of a named executive officer, the named executive officers will have a period of 12 months to exercise their stock options instead of the three months available to other employees. See "Outstanding Equity Awards at Fiscal Year-End", for details regarding the securities held by the named executive officers as of December 31, 2013. See footnote (6) below for an explanation of the amounts in the column titled "Value of Cash-Settled Phantom Stock Units".
- (3) Reflects the amount payable to the named executive officers, other than Messrs. McDonald and Dern, under the Executive Plan for 2013. Messrs. McDonald and Dern did not participate in the Executive Plan.
- (4) Reflects the cost of continued medical and dental coverage for the executive, his spouse, and any dependents at least through the end of 24 months after an involuntary termination following a change-of-control. Coverage had the executive not been terminated. With respect to each named executive officer, the amount assumes the cost of coverage for 24 months after an involuntary termination following a change-of-control.
- (5) The amounts assume that the timing of any payment or benefit is not delayed. If Forest delays making any payment or benefit as a result of a determination that a delay in any such payment or benefit is required pursuant to Section 409A of the Internal Revenue Code, Forest will pay interest on any delayed payment from the date the payment should have been made until the time the payment is made, any, due with respect to any such required delay in the receipt of the named executive officer's cash severance payment, at the prime or base rate of interest announced by JPMorgan Chase Bank or its successor. Any payment amount not made within the required time frame will be made at the rate of 10 percent plus the prime rate announced by JPMorgan Chase Bank.
- (6) Upon a voluntary resignation (other than under circumstances pursuant to which a named executive officer's employment is terminated involuntarily as described under *Severance Agreements with the Named Executive Officers* above) or termination of employment, a named executive officer would not receive any additional payments, except: (i) amounts generally payable to any terminating employee, including vacation, their vested 401(k) Plan balance, the delivery of any vested shares awarded under the stock incentive plan, and the exercise of stock options, which may be exercised for a period of three months following termination; and (ii) amounts held for their benefit under the Executive Plan.
- (7) Mr. Marter resigned as an executive officer effective January 24, 2014.
- (8) Mr. Kennedy resigned as an executive officer effective August 23, 2013.
- (9) Mr. Mizenko resigned as an executive officer effective November 30, 2013.

Compensation Practices and Risk

Forest does not believe that its policies and practices of compensating its employees give rise to risks that are reasonably likely to have a material adverse effect on Forest. In making this determination, Forest considered the following:

The Board has adopted a clawback policy, and has established stock ownership guidelines for the directors and executive officers.

With regard to the compensation of Forest's executive officers, although the Company's compensation program includes a pay-for-performance component, Forest believes the following aspects mitigate against the taking of excessive risk:

The annual long-term equity incentive component of the program, which is the largest component of compensation package, is divided into different types of awards, but all are weighted toward long-term three year cliff vesting based on the value of Forest's stock, whether absolute or in comparison to our or financial statement metrics; and

Each executive officer's annual AIP bonus is based on a number of goals set for Forest as a whole which are ultimately a subjective judgment made by the Compensation Committee, which can consider market conditions at the time of the decision.

Director Compensation

Forest uses a combination of cash and equity awards to attract and retain qualified candidates to serve on the Board. During the year, each director received an annual cash retainer of \$60,000, prorated for the portion of the year he was engaged as a director. Each director also receives a retainer as a member of the Board who serves on the

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standing committees of the Board also receives a cash retainer for such services. The Audit Committee members receive \$15,000, and the Chairman of the Audit Committee receives \$30,000. Members of the other standing committees of the Board receive a retainer in the amount of \$5,000, and the Chairmen of the other committees receive an amount equal to \$10,000; however, the Chairman of the Audit Committee who are not Denver-area residents are paid a retainer of \$15,000 instead of the other fees that would apply.

In addition, during 2013, each non-employee director received a restricted stock award of 33,671 shares under the 2007 Restricted Stock Plan. The award was granted on the date of the annual meeting, May 7, 2013, and reflected the number of shares of common stock (rounded) obtained by dividing \$150,000 by the fair market value of a share of common stock on the date of the award. The shares of restricted stock awards are subject to forfeiture restrictions that will lapse on the first anniversary of the date of the award. The Board is reimbursed by Forest for all costs incurred by them in their capacities as directors, including the costs of attending Board meetings.

The following table provides information concerning compensation paid to non-employee directors for the year ended December 31, 2013. Non-employee directors do not participate in any non-equity incentive, retirement, pension, or nonqualified deferred compensation plan.

Name (a)	Fees Earned or Paid in Cash (\$)(b)	Stock Awards (\$)(c) ⁽¹⁾	Option Awards (\$)(d)	Non-Equity Incentive Plan Compensation (\$)(e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (f)
Loren K. Carroll ⁽²⁾	75,000	150,004	0	N/A	N/A
Richard J. Carty ⁽³⁾	75,000	150,004	0	N/A	N/A
Dod A. Fraser ⁽⁴⁾	95,000	150,004	0	N/A	N/A
James H. Lee ⁽⁵⁾	95,000	150,004	0	N/A	N/A
James D. Lightner ⁽⁶⁾	75,000	150,004	0	N/A	N/A
Raymond I. Wilcox ⁽⁷⁾	75,000	150,004	0	N/A	N/A

(1) Amounts reflect the aggregate grant date fair value of stock awards computed in accordance with FASB ASC Topic 718 and estimates of forfeitures relating to service-based vesting conditions.

(2) As of December 31, 2013, Mr. Carroll had 33,671 shares of restricted stock subject to forfeiture restrictions and no options.

(3) As of December 31, 2013, Mr. Carty had 33,671 shares of restricted stock subject to forfeiture restrictions and no options.

(4) As of December 31, 2013, Mr. Fraser had 33,671 shares of restricted stock subject to forfeiture restrictions and 37,783 options. On May 8, 2013, 11,293 option shares expired and cancelled.

(5) As of December 31, 2013, Mr. Lee had 33,671 shares of restricted stock subject to forfeiture restrictions and 37,783 options. On May 8, 2013, 11,293 option shares expired and cancelled.

(6) As of December 31, 2013, Mr. Lightner had 33,671 shares of restricted stock subject to forfeiture restrictions and no options.

(7) As of December 31, 2013, Mr. Wilcox had 33,671 shares of restricted stock subject to forfeiture restrictions and no options.

Attracting and retaining qualified non-employee directors is critical to the future value growth and governance of Forest. To this end, we have engaged Pearl Meyer & Partners, LLC (Pearl Meyer) to develop a new director compensation program for Forest's combined company and is expected to be implemented following the closing of the combination transaction. We are reviewing data and recommendations from Pearl Meyer, Sabine intends that, following the closing of the combination transaction,

generally be entitled to receive an annual cash

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retainer of approximately \$70,000 plus an annual equity grant with a fair market value of approximately \$140,000 at the time the directors who are placed in leadership roles will be entitled to supplemental compensation in connection with their addition to the board. The lead director will be entitled to receive approximately an additional \$20,000 payment annually, while the audit committee members will receive approximately an additional \$15,000 payment annually, and chairs of any other standing committees of the board will receive approximately an additional \$10,000 payment annually. Directors who are also employees of Forest will receive no additional compensation for their service on the Forest board of directors.

Compensation Committee Interlocks and Insider Participation

During 2013, the Compensation Committee consisted of the following independent directors: Loren K. Carroll, James H. Carroll, and James H. Carroll. No member of the Compensation Committee is now, or at any time since the beginning of 2013 has been, employed by or affiliated with Forest or any of its subsidiaries or had any relationships requiring disclosure with Forest or any of its subsidiaries. None of Forest's executive officers or have been at any time since the beginning of 2013, a member of the compensation committee or board of directors of Forest or any of its subsidiaries or executive officers has been a member of Forest's board or the Compensation Committee.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following general discussion describes the material U.S. federal income tax consequences of the combination transaction with respect to the Forest common shares. This discussion is based on current provisions of the Internal Revenue Code, the Treasury regulations promulgated thereunder, and interpretations thereof and administrative rulings and published positions of the IRS, all as in effect as of the date hereof. Any change or different interpretations, possibly with retroactive effect, and any such change could affect the accuracy of the information set forth herein.

This discussion is limited to holders of Forest common shares that hold their Forest common shares as capital assets within the meaning of the Internal Revenue Code (generally, property held for investment). Further, this discussion is for general informational purposes and does not address all aspects of U.S. federal income taxation that may be relevant to particular holders in light of their personal circumstances. This discussion does not address holders subject to special rules under the U.S. federal income tax laws (including, for example, holders having a functional currency other than the U.S. dollar, persons subject to special rules applicable to former citizens and residents of the United States, banks or other financial institutions, funds, persons subject to the alternative minimum tax, grantor trusts, real estate investment trusts, S corporations or other pass-through arrangements (or investors in S corporations or other pass-through entities or arrangements), insurance companies, tax-exempt organizations, holders of securities or currencies, traders in securities who elect to apply a mark-to-market method of accounting, persons holding securities in connection with a hedging transaction, straddle, conversion transaction or other integrated transaction, or holders who acquire Forest common shares through the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan). This discussion does not address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, and any state, local or foreign tax consequences, nor does it address any U.S. federal tax considerations other than those relating to federal income tax. Holders should consult their own tax advisors as to the particular tax consequences to them of the combination transaction, the applicability of any U.S. federal income and other tax laws, any state, local or foreign tax laws or any treaty, and any changes in tax laws or interpretations thereof.

The Forest common shares outstanding immediately prior to the effective time of the combination transaction will remain unaffected for U.S. federal income tax purposes by the combination transaction. Accordingly, the combination transaction does not affect the U.S. federal income tax consequences to holders of Forest common shares.

HOLDERS OF FOREST COMMON SHARES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE COMBINATION TRANSACTION, INCLUDING THE APPLICATION OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS.

Table of Contents**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS****Introduction**

The following unaudited pro forma condensed consolidated combined financial statements present the combination transaction and the unaudited pro forma condensed consolidated financial statements of Sabine and Forest adjusted to give effect to the combination transaction as well as the unaudited pro forma condensed consolidated combined financial statements of each of Sabine and Forest during the periods presented. The unaudited pro forma condensed consolidated combined financial statements 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 applicable dispositions and the combination transaction as if it had been consummated on January 1, 2013, the beginning of the earliest period presented. The unaudited pro forma condensed consolidated balance sheet combines the historical consolidated balance sheet of Sabine and the historical condensed consolidated balance sheet of Forest as of March 31, 2014, giving effect to the combination transaction as if it had been consummated on March 31, 2014. The historical financial statements of Forest have been adjusted to reflect certain reclassifications in order to conform to Sabine's consolidated financial statements.

The merger agreement provides that Forest and Sabine will combine their businesses under Forest. Sabine Investor Holdings will contribute all of the equity interests of Sabine to Forest, with Sabine 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 stock, respectively. Upon consummation of the combination transaction, current Forest common shareholders will continue to hold their shares of common stock, which shares will represent (based on the number of Forest common shares outstanding as of May 5, 2014) approximately 26.5% 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. Sabine Investor Holdings and AIV Holdings will collectively hold approximately 58% of the issued and outstanding Forest common shares and approximately 80% of the issued and outstanding Forest convertible common-equivalent preferred shares, collectively representing approximately 80% of the total voting power in Forest. If the 2014 LTIP Proposal is approved, Forest expects to issue approximately 100 million shares of common stock under the 2014 LTIP, which will dilute the ownership percentages in Forest common shares listed above. The issuance of common stock under the 2014 LTIP will not affect the collective voting power of Sabine Investor Holdings and AIV Holdings, which will continue to hold approximately 80%. As part of the contribution, FR NFR Holdings, Inc. and FR NFR PI, Inc., which are wholly owned subsidiaries 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. Please see Proposal No. 1 The Share Issuance General for additional information regarding the transaction.

The unaudited pro forma condensed consolidated combined financial statements were prepared using the acquisition method of accounting. Forest is considered the predecessor or acquirer of Sabine. Under the acquisition method of accounting, the purchase price is allocated to the identifiable intangible assets acquired and liabilities assumed based on their respective fair market values with any excess purchase price allocated to goodwill.

As of the date of this document, Sabine has not completed the detailed valuation studies necessary to arrive at the required fair market value of the Forest assets to be acquired and the liabilities to be assumed and the related allocations of purchase price, nor has it completed the necessary steps to conform Forest's financial statements to the requirements of the acquisition method of accounting.

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accounting policies to Sabine's accounting policies. A final determination of the fair value of Forest's assets and liabilities, assets and liabilities of Forest that exist as of the closing date of the combination transaction and, therefore, cannot be made at the closing of the combination transaction. In addition, the value of the consideration given by Sabine Investor Holdings and AIV Holding Company in the combination will be determined based on the closing price of Forest's common shares on the closing date of the combination. In light of the foregoing, the pro forma adjustments (as defined below) are preliminary and are subject to change as additional information becomes available as additional analyses are performed. The preliminary pro forma adjustments have been made solely for the purpose of presenting the pro forma condensed consolidated combined financial statements presented below. Sabine estimated the fair value of Forest's assets and liabilities through discussions with Forest's management, preliminary valuation studies, due diligence, and information presented in Forest's financial statements. At the completion of the combination transaction, final valuations will be performed. Any increases or decreases in the fair value of relevant assets and liabilities at the completion of the final valuations will result in adjustments to the pro forma balance sheet and/or statements of operations. The final allocation may be different than that reflected in the pro forma purchase price allocation presented herein, and this difference will be reflected in the final financial statements.

Assumptions and estimates underlying the unaudited adjustments to the pro forma condensed consolidated combined financial statements (the "adjustments") are described in the accompanying notes. The historical consolidated financial statements have been adjusted to give effect to the consolidated combined financial statements to give effect to pro forma events that are: (1) directly attributable to the combination; (2) factually supportable; and (3) with respect to the pro forma statements of operations, expected to have a continuing impact on the financial statements of Sabine and Forest following the combination transaction. The unaudited pro forma condensed consolidated combined financial statements presented for illustrative purposes only and are not necessarily indicative of the operating results and financial position that would have resulted had the combination transaction occurred on the dates indicated. Further, the unaudited pro forma condensed consolidated combined financial statements do not purport to project the future operating results or financial position of the combined company following the combination transaction.

The unaudited pro forma condensed consolidated combined financial statements, although helpful in illustrating the financial position of the combined company under one set of assumptions, do not reflect the benefits of expected cost savings (or associated cost reductions), opportunities to earn additional revenue, or other factors that may result as a consequence of the combination transaction. The unaudited pro forma condensed consolidated combined financial statements do not attempt to predict or suggest future results. Specifically, the unaudited pro forma condensed consolidated combined financial statements do not reflect projected operating efficiencies and synergies expected to be achieved as a result of the combination transaction. The unaudited pro forma condensed consolidated combined financial statements also exclude the effects of costs associated with any restructuring or integration of the combined company, dispositions resulting from the combination transaction, as they are currently not known, and to the extent they occur, are expected to be incurred and will not have been incurred at the closing date of the combination transaction. However, such costs could affect the operating results of the combined company in the period the costs are incurred or recorded. Further, the unaudited pro forma condensed consolidated combined financial statements do not reflect the effect of any regulatory actions that may affect the results of the combined company following the combination transaction.

The unaudited pro forma condensed consolidated combined financial statements have been developed from and should be read in conjunction with:

the accompanying notes to the unaudited pro forma condensed consolidated combined financial statements;

the historical audited consolidated financial statements of Sabine as of and for the year ended December 31, 2013, and the historical audited consolidated financial statements of Sabine as of and for the year ended December 31, 2012, each contained in this proxy statement/prospectus;

the historical unaudited consolidated financial statements of Sabine as of and for the three months ended March 31, 2013, and the historical unaudited consolidated financial statements of Sabine as of and for the three months ended March 31, 2012, each contained in this proxy statement/prospectus;

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the historical audited consolidated financial statements of Forest as of and for the year ended December 31, 2013, Report on Form 10-K for the year ended December 31, 2013 and incorporated by reference in this proxy statement

the historical unaudited condensed consolidated financial statements of Forest as of and for the three months ended Forest's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and incorporated by reference in the and

other information relating to Sabine and Forest contained in or incorporated by reference into this proxy statement

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	Sabine Predecessor Historical	Sabine Divestiture Adjustments^(a)	Forest Historical	Forest Divestiture Adjustments^(b)	A
(in thousands, except per share amounts)					
Revenues:					
Oil, natural gas, and natural gas liquids	\$ 112,306	\$	\$ 64,457	\$	
Other	411		737		
Total revenues	112,717		65,194		
Costs, expenses, and other:					
Lease operating expenses	11,270		14,510		
Marketing, gathering, transportation, and other	4,386		2,515		
Production and ad valorem taxes	5,592		3,225		
General and administrative expenses	6,390		8,240	(1,076)	
Depletion, depreciation, and amortization	39,925		21,415		
Interest expense	25,827		16,011		
Realized and unrealized losses on derivatives instruments, net	22,126		12,851		
Other, net	(1,113)		8,648	(794)	
Total costs, expenses, and other	114,403		87,415	(1,870)	
Income (loss) before income taxes	(1,686)		(22,221)	1,870	
Income tax (benefit) expense			(1,214)	676	
				(676) ^(b)	
Net income (loss)	\$ (1,686)		\$ (21,007)	\$ 1,870	
Basic earnings (loss) per common share	\$		\$ (0.18)	\$ 0.02	
Diluted earnings (loss) per common share	\$	\$	\$ (0.18)	\$ 0.02	
Weighted Average Shares Outstanding					
Basic			116,838	116,838	
Diluted			116,838	116,838	

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	Year Ended December 31, 2013			
	Sabine Predecessor Historical	Sabine Divestiture Adjustments ^(a)	Forest Historical	Forest Divestiture Adjustments ^(b)
(in thousands, except per share amount)				
Revenues:				
Oil, natural gas, and natural gas liquids	\$ 354,223	\$ (52,083)	\$ 441,341	\$ (197,267)
Other	755		331	
Total revenues	354,978	(52,083)	441,672	(197,267)
Costs, expenses, and other:				
Lease operating expenses	42,491	(4,081)	76,675	(29,626)
Marketing, gathering, transportation, and other	17,567	(2,132)	11,895	(454)
Production and ad valorem taxes	17,824	(4,108)	14,857	(4,237)
General and administrative expenses	27,469		54,826	(18,498)
Depletion, depreciation, and amortization	137,068	(17,009)	171,557	(75,542)
Ceiling test write-down of oil and natural gas properties			57,636	
Interest expense	99,471	(4,162)	119,829	(53,684)
Realized and unrealized (gains) losses on derivatives instruments, net	(814)		3,786	
Other, net	3,325	(124)	(142,606)	142,974
Total costs, expenses, and other	344,401	(31,616)	368,455	(39,067)
Income (loss) before income taxes	10,577	(20,467)	73,217	(158,200)
Income tax (benefit) expense			(707)	(57,173)
				57,173 ^(b)
Net income / (loss)	\$ 10,577	\$ (20,467)	\$ 73,924	\$ (158,200)
Basic earnings (loss) per common share	\$	\$	\$ 0.62	\$ (1.35)
Diluted earnings (loss) per common share	\$	\$	\$ 0.62	\$ (1.35)
Weighted Average Shares Outstanding				
Basic			116,125	116,125
Diluted			116,125	116,125

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	As of March 31, 2019		
	Sabine Predecessor Historical	Forest Historical	Pro Forma Adjustment
	(in thousands, except per share)		
Assets:			
Current assets:			
Cash and cash equivalents	\$ 891	\$ 48,328	\$
Account receivable, net	78,047	32,840	
Prepaid expenses and other current assets	3,222	23,871	
Deferred income taxes			
Derivative instruments	2,038	713	
Total current assets	84,198	105,752	
Property, plant, and equipment:			
Oil and natural gas properties (full cost method)			
Proved, net of accumulated depletion of \$2,088,419 and \$8,480,853	1,307,992	776,413	(1,000,000)
Unproved	202,878	54,612	27,000
Net oil and natural gas properties	1,510,870	831,025	26,000
Other property and equipment, net of accumulated depreciation and amortization of \$10,692 and \$46,991	17,101	10,693	(1,000)
Total property, plant, and equipment	1,527,971	841,718	26,000
Other assets:			
Derivative instruments	1,277	2,216	
Deferred income taxes		1,762	(1,000)
Goodwill	173,547	134,434	(5,000)
Other long term assets	25,603	16,305	(1,000)
Total other assets	200,427	154,717	(7,000)
Total assets	\$ 1,812,596	\$ 1,102,187	\$ 19,000
Liabilities and member s capital/shareholders equity:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 206,054	\$ 149,525	\$ 3,000
Accrued interest	15,034	13,445	
Derivative instruments	23,731	9,598	
Deferred income taxes		1,762	(1,000)
Other short-term obligations	241	5,847	

Total current liabilities	245,060	180,177	3
Long-term liabilities:			
Long-term debt	1,348,880	800,171	(
Asset retirement obligation	14,203	24,337	
Derivative instruments	5,129	672	
Deferred income taxes			
Other long-term obligations		61,945	
Total long-term liabilities	1,368,212	887,125	(
Member s capital/shareholders equity:			
Sabine member s capital	1,523,008		(1,52
Forest common stock, zero and 119,099,106 shares issued and outstanding		11,910	1
Forest preferred stock			1
Forest capital surplus		2,556,277	(2,32
Retained deficit	(1,323,684)	(2,523,077)	3,97
Accumulated other comprehensive loss		(10,225)	1
Total member s capital/shareholders equity	199,324	34,885	16
Total liabilities and member s capital/shareholders equity	\$ 1,812,596	\$ 1,102,187	\$ 19

Table of Contents**NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS****1. Basis of Pro Forma Presentation*****Overview***

The pro forma financial statements have been prepared assuming the combination transaction is accounted for using the acquisition method of accounting with Sabine as the acquiring entity. Under acquisition accounting, Sabine's assets and liabilities will retain their carrying amounts and assets and liabilities will be recorded at their fair values measured as of the acquisition date. The excess of the purchase price over the fair values of Forest's net assets acquired, if applicable, will be recorded as goodwill. The pro forma adjustments have been prepared as if the combination transaction had taken place on March 31, 2014 in the case of the pro forma balance sheet and on January 1, 2013 in the case of the pro forma statements of operations. The combination transaction and adjustments are described in Note 2. Divestiture and Pro Forma Adjustments are described in the unaudited pro forma condensed consolidated combined financial statements.

The unaudited pro forma condensed consolidated combined financial statements should be read in conjunction with (i) Sabine's historical consolidated financial statements and related notes for the year ended December 31, 2013 and for the three months ended March 31, 2014, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations included in Annex A to the Proxy Statement, and (ii) Forest's Annual Report on Form 10-K for the year ended December 31, 2013, which is incorporated by reference in this proxy statement, and Forest's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, which is incorporated by reference in this proxy statement.

Certain reclassifications have been made to reflect comparability of financial information. However, the pro forma condensed consolidated combined financial statements may not reflect all adjustments necessary to conform the accounting policies of Forest to those of Sabine. The availability of information as of the date of this proxy statement/prospectus.

The pro forma adjustments represent management's estimates based on information available as of the date of this document. Additional information becomes available and additional analyses are performed. The pro forma financial statements do not reflect revenue or earnings enhancements, cost savings from operating efficiencies or synergies, or asset dispositions. Also, the pro forma financial statements do not reflect possible adjustments related to restructuring or integration activities that have yet to be determined or transactions related to the combination transaction that are not expected to have a continuing impact. Further, one-time transaction-related expenses incurred prior to, or concurrent with, closing the combination transaction are not included in the pro forma statements of operations. Transaction expenses is reflected in the pro forma balance sheet as a decrease to retained earnings and a decrease to cash.

Preliminary Estimated Purchase Price

The unaudited pro forma condensed consolidated combined financial statements were prepared using the acquisition method of accounting. Under the acquisition method of accounting, tangible and identifiable intangible assets acquired in the combination are recorded at their estimated fair values. Non-controlling interests are recorded at their estimated fair values. The excess of the purchase price over the preliminary estimated fair value of net assets acquired is recorded as goodwill. The estimated fair values and assets useful lives are based on preliminary management's estimates and are subject to adjustment after closing of the combination transaction based upon management's final analysis prepared with the assistance of independent appraisers and other advisers.

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The following table summarizes the preliminary estimate of the purchase price (in thousands, except per share data):

Forest common shares issued and outstanding as of March 31, 2014:
Held by public shareholders
Restricted shares
Estimated total shares ⁽¹⁾
Forest common share price ⁽¹⁾
Total consideration and fair value

- (1) The final purchase price will be based on the fair value of the issued and outstanding Forest common shares as of the closing date. The fair value of the Forest common shares is based on the closing price as of August 4, 2014, which will be adjusted for a 10% or 20% increase in the trading price of the Forest common shares would change the total purchase price by approximately \$10 million or \$20 million, respectively. The purchase price change would increase or decrease the amount of goodwill recognized from the transaction by the same amount.

Preliminary Estimated Purchase Price Allocation

The following table summarizes the allocation of the preliminary estimate of the purchase price to the assets acquired and liabilities assumed (in thousands):

Forest fair values:	
Current assets	\$ 1,100
Property, plant and equipment, net	1,100
Other long-term assets	
Goodwill ⁽¹⁾	
Current liabilities	(1,100)
Long-term debt	(700)
Deferred income taxes	
Other long-term liabilities	(1,100)
Total consideration and fair value	\$ 2,200

- (1) The fair value of the proved and unproved oil and gas properties was based on an income (risk adjusted reserve) and market transactions approach. It is Sabine's belief that operational synergies resulting from the combination of the acquired companies with highly similar properties (East Texas and Eagle Ford leasehold) and the benefit to/amount paid by equity were primary contributors to the amount of goodwill resulting from the transaction.

2. Divestiture and Pro Forma Adjustments and Assumptions

The accompanying unaudited pro forma condensed consolidated combined financial statements give pro forma effect to

(a) Sabine Divestiture Adjustments reflect the pro forma impact of the sale of interests in certain oil and natural gas properties and surrounding Oklahoma area by Sabine on December 18, 2013 by Sabine as if the sale had been consummated on January 1, 2013.

(b) Forest Divestiture Adjustments reflect the pro forma impact of the sale of oil and natural gas properties in the Texas Panhandle and in South Texas in February 2013 by Forest as if these sales had been consummated on January 1, 2013. Additional non-recurring income tax expense to give

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effect to the change in the valuation allowance that would have been required or associated with the effects of the pro forma rates. As discussed in Forest's Annual and Quarterly Reports on Forms 10-K and 10-Q for the periods ended December 31, 2013 and March 31, 2014, respectively, Forest has placed a full valuation allowance against its deferred tax assets.

(c) Adjustments to reflect Forest's assets and liabilities at their estimated fair values as discussed in Note 1. Preliminary Allocation as well as other pro forma adjustments discussed herein.

(d) Adjustment to reflect the impact on deferred taxes and the estimated income tax effect on the pro forma adjustments. A federal and state statutory income tax rate of 36%. A full valuation allowance is recorded to reduce the combined deferred tax asset balance. In addition, adjustments were recorded on the balance sheet to account for the impact of Sabine's cumulative temporary differences resulting from the change in tax status which will be recognized through the period of the change. The change in tax status is not reflected in the pro forma statement of operations. In connection with the combination transaction, Sabine's historical owners contributed entities that were under common control into Forest. As a result, \$219 million will be accounted for through equity which will be offset with a corresponding valuation allowance recorded against equity. Adjustments were recorded to account for the valuation allowance on the net deferred tax asset of the combined company. Forest excluding the deferred tax liability related to indefinite lived intangibles of \$4,021, which is not considered when determining the valuation allowance on the combined deferred taxes of Sabine and Forest.

(e) Adjustments necessary to reflect assets and liabilities at their estimated fair values as discussed in Note 1. Preliminary Allocation.

(f) Adjustments reflect the accounting for the income tax effects of the purchase accounting adjustments. A full valuation allowance is recorded to reduce the combined net deferred tax asset balance. In addition, adjustments were recorded on the balance sheet to account for the impact of Sabine's cumulative temporary differences resulting from the change in tax status which will be recognized through the period of the change. The change in tax status is not reflected in the pro forma statement of operations. In connection with the combination transaction, Sabine's historical owners contributed entities that were under common control into Forest. As a result, \$219 million will be accounted for through equity which will be offset with a corresponding valuation allowance recorded against equity. Adjustments were recorded to account for the valuation allowance on the net deferred tax asset of the combined company. Forest excluding the deferred tax liability related to indefinite lived intangibles of \$4,021, which is not considered when determining the valuation allowance on the combined deferred taxes of Sabine and Forest.

(g) Adjustments to Other long term assets include a decrease of \$9.6 million to reflect the fair value of assets as discussed in Note 1. Additionally, a decrease of \$3.0 million to write off \$1.2 million of aborted public offering costs to retained earnings and to reclassify deferred offering costs from capital surplus.

(h) Adjustments to accrued liabilities include estimated transaction costs totaling \$30.8 million which are offset as an adjustment to retained earnings. Additionally, certain of Forest's unvested stock-based compensation awards will vest upon the consummation of the combination transaction. These Phantom Stock Units are liability based awards that have been accrued with a value of \$2.1 million based on the common stock price as of March 31, 2013. These amounts will be adjusted further in accordance with changes in Forest's common stock pricing through the consummation of the transactions contemplated by the merger agreement and have been reflected with an offset to the beginning period retained earnings.

(i) To eliminate the historical Member's capital of Sabine and Capital surplus of Forest and to recognize the additional \$16,643 and \$16,643 related to preferred stock, each issued to Sabine Investor Holdings and AIV Holdings and Capital surplus as a result of the combination accounting.

(j) To reflect adjustments to basic and diluted earnings per share data based on an estimated 281 million weighted average common shares outstanding upon consummation of the combination transaction. The 2 million shares of Series A convertible preferred shares were not included in the calculations of diluted earnings per share as their inclusion would have an anti-dilutive effect.

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3. Additional Information

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

4. Pro Forma Supplemental Oil and Natural Gas Disclosures

The following schedules reflect Sabine's and Forest's combined supplemental information regarding oil and natural gas reserves to the combination transaction as if it had taken place on January 1, 2013. The following estimates of proved oil and natural gas and undeveloped, represent combined estimated quantities of crude oil and natural gas which geological and engineering evaluations indicate a reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved oil and gas reserves are the quantities expected to be recovered through existing wells with existing equipment and operating conditions. Proved natural gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a substantial amount of additional expenditures are required for completion.

Disclosures of oil and natural gas reserves which follow are based on estimates as of December 31, 2013 for both Sabine and Forest in accordance with the guidelines established by the SEC. Such estimates are subject to numerous uncertainties inherent in the estimation of quantities of oil and natural gas reserves, the projection of future rates of production and the timing of development expenditures. These estimates do not include proved natural gas reserves. The information provided does not necessarily represent the combined companies' estimate of expected future cash flows from oil and natural gas reserves.

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	Sabine				Forest				
	Oil	NGLS	Natural Gas	Natural Gas Equivalents	Oil	NGLS	Natural Gas	Natural Gas Equivalents	Oil
	(MMBbls)	(MMBbls)	(Bcf)	(Bcfe)	(MMBbls)	(MMBbls)	(Bcf)	(Bcfe)	(MMBbls)
Estimated Proved Reserves									
Balance at December 31, 2012									
Balance at December 31, 2012	16.0	29.4	709.0	980.8	33.7	41.3	912.8	1,362.6	49.7
Revision of previous estimates	0.1		(58.3)	(57.4)	(3.4)	(2.0)	22.0	(10.2)	(3.3)
Extensions and discoveries	6.9	5.4	73.7	147.5	11.6	4.6	51.1	148.4	18.5
Production	(1.4)	(1.8)	(44.0)	(63.4)	(2.3)	(2.5)	(46.7)	(75.4)	(3.7)
Sale of minerals in Place	(4.7)	(8.0)	(92.1)	(168.2)	(23.0)	(29.7)	(484.7)	(800.5)	(27.7)
Balance at December 31, 2013									
Balance at December 31, 2013	16.9	25.0	588.3	839.3	16.7	11.7	454.6	624.9	33.6
Estimated Proved Reserves									
December 31, 2012									
Proved developed	3.8	10.3	415.0	499.2	12.3	25.5	710.3	937.3	16.1
Proved undeveloped	12.2	19.1	294.0	481.6	21.4	15.7	202.5	425.3	33.6
	16.0	29.4	709.0	980.8	33.7	41.3	912.8	1,362.6	49.7
December 31, 2013									
Proved developed	6.0	11.6	360.6	466.1	6.2	6.9	336.3	414.4	12.2
Proved undeveloped	10.9	13.4	227.7	373.2	10.5	4.9	118.2	210.5	21.4
	16.9	25.0	588.3	839.3	16.7	11.7	454.6	624.9	33.6

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The following table sets forth unaudited pro forma supplemental oil and natural gas disclosures concerning the combined net cash flows from proved oil and natural gas reserves as of December 31, 2013, net of income tax expense, and giving transaction as if it had taken place on January 1, 2013. Income tax expense has been computed using assumptions relating to permanent differences and credits under the tax laws relating to oil and natural gas activities as of December 31, 2013. Based on Forest's evaluation of reserves. Future income tax expense on the combined companies' properties was calculated using the companies' appropriate statutory tax rate.

Standardized measure of discounted future net cash flows from estimated production of proved oil and natural gas reserves as of December 31, 2013:

	Sabine	Forest	Pro Forma Adjusted
Future cash inflows	\$ 4,667,459	\$ 3,459,749	\$
Future production costs	(1,127,359)	(1,165,344)	
Future development costs	(682,876)	(676,684)	
Future income taxes		(18,441)	
Future net cash flows	2,857,224	1,599,280	
10% annual discount for estimated timing of cash flows	(1,506,352)	(864,672)	
Standardized measure of discounted future net cash flows	\$ 1,350,872	\$ 734,608	\$

- (1) Pro forma adjustments reflect the future income tax expenses computed by applying the appropriate statutory tax rate to the cash flows relating to proved reserves, less the tax bases of the properties involved for Sabine and Forest. The future income tax expense reflects the effect to tax deductions and allowances.

Changes in standardized measure of discounted future net cash flows from proved oil and natural gas reserves (in thousands):

	Sabine	Forest	Pro Forma Adjusted
Beginning Balance	\$ 909,793	\$ 1,397,097	\$
Revisions of previous estimates:			
Changes in prices and costs	186,943	222,516	
Changes in quantity	45,167	(114,712)	
Net change due to extensions, discoveries, and improved recovery	392,752	295,585	
Sale of oil, natural gas and NGLs net of production costs	(274,180)	(337,914)	
Sales of reserves	(152,677)	(1,099,372)	
Accretion of discount	90,973	143,432	
Changes in estimated future development costs	22,181	50,568	
Previously estimated future development costs incurred	117,377	128,482	
Change in rate of production and other, net	12,542	19,321	
Net change in income tax		29,605	

Net change	441,078	(662,489)	
Ending Balance	\$ 1,350,871	\$ 734,608	\$

- (1) Pro forma adjustments reflect the future income tax expenses computed by applying the appropriate statutory tax rates to the future cash flows relating to proved reserves, less the tax bases of the properties involved for Sabine and Forest. The future effect to tax deductions and allowances.

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INFORMATION ABOUT THE COMPANIES

Information About Sabine

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 Sand and the Haynesville Shale formations; South Texas, targeting the Eagle Ford Shale formation; and North Texas, targeting the Permian Basin formation. Sabine Holdings' principal offices are at 1415 Louisiana Street, Suite 1600, Houston, TX 77002, and its telephone number is (713) 865-1400.

Sabine Oil & Gas Holdings II LLC is the sole member of Sabine Oil & Gas LLC, and Sabine Holdings is the sole member of Sabine Oil & Gas Holdings II LLC. Neither Sabine Oil & Gas Holdings II LLC or Sabine Holdings have operations separate from their investment in Sabine.

Additional information about Sabine Holdings, Sabine Oil & Gas Holdings II LLC and Sabine and its subsidiaries is included in the following document:

Information About Forest

Forest is an independent oil and natural gas company engaged in the acquisition, exploration, development, and production of oil and natural gas primarily in North America. Forest was incorporated in New York in 1924, as the successor to a company formed in 1911, and has been a public company since 1969. Forest's total estimated proved oil and natural gas reserves as of December 31, 2013 were approximately 1.5 billion barrels of oil and 1.5 trillion cubic feet of natural gas, all located in the United States. Forest's principal executive offices and corporate headquarters are located at 707 17th Street, Suite 80202. Forest's telephone number at that address is (303) 812-1400.

For a more complete understanding of Forest, you should read the business, financial and other information about Forest included in this document. See "Where You Can Find More Information."

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DESCRIPTION OF CAPITAL STOCK

The current authorized capital stock of Forest consists of 200,000,000 shares of common stock, par value \$0.10 per share, were issued and outstanding as of July 7, 2014, and 10,000,000 shares of preferred stock, par value \$0.01 per share, of which 10,000,000 shares are outstanding. Upon completion of the combination transaction:

if the authorized share proposal is approved, the authorized capital stock of Forest will consist of 650,000,000 shares of common stock, par value \$0.10 per share, of which approximately 283,000,000 shares will be issued and outstanding, and 10,000,000 shares of preferred stock, par value \$0.01 per share, of which 1,664,249 Series A convertible common-equivalent preferred shares will be issued and outstanding.

if the authorized share proposal is not approved, and Forest and Sabine Investor Holdings mutually agree to waive their consent and approval in the merger agreement, the authorized capital stock of Forest will consist of 200,000,000 shares of common stock, par value \$0.10 per share, of which approximately 169,000,000 shares will be issued and outstanding, and 10,000,000 shares of preferred stock, par value \$0.01 per share, of which 1,664,249 Series A convertible common-equivalent preferred shares will be issued and outstanding, and 10,000,000 Series B convertible common-equivalent preferred shares will be issued and outstanding.

The following summary of the capital stock of Forest does not purport to be complete and is qualified in its entirety by the terms and conditions of the rights of Forest common shareholders set forth in "Comparison of Rights of Forest Shareholders Before and After the Combination," the provisions of applicable law, and to the Form of Certificate of Amendment (Evidencing Preferred Stock), a form of which is attached as an exhibit to this document.

Common Stock

Outstanding shares of Forest's common stock are listed on the New York Stock Exchange under the symbol "FST." All outstanding shares of common stock are fully paid and non-assessable. Any additional common stock Forest issues will, when issued, also be fully paid and non-assessable.

Forest will notify common shareholders of any shareholders' meetings according to applicable law. Subject to the preferences of the Series A convertible common-equivalent preferred stock, Forest common shareholders are entitled to one vote per share of common stock in the election of directors in matters submitted to a vote of Forest's common shareholders. Forest's common shareholders do not have preemptive or anti-dilution rights. Accordingly, holders of a majority of common shares outstanding may elect all directors standing for election.

Forest common shareholders are entitled to receive ratably any dividends declared by Forest's board of directors out of the assets available for the payment of dividends. Dividends on Forest's common stock are, however, either voluntarily or not, subject to any preferences of the Series A convertible common-equivalent preferred stock. Upon Forest's liquidation, dissolution, or winding up, Forest's common shareholders are entitled to receive their pro rata share of the assets available after payment of all of Forest's debts and other liabilities. Any payment is, however, subject to the preferences of the Series A convertible common-equivalent preferred stock. Forest's common shareholders do not have any preemptive, subscription, redemption, or conversion rights.

Series A Convertible Common-Equivalent Preferred Stock

In connection with the completion of the combination transaction, Forest will adopt an amendment to its certificate of incorporation creating a new class of Series A convertible common-equivalent preferred stock, designated as the "Series A Senior Convertible Preferred Stock," consisting of 1,664,249 shares, all of which would be issued to Sabine Investor Holdings and AIV Holdings in connection with the combination transaction.

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A summary of certain key terms of the Series A convertible common-equivalent preferred stock is set forth below.

Dividends and Distributions. Generally, if Forest declares or pays a dividend or distribution on Forest common shares, a dividend or distribution is payable in cash, securities or other property, Forest will simultaneously declare and pay a dividend on the Series A convertible common-equivalent preferred stock on a pro rata basis with the common shares equal to 100 (referred to as the "Series A Conversion Ratio") of the aggregate per share amount of all such dividends declared or paid on the Forest common shares. If any dividend payable on the Series A convertible common-equivalent preferred shares is in arrears, Forest will be subject to restrictions on its ability to declare or pay dividends until it has first repurchased any stock ranking junior to the Series A convertible common-equivalent preferred stock or ranking on a parity with the Series A convertible common-equivalent preferred stock.

Voting Rights. Each share of Series A convertible common-equivalent preferred stock will be entitled to a number of votes equal to the Series A Conversion Ratio of the number of shares of Forest common stock outstanding at the time of the closing in accordance with the provisions of the merger agreement. The number of votes will be calculated in a manner similar to the calculation of the number of votes of Forest common stock at the completion of the combination transaction, and taking into account the number of Forest shares outstanding at the time of the closing. AIV Holdings will hold Series A convertible common-equivalent preferred shares that, together with all other Forest shares outstanding at the time of the closing, with the combination transaction, represent 80% of the voting power of all Forest shares. The holders of Series A convertible common-equivalent preferred stock will generally vote together as one class with the holders of Forest common stock, and, if issued, the holders of Series A convertible common-equivalent preferred stock, on all matters submitted to a vote of Forest shareholders, subject to exceptions required by the Series A convertible common-equivalent preferred stock certificate of incorporation.

Conversion. Each share of Series A convertible common-equivalent preferred stock will be convertible at the option of the holder of the Series A convertible common-equivalent preferred stock into a number of shares of Forest common stock, subject to there being a sufficient number of authorized but unissued Forest common shares to convert the Series A convertible common-equivalent preferred stock then outstanding will convert into Forest common shares, on the first trading day after Sabine Investor Holdings and AIV Holdings do not hold, together with their affiliates, Forest common shares representing, in the aggregate, at least two-thirds of the voting power of all outstanding Forest shares. Forest has no unissued Series A convertible common-equivalent preferred shares. If the preferred shares would otherwise be subject to mandatory conversion, and there is not a sufficient number of authorized but unissued Forest common shares, then at such time the voting rights of the Series A convertible common-equivalent preferred stock shall be automatically adjusted such that each share of Series A convertible common-equivalent preferred stock shall have the same number of votes per Series A convertible common-equivalent preferred share equal to the Series A Conversion Ratio.

Rights on Liquidation. Upon any liquidation, dissolution or winding up of Forest, the holders of Series A convertible common-equivalent preferred stock at the time outstanding will be entitled to receive for each share of Series A convertible common-equivalent preferred stock a number of shares of Forest common stock equal to the Series A Conversion Ratio of the amount of Forest common stock available for distribution to shareholders (subject to the rights of the holders of any stock of Forest then outstanding) in respect of distributions upon any such liquidation, dissolution or winding up. In respect of distributions upon any such liquidation, dissolution or winding up, any amount shall be paid or distributed with respect to holders of any stock of Forest then outstanding ranking junior to the Series A convertible common-equivalent preferred stock in respect of distributions upon any such liquidation, dissolution or winding up), a liquidation preference amount equal to the greater of (x) the amount equal to the sum of (A) \$0.01 and (B) the amount of any accrued and unpaid dividends on the Series A convertible common-equivalent preferred stock through the date of such liquidating distribution or (y) (A) the amount of the Series A Conversion Ratio multiplied by (B) the aggregate amount to be distributed per share to holders of Forest common shares assuming all Series A convertible common-equivalent preferred shares had been converted to common shares at the conversion ratio of 100 common shares per Series A convertible common-equivalent preferred share.

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Amendment. The Forest certificate of incorporation may not be amended in any manner that would materially alter or change the rights of the Series A convertible common-equivalent preferred stock (i) so as to affect them adversely, without the affirmative vote of two-thirds of the outstanding Series A convertible common-equivalent preferred shares and (ii) so as to affect them favorably, without the affirmative vote of holders of a majority of the Forest common shares not held by holder of Series A convertible common-equivalent preferred shares (or, if outstanding, Series B convertible common-equivalent preferred shares).

Series B Convertible Common-Equivalent Preferred Stock

If the authorized share proposal is not approved, and Forest and Sabine Investor Holdings waive the condition related to the combination transaction, then, in connection with the completion of the combination transaction, in addition to the amendments to the Forest certificate of incorporation to create the Series A convertible common-equivalent preferred stock, Forest will also adopt an amendment to the Forest certificate of incorporation to provide for the creation of a new class of Series B convertible common-equivalent preferred stock, designated as Series B Convertible Common-Equivalent Preferred Stock, consisting of 1,137,113 shares, all of which would be issued to Sabine Investor Holdings in connection with the completion of the combination transaction. If the authorized share proposal is approved, no class of Series B convertible common-equivalent preferred stock will be created and no Series B convertible common-equivalent preferred shares will be issued in connection with the completion of the combination transaction.

A summary of certain key terms of the Series B convertible common-equivalent preferred stock is set forth below.

Dividends and Distributions. Generally, if Forest declares or pays a dividend or distribution on Forest common shares, a dividend or distribution is payable in cash, securities or other property, Forest will simultaneously declare and pay a dividend on the Series B convertible common-equivalent preferred stock on a pro rata basis with the common shares equal to 100% of the aggregate per share amount of all such dividends declared or paid on the Forest common shares. If any dividend payable on Series B convertible common-equivalent preferred shares is in arrears, Forest will be subject to restrictions on its ability to declare or pay dividends until it has first repurchased any stock ranking junior to the Series B convertible common-equivalent preferred stock or ranking on a parity with the Series B convertible common-equivalent preferred stock.

In addition, beginning on the date that is three months following the completion of the combination transaction, if there are any authorized but unissued Forest common shares to permit the conversion of all shares of Series A convertible common-equivalent preferred stock then outstanding, then the Series B conversion ratio shall be adjusted on an annualized basis, the adjustment results in the Series B convertible common-equivalent preferred shares being convertible into a number of common shares equal to 10% of the total number of common shares underlying all of the then outstanding Series A convertible common-equivalent preferred shares and Series B convertible common-equivalent preferred shares. The adjustment to the Series B conversion ratio shall be made quarterly.

Voting Rights. Each share of Series B convertible common-equivalent preferred stock will be entitled to 100 votes on all matters submitted to a vote of such holders. The holders of Series B convertible common-equivalent preferred stock will generally vote together as one class with the holders of Forest common stock, and the holders of Series A convertible common-equivalent preferred stock, on all matters submitted to a vote of the Forest common stock, subject to exceptions required by applicable law or the Forest certificate of incorporation.

Conversion. Each share of Series B convertible common-equivalent preferred stock will be convertible at the option of the holder into a number of shares of Forest common stock, subject to there being a sufficient

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number of authorized but unissued Forest common shares. In addition, all shares of Series B convertible common-equivalent outstanding will convert into Forest common shares, on the same terms, automatically on the first trading day after there are authorized but unissued Forest common shares to permit the conversion of all then outstanding Series A convertible common and Series B convertible common-equivalent preferred shares.

Rights on Liquidation. Upon any liquidation, dissolution or winding up of Forest, the holders of Series B convertible common-equivalent preferred stock at the time outstanding will be entitled to receive for each share of Series B convertible common-equivalent preferred stock the amount of Forest Corporation available for distribution to shareholders (subject to the rights of the holders of any stock of Forest then outstanding), in preference to the Series A convertible common-equivalent preferred stock in respect of distributions upon any such liquidation, dissolution or winding up. Any amount shall be paid or distributed with respect to holders of any stock of Forest then outstanding ranking junior to the Series B convertible common-equivalent preferred stock in respect of distributions upon any such liquidation, dissolution or winding up), a limited amount equal to the greater of (x) the amount equal to the sum of (A) \$0.01 and (B) the amount of any accrued and unpaid dividends on Series B convertible common-equivalent preferred stock through the date of such liquidating distribution or (y) (A) the amount of the Series B convertible common-equivalent preferred stock multiplied by (B) the aggregate amount to be distributed per share to holders of Forest common shares assuming all Series A convertible common-equivalent preferred shares had been converted to common shares at the Series B conversion ratio per one Series B convertible common-equivalent preferred share.

Amendment. The Forest certificate of incorporation may not be amended in any manner that would materially alter or change the rights of the Series B convertible common-equivalent preferred stock (i) so as to affect them adversely, without the affirmative vote of a majority of two-thirds of the outstanding Series B convertible common-equivalent preferred shares and (ii) so as to affect them favorably, without the affirmative vote of a majority of the common stock, without the affirmative vote of holders of a majority of the Forest common shares not held by holder of Series A convertible common-equivalent preferred shares or Series B convertible common-equivalent preferred shares.

Rights Plan

In connection with the merger agreement, on July 10, 2014, the board of directors of Forest declared a dividend of one penny per share on each outstanding Forest common share, par value \$0.10 per share, and adopted a shareholder rights plan, as set forth in the Form 8-K filed on July 9, 2014, by and between Forest and Computershare Inc., as rights agent. The dividend is payable on July 21, 2014 to the extent of the dividend on that date. A description of the rights plan was contained in and a copy of the rights agreement was attached as Exhibit 4.1 to the Form 8-K filed on July 10, 2014, which is incorporated herein by reference. You are urged to read these documents carefully.

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THE REINCORPORATION MERGER

If the combination transaction is completed, Forest, Sabine Investor Holdings and AIV Holdings have agreed to implement the combination transaction into Delaware from New York, including taking the following actions after completion of the combination transaction:

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

adopting a reincorporation merger agreement, providing for the merger of the Reincorporation Merger Sub with Forest, with Forest surviving the reincorporation merger as a wholly owned subsidiary of New Delaware Holdco, and Forest common shares of Forest being exchanged for New Delaware Holdco shares, with Forest shareholders receiving corresponding shares in New Delaware Holdco in exchange for their Forest shares (referred to as the "reincorporation merger"); and

calling and holding a special meeting of shareholders of Forest to approve the reincorporation merger and the merger agreement.

Because Sabine Investor Holdings and AIV Holdings will collectively hold Forest common shares and Forest preferred shares, they will hold total voting power in Forest following the combination transaction, in the event the combination transaction is completed or is expected to be completed. **For this reason, the descriptions of Forest capital stock and the rights of Forest shareholders in this prospectus assume completion of the reincorporation merger.**

In connection with any special meeting of Forest shareholders called to approve the reincorporation merger, Forest will provide to Forest shareholders a separate proxy statement, containing information related to the reincorporation merger, New Delaware Holdco shares to be received by Forest shareholders in the reincorporation merger, as well as copies of the merger agreement, the reincorporation merger, and the certificate of incorporation and bylaws of New Delaware Holdco (together, the "New Delaware Holdco documents").

While you should ultimately refer to the information contained in such proxy statement related to the reincorporation merger, Forest shareholders, if you are asked to vote to approve the reincorporation merger, certain material provisions of the expected New Delaware Holdco charter documents have been summarized below, and a comparison of certain material provisions of the New Delaware Holdco current governance provisions in Forest's amended and restated certificate of incorporation and bylaws, is set forth under "Comparison of Shareholders Before and After the Combination Transaction."

Neither the following summary nor the disclosures under "Comparison of Rights of Forest Shareholders Before and After the Combination Transaction" purport to be complete, and are subject in their entirety to the provisions of applicable law, and the ultimate terms of the New Delaware Holdco charter documents, when and if approved.

The following summary of the capital stock of New Delaware Holdco does not purport to be complete and is qualified in its entirety by the description of the rights of Forest common shareholders set forth in "Comparison of Rights of Forest Shareholders Before and After the Combination Transaction," to the provisions of applicable law.

Common Stock

Upon completion of the reincorporation merger, the authorized common stock of New Delaware Holdco is expected to consist of common stock with a par value \$0.01 per share. Except as provided by law or in a preferred stock designation, holders of New Delaware Holdco common stock will have the following rights:

to be entitled to one

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vote for each share held of record on all matters submitted to a vote of the stockholders, will have the exclusive right to vote and do not have cumulative voting rights. Except as otherwise required by law, holders of common stock are not entitled to vote. New Delaware Holdco's certificate of incorporation (including any certificate of designations relating to any series of preferred stock) and to the terms of any outstanding series of preferred stock if the holders of such affected series are entitled, either separately or together with one or more other such series, to vote thereon pursuant to New Delaware Holdco's certificate of incorporation (including any certificate of designations relating to any series of preferred stock) or pursuant to the Delaware General Corporation Law. Subject to prior rights and restrictions applicable to any outstanding shares or series of preferred stock, holders of common stock are entitled to receive ratably with the holders of common stock held by them such dividends (payable in cash, stock or otherwise), if any, as may be declared from time to time by Holdco's board of directors out of funds legally available for dividend payments. All outstanding shares of common stock to be issued upon completion of this offering will be fully paid and non-assessable, and the shares of common stock to be issued upon completion of this offering will be fully paid and non-assessable. New Delaware Holdco common stock have no preferences or rights of conversion, exchange, pre-emption or other subscription rights, and no redemption or sinking fund provisions applicable to the common stock. In the event of any voluntary or involuntary liquidation or winding-up of New Delaware Holdco's affairs, holders of New Delaware Holdco common stock will be entitled to share in the distribution of Holdco's assets in proportion to the shares of common stock held by them that are remaining after payment or provision for Holdco's debts and obligations and after distribution in full of preferential amounts to be distributed to holders of any series of preferred stock, if any.

Preferred Stock

New Delaware Holdco's certificate of incorporation authorizes New Delaware Holdco's board of directors, subject to a vote of the stockholders without further stockholder approval, to establish and to issue from time to time one or more classes or series of preferred stock, covering up to an aggregate of 500,000,000 shares of preferred stock. Each class or series of preferred stock will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors. The terms of a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of the stockholders.

Anti-Takeover Effects of Provisions of New Delaware Holdco's Certificate of Incorporation, New Delaware Holdco's Restated Certificate of Incorporation and New Delaware Holdco's Amended and Restated Certificate of Incorporation

Some provisions of Delaware law, New Delaware Holdco's and restated certificate of incorporation and New Delaware Holdco's amended and restated certificate of incorporation described below will contain provisions that could make acquisitions of New Delaware Holdco by means of a tender offer or removal of New Delaware Holdco's incumbent officers and directors more difficult. These provisions may also have the effect of discouraging or deterring potential acquirers from acquiring New Delaware Holdco, which could have the effect of reducing the liquidity of New Delaware Holdco's common stock. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise consider to be in their best interest or in New Delaware Holdco's best interests, including transactions that would result in a premium over the market price for New Delaware Holdco common shares.

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are designed to encourage persons seeking to acquire control of New Delaware Holdco to first negotiate with New Delaware Holdco's board of directors. The benefits of increased protection and New Delaware Holdco's potential ability to negotiate with the proponent of an unfriendly acquisition or restructure New Delaware Holdco outweigh the disadvantages of discouraging these proposals because, among other things, these proposals could result in an improvement of their terms.

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New Delaware Holdco's Certificate of Incorporation and Bylaws

Provisions of New Delaware Holdco's certificate of incorporation and bylaws may delay or discourage transactions involving change in control or change in New Delaware Holdco's management, including transactions in which stockholders might receive a premium for their shares, or transactions that New Delaware Holdco's stockholders might otherwise deem to be in their best interests. Such provisions could adversely affect the price of New Delaware Holdco common stock.

Among other things, New Delaware Holdco's certificate of incorporation and bylaws will:

permit New Delaware Holdco's board of directors to issue up to 500,000,000 shares of preferred stock, with any rights and preferences as they may designate;

provide that the authorized number of directors may be changed only by resolution of the board of directors;

at any time after the Trigger Date:

provide that any action required or permitted to be taken by the stockholders must be effected at a duly called meeting of the stockholders and may only be effected in writing in lieu of a meeting of such stockholders if holders of all outstanding shares of such series consent, subject to the rights of the holders of any series of preferred stock with respect to such series (prior to the Trigger Date, such action may be taken without a meeting by written consent of holders of common stock having not less than the minimum number of shares necessary to authorize such action at a meeting at which all shares entitled to vote thereon were present and entitled to vote);

provide that New Delaware Holdco's amended and restated bylaws may only be amended by the affirmative vote of a majority of two-thirds of New Delaware Holdco's then outstanding common stock (prior to such time, New Delaware Holdco's bylaws may be amended by the affirmative vote of the holders of a majority of New Delaware Holdco's then outstanding common stock); and

provide that special meetings of New Delaware Holdco's stockholders may only be called by the board of directors, the chief executive officer or the chairman of the board or the board of directors (prior to the Trigger Date, a special meeting may be called by the board of directors or stockholders holding 25% of the then-outstanding shares of common stock);

provide for New Delaware Holdco's board of directors to be divided into three classes of directors, with each class serving a term of three years, and, where possible, serving staggered three year terms, other than directors which may be elected by holders of preferred stock. The provisions relating to electing and removing directors may tend to discourage a third party from making a tender offer or otherwise attempting to acquire New Delaware Holdco, because it could have the effect of increasing the length of time necessary to change the composition of the board of directors. In general, at least two annual meetings of stockholders will be necessary for stockholders to effect a change in the members of the board of directors;

provide that New Delaware Holdco renounce any interest in the business opportunities of First Reserve and New D are affiliated with First Reserve, other than directors employed by New Delaware Holdco, and that neither New D affiliated with First Reserve, other than directors employed by New Delaware Holdco, nor First Reserve, have any Delaware Holdco those opportunities;

eliminate the personal liability of New Delaware Holdco s directors for monetary damages resulting from breaches extent permitted by the Delaware General Corporation Law and indemnify New Delaware Holdco s directors and permitted by Section 145 of the Delaware General Corporation Law;

provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the stockholder s notice; and

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not provide for cumulative voting rights, therefore allowing the holders of a majority of the shares of common stock of directors to elect all of the directors standing for election, if they should so choose (though Sabine Investor Holdco to contractually limit certain of its voting rights with respect to the election of directors. Please see The Merger Agreements Stockholder s Agreement).

For additional information about these provisions, please see Comparison of Rights of Forest Shareholders Before and After the Transaction.

Delaware Law

New Delaware Holdco will not be subject to the provisions of Section 203 of the Delaware General Corporation Law, and in general, those provisions prohibit a Delaware corporation, including those whose securities are listed for trading on the NYSE, from entering into a combination transaction with any interested stockholder for a period of three years following the date that the stockholder becomes an interested stockholder, unless:

the transaction is approved by the board of directors before the date the interested stockholder attained that status;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

on or after such time the combination transaction is approved by the board of directors and authorized at a meeting of a majority of two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

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**COMPARISON OF RIGHTS OF FOREST SHAREHOLDERS BEFORE AND AFTER
COMBINATION TRANSACTION**

The rights of Forest common shareholders are currently governed by Forest’s certificate of incorporation and bylaws and Delaware Corporation Law. After the combination transaction and the reincorporation merger, assuming it is completed, the rights of shareholders who will receive New Delaware Holdco common stock in the reincorporation merger, will be governed by New Delaware Holdco’s certificate of incorporation and bylaws and by the Delaware General Corporation Law. Set forth below is a discussion of the material differences between the rights of a holder of Forest common shares, on the one hand, and the expected rights of a holder of New Delaware Holdco common stock, on the other. **Because Forest will be obligated to complete the reincorporation merger following the combination transaction, and AIV Holdings are expected to be able to approve the reincorporation merger without the approval of any other shareholders, the discussion below assumes completion of the reincorporation merger, and does not describe the rights of stockholders if the merger is not completed.**

Forest will be obligated to hold a special meeting of Forest shareholders to approve the reincorporation merger. In connection with the merger, Forest will prepare and mail to Forest shareholders a separate proxy statement, containing information related to the reincorporation merger, the New Delaware Holdco shares to be received by Forest shareholders in the reincorporation merger, and the New Delaware Holdco charter documents. This summary does not constitute a complete discussion of, and is qualified in its entirety by reference to, the Delaware General Corporation Law, the New Delaware Holdco certificate of incorporation and the constituent documents of Forest and New Delaware Holdco, as applicable. Copies of the documents referred to in this section are available as described under “Where You Can Find More Information.”

	Forest	New Delaware Holdco
Authorized Capital	Forest currently has authority to issue 200,000,000 shares of common stock, par value \$0.10 per share, and 10,000,000 shares of preferred stock, par value \$0.01 per share. The preferred stock is classified into two classes, Senior Preferred Stock and Junior Preferred Stock, each of which will be issuable in one or more series. The class of Senior Preferred Stock consists of 7,350,000 shares and the class of Junior Preferred Stock consists of 2,650,000 shares. No preferred stock is issued or outstanding.	New Delaware Holdco is authorized to issue 2,500,000,000 shares of common stock, par value \$0.01 per share, and 10,000,000 shares of preferred stock, par value \$0.01 per share. No preferred stock is issued or outstanding.
Dividends	Forest’s certificate of incorporation provides that Forest’s board of directors may from time to time declare dividends on its outstanding shares, provided, that dividends will be declared and paid on all outstanding shares of preferred stock before any dividends on the outstanding Forest common shares will be declared and paid.	New Delaware Holdco’s certificate of incorporation provides that Holdco’s board of directors may from time to time declare dividends on its outstanding shares, provided, that dividends will be declared and paid on all outstanding shares of preferred stock before any dividends on the outstanding New Delaware Holdco common stock will be declared and paid.

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**Number and Qualification of Directors;
Classification of Directors**

Forest

Forest's bylaws provide that there will be no less than six and no more than fifteen members of the board of directors.

The directors are classified with respect to their terms of office by dividing them into three classes established by action of the shareholders or of the board of directors. 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.

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New Delaware Holdco's incorporation provisions provide that there shall be no more than one and, prior to the date of the filing of this statement, no more than [] members of the board of directors. The bylaws provide, that the board of directors greater than the First Reserve.

The directors are classified with respect to their terms of office by dividing them into three classes, as nearly equal in size as reasonably possible. At each annual meeting of stockholders, directors to replace those whose terms expire at such annual meeting will be elected to hold office until the third succeeding annual meeting.

Election of Directors

Forest's bylaws provide that directors are elected by a majority of the votes cast at the meeting, provided, that if at any meeting at which directors will be elected the number of nominees exceeds the number of directors to be elected, the directors will be elected by the vote of a plurality of the votes cast.

New Delaware Holdco's bylaws provide that directors are elected by a majority of the votes cast at the meeting, subject to the rights of preferred stock to elect directors in specified circumstances. If a plurality of the votes cast.

Pursuant to the stockholders' agreement, as long as Sabine Investor Holdings collectively own or hold outstanding New Delaware Holdco stock, Sabine Investor Holdings will have the right to elect a number of individuals to the Holdco board of directors equal to the percentage of New Delaware Holdco stock beneficially owned by Sabine Investor Holdings as determined by the number of directors to be elected, rounded to the nearest whole number. The Delaware Holdco will be designated by Sabine Investor Holdings.

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Removal of Directors

Forest's bylaws provide that the board of directors may, by majority vote of all directors then in office, remove a director for cause. A director may be removed without cause by the affirmative vote of the holders of two-thirds of the votes represented by all the outstanding shares entitled to vote thereon at a meeting of shareholders called for that purpose.

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	Forest	New D
Vacancies on the Board of Directors	<p>Forest's bylaws provide that any vacancies will be filled in the following manner: (i) if the vacancy is caused by reason of the removal of a director without cause, it will be filled by election at a special meeting of shareholders entitled to vote on the matter or at any annual meeting without notice; (ii) if the vacancy is caused in any other way, or if new directorships are created, all of the directors then in office, although less than a quorum, may by majority vote choose a successor or successors or fill each newly created directorship; and (iii) if the entire board dies or resigns or becomes incapacitated to act, any shareholder may call a special meeting and directors for the unexpired term may be elected at such special meeting in the manner prescribed for their election at annual meetings.</p>	<p>New Delaware HO... vacancy occurring... created on account... resignation, disqua... causes, or resultin... authorized number... a majority of the di... less than a quorum... director, and shall r... stockholders. Exce... from an increase in... directors so chosen... for the remainder o...</p>
Action by Written Consent	<p>Under the New York Business Corporation Law, whenever shareholders are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all outstanding shares entitled to vote thereon.</p>	<p>Under New Delawa... incorporation, prior... action required or p... stockholders of Ne... taken without a me... and without a vote... or consents in writi... taken, is or are sign... outstanding stock h... minimum number o... necessary to author... and after the Trigg... required or permitt... stockholders of Ne... taken without a me... and with a vote of... consents in writing... taken, is or are sign... outstanding New D... stock.</p>

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Annual and Special Meetings of Stockholders	Forest <i>Annual Meetings</i>	New D <i>Annual Meetings</i>
	<p>Forest s bylaws provide that annual meetings of shareholders will be held on the second Wednesday in May of each year if not a legal holiday, and if a legal holiday, then on the next business day following, at 10 am., or at such other date and time as may be fixed from time to time by the board of directors at such place within or without the State of New York as may be fixed from time to time by the board of directors and all as stated in the notice of the meeting.</p>	<p>New Delaware Holdco s bylaws provide that annual meetings of shareholders will be held on the second Wednesday in May of each year if not a legal holiday, and if a legal holiday, then on the next business day following, at 10 am., or at such other date and time as may be fixed from time to time by the board of directors at such place within or without the State of Delaware, and all as stated in the notice of the meeting.</p>
	<i>Special Meetings</i>	<i>Special Meetings</i>
	<p>Forest s bylaws provide that special meetings may be held at such place within or without the State of New York as shall be fixed from time to time by the board of directors, or if no such place is so fixed, or whenever shareholders entitled to call a special meeting call the same, at Denver, Colorado. Except as otherwise provided in Forest s bylaws or certificate of incorporation or as otherwise required by law, special meetings of shareholders may be called by the board of directors or the chairman of the board or the chief executive officer, at such time as may be fixed by the person or persons calling the same and as will be stated in the notice of said meeting, except when the New York Business Corporation Law confers upon the shareholders the right to demand the call of such meeting and fix the time thereof.</p>	<p>New Delaware Holdco s bylaws provide that special meetings may be held at such place within or without the State of Delaware as shall be fixed from time to time by the board of directors, or if no such place is so fixed, or whenever shareholders entitled to call a special meeting call the same, at Denver, Colorado. Except as otherwise provided in New Delaware Holdco s bylaws or certificate of incorporation or as otherwise required by law, special meetings of shareholders may be called by the board of directors or the chairman of the board or the chief executive officer, at such time as may be fixed by the person or persons calling the same and as will be stated in the notice of said meeting, except when the Delaware General Corporation Law confers upon the shareholders the right to demand the call of such meeting and fix the time thereof.</p>
	<i>Notice of Meeting</i>	<i>Notice of Meeting</i>
	<p>Forest s bylaws provide that written notice of each annual or special meeting of shareholders will specify</p>	<p>New Delaware Holdco s bylaws provide that written notice, stating the date, time and place of the meeting, shall be given to each shareholder at least 30 days before the meeting, unless otherwise provided in the certificate of incorporation or the bylaws.</p>

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Advance Notice Requirements for Stockholder Nominations and Other Proposals

Forest

the place, date and hour thereof and, if such meeting is a special meeting, the purpose or purposes for which the meeting is called, and that the call is being issued by or at the direction of the person or persons calling the meeting. Such notice will be given not less than ten and not more than sixty days before the date of the meeting, to each shareholder of record entitled to vote thereat, or who, by reason of any action proposed at such meeting, would be entitled to have his share voted or appraised if such action were taken.

Annual Meetings

Forest's bylaws provide that nominations of persons for election to the board of directors and the proposal of other business to be considered by the shareholders may be made at an annual meeting pursuant to Forest's notice of meeting, by or at the direction of the board of directors or by any shareholder of Forest who was a shareholder of record at the time of giving of notice provided for by Forest's bylaws and at the time of the annual meeting, is entitled to vote at the meeting and complies with the notice procedures set forth in Forest's bylaws as to such business or nomination.

For any nominations or other business to be properly brought before an annual meeting, the shareholder must give notice to the secretary at the principal executive offices of Forest no earlier than the close of business on the 120th day and no later than the close of business on the 90th day prior to the first anniversary date on which Forest first mailed its proxy materials and, or its notice of access to proxy materials for the preceding year's annual meeting. In the event, however, that the date of the annual

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meeting is more than thirty days before or more than sixty days after the anniversary date of the preceding year's annual meeting, notice by the shareholder must be delivered no earlier than the close of business on the 120th day prior to the date of such annual meeting and no later than the close of business on the later of the 100th day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the date on which public announcement of the date of such meeting is first made by Forest. In the event that the number of directors to be elected to the board of directors is increased and there is no public announcement by Forest naming all of the nominees for director or specifying the size of the increased board of directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice will be considered timely, but only with respect to nominees for any new positions created by such increase, if it is delivered to the secretary at the principal executive offices of Forest no later than the close of business on the 10th day following the day on which such public announcement is first made by Forest.

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However, if the annual meeting is held thirty days before or more than sixty days after such anniversary date, notice by the stockholder must be delivered no earlier than the close of business on the 120th day prior to the date of such annual meeting and no later than the close of business on the later of the 100th day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day on which public announcement of such meeting is first made by New Delaware Holdco.

The foregoing notice to First Reserve for the purpose of aggregating at least 2% of common stock. If the number of directors on the board is increased and there is no public announcement by New Delaware Holdco naming all of the nominees for director or specifying the size of the increased board at least 100 days prior to the date of the preceding year's annual meeting, a shareholder's notice will also be considered timely with respect to nominees for any new positions created by such increase, if it is delivered to the secretary at the principal executive offices of New Delaware Holdco no later than the close of business on the 10th day following the day on which such public announcement is first made by New Delaware Holdco.

The above described notice to First Reserve for the purpose of aggregating at least 2% of common stock is satisfied by a stockholder who has notified New Delaware Holdco.

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Special Meetings

Special Meetings

Forest's bylaws provide that only such business will be conducted at a special meeting of shareholders as will have been brought before the meeting pursuant to Forest's notice of meeting. Nominations of persons for election to the board of directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to Forest's notice of meeting by or at the direction of the board of directors or, provided, that the board has determined that directors will be elected at such meeting, by any shareholders of Forest who is a shareholder of record at the time of giving of notice provided for in Forest's bylaws and at the time of the special meeting, is entitled to vote at the meeting and complies with the notice procedures as to such nominations. In the event that Forest calls a special meeting of shareholders for the purpose of electing one or more directors to the board of directors, any such shareholder may nominate a person or persons for election to such positions as specified in Forest's notice of meeting, if the shareholder delivers notice to the secretary at the principal executive offices of Forest no earlier than the close of business on the 120th day prior to the date of such special meeting and no later than the close of business on the later of the 100th day prior to the date of such special meeting or, if the first

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	Forest	New D
	<p>public announcement of the date of such special meeting is less than 100 days prior to the date of such special meeting, the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting.</p>	
Amendments to the Certificate of Incorporation	<p>Under the New York Business Corporation Law, subject to limited exceptions, amendments to the certificate of incorporation must be approved by vote of a majority of all outstanding shares entitled to vote on the proposed amendment, except that provisions of the certificate of incorporation requiring a greater or class vote may only be amended by such greater or class vote. In addition, an amendment that negatively affects in certain ways holders of shares of a class or series requires authorization by a majority of the votes of all outstanding shares of the affected class or series.</p> <p>Forest's certificate of incorporation provides that any adoption, amendment or repeal of any provision of the certificate of incorporation relating to the number, classification and terms of office of directors, the removal of directors without cause, or the power of, or vote by, the board of directors to adopt, amend or repeal the bylaws of Forest, or any amendment to or repeal of the amendment provision contained in the certificate of incorporation will require the affirmative vote of the holders of two-thirds of all outstanding shares entitled to vote thereon.</p>	<p>Under the Delaware... subject to limited e... certificate of incorp... both a majority of t... to vote, as well as a... stock of each class</p> <p>Under certain circu... Delaware General t... holders of the outst... vote as a class on a... whether or not enti... certificate of incorp</p> <p>New Delaware Hol... incorporation provi... Date, the affirmativ... least 66 2/3% in vo... shares of New Dela... entitled to vote gen... directors (consider... class) will be requi... any provision of Ne... certificate of incorp</p>
Amendments to Bylaws	<p>Forest's bylaws require the affirmative vote of a majority of the board to adopt, amend, alter or repeal the bylaws.</p> <p>Forest's certificate of incorporation provides that any adoption,</p>	<p>New Delaware Hol... incorporation provi... amend or repeal Ne... without any action... stockholders of Ne</p>

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	Forest	New D
	<p>amendment or repeal of any provision of the bylaws relating to the number, classification and terms of office of directors, the removal of directors without cause, or the power of the board of directors to adopt, amend or repeal the bylaws of Forest will require the affirmative vote of the holders of two-thirds of all outstanding shares entitled to vote thereon.</p> <p>Any bylaws adopted by the board may be amended or repealed by vote of the holders of shares entitled at the time to vote for the election of directors.</p>	<p>Holdco. However, amended by the bo conferred thereby, repealed by the sto Holdco. Further, th Holdco may not be repealed by the sto Holdco (i) prior to the vote of holders voting power of the New Delaware HO vote thereon, votin (ii) on and after the vote of holders of r voting power of the New Delaware HO vote thereon, votin</p>
Limitation of Personal Liability of Directors	<p>Forest's certificate of incorporation provides that a director of Forest will not be liable to Forest or its shareholders for damages for any breach of duty in such a capacity unless a judgment or other final adjudication adverse to the director establishes that the director's acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law; the director personally gained in fact a financial profit or other advantage to which the director was not legally entitled; or the director acts violate the §719 of the New York Business Corporation Law regarding the liability of directors in certain cases.</p>	<p>New Delaware HO incorporation provi Delaware Holdco v Delaware Holdco c monetary damages as a director, excep exemption from lia permitted under the Corporation Law. I Delaware Holdco v extent permitted by Delaware General c after the adoption o certificate of incorp liability of a directo</p>
Indemnification of Directors and Officers	<p>Forest's bylaws provide that except to the extent expressly prohibited by the New York Business Corporation Law, Forest will indemnify each person made or threatened to be</p>	<p>New Delaware HO New Delaware HO harmless, to the ful applicable law, any</p>

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made a party to any action or proceeding whether civil or criminal and whether by or in the right of Forest or otherwise, by reason of the fact that such person is or was either a director or officer of Forest or a director or officer of Forest who served at the request of Forest any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against judgments, fines, penalties, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred in connection with such action or proceeding or any appeal therein, except that no indemnification will be made if a judgment or other final adjudication adverse to such indemnified person establishes that either such indemnified person's acts were committed in bad faith, or were the result of active and deliberate dishonesty, and were material to the cause of action so adjudicated, or such indemnified person personally gained in fact a financial profit or other advantage to which he or she was not legally entitled.

No indemnification will be required with respect to any settlement or other nonadjudicated disposition of any threatened or pending action or proceeding unless ordered by a court or if not so ordered will be authorized in the specific case (i) by the board of directors of Forest acting by a quorum consisting of directors who are not parties to such action or proceeding upon a finding that the indemnified person has met the standard of conduct set forth above, or (ii) if such quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs, by the board of directors upon the opinion in writing of independent legal counsel that indemnification is proper in the

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was or is made a party to or threatened, pending, or in the course of, any action or proceeding, whether administrative or in a court of law, by reason of the fact that he, or a person acting on his behalf, is or was a representative, is or was an officer or director of New Delaware Holdings, Inc. or an officer of New Delaware Holdings, Inc. serving at the request of New Delaware Holdings, Inc. as a director, officer or representative of another corporation, partnership, joint venture, trust, other enterprise or entity, including self, or an employee benefit plan, if such action or proceeding is alleged to have been committed in any capacity as a director, officer, agent, or in any other capacity as a director, officer, employee, or agent, and such expenses, liability and damages (including attorneys' fees, ERISA excise taxes and costs of settlement) were or may be suffered by such person in connection with such action or proceeding.

New Delaware Holdings, Inc. shall not be prohibited by law from indemnifying or reimbursing an indemnified person in advance of its final determination of such indemnified person's liability. New Delaware Holdings, Inc. shall ultimately determine whether an indemnified person is entitled to indemnification.

New Delaware Holdings, Inc. shall not be prohibited by law from indemnifying or reimbursing an indemnified person in advance of its final determination of such indemnified person's liability.

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	<p style="text-align: center;">Forest</p> <p>circumstances because the standard of conduct set forth above has been met by the indemnified person, or by the shareholders upon a finding that the indemnified person has met the applicable standard of conduct set forth above, or (iii) in any other manner which may be permitted by the New York Business Corporation Law.</p> <p>Forest will advance or promptly reimburse upon request any indemnified person for all expenses, including attorneys' fees, reasonably incurred in defending any action or proceeding in advance of the final disposition thereof, so long as such indemnified person agrees to reimburse Forest for such amount if it is ultimately determined that such person was not entitled to indemnification.</p> <p>The board may also provide indemnification and advancement of expenses to such other persons as the board may determine from time to time.</p> <p>The indemnification and right to advancement of expenses of any indemnified person provided by Forest's bylaws will continue after such indemnified person has ceased to be a director, officer or employee of Forest and will inure to the benefit of such indemnified person's heirs, executors, administrators and legal representatives.</p> <p>The indemnification provisions contained in Forest's bylaws will apply to any legal successor to Forest, including any corporation which acquires all or substantially all of the assets of Forest in one or more transactions.</p> <p>Section 912 of the New York Business Corporation Law prohibits an interested shareholder (i.e., a person who owns 20% or more of</p>	<p style="text-align: center;">New D</p> <p>other persons as Ne determine from tim</p> <p>New Delaware Hol certificate of incorp by §203 of the Del</p>
<p>Certain Business Combination Restrictions</p>		

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Forest's outstanding voting stock) from engaging in various business combination transactions with Forest, unless (a) the business combination transaction, or the transaction in which the interested shareholder became an interested shareholder, was approved by the board of directors prior to the interested shareholder's stock acquisition date, (b) the business combination transaction was approved by the disinterested shareholders at a meeting called no earlier than five years after the interested shareholder's stock acquisition date, or (c) if the business combination transaction takes place no earlier than five years after the interested shareholder's stock acquisition date, the price paid to all the shareholders under such transaction meets statutory criteria.

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Law, which contains restrictions relating to transactions with interested stockholders who have not adopted any

A business combination is defined by Section 912 of the New York Business Corporation Law as including various transactions between the corporation and an interested shareholder, including merger, consolidations, transfers of assets (whether by sale, lease, exchange, mortgage, pledge, transfer or otherwise), certain share issuances, liquidation or dissolution, certain reclassifications of securities, and other transactions resulting in financial benefit to the shareholder.

Business Opportunities

Under New York law, the officers, directors and other fiduciaries of a corporation are not permitted to divert business opportunities from the corporation for their own benefit without board approval.

Under Delaware law, the officers, directors and other fiduciaries of a corporation are not permitted to divert business opportunities from the corporation for their own benefit without board approval. See the General Corporation Law of the State of Delaware for more information on the various types of corporate o

Neither Forest's certificate of incorporation nor its bylaws includes any provision renouncing or otherwise modifying the applicability of this general rule.

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Exclusive Forum	Neither Forest's certificate of incorporation nor its bylaws contains any restrictions with respect to the venue in which a shareholder may bring an action.	New Delaware Holdco's certificate of incorporation provides that New Delaware Holdco's sole and exclusive forum for the resolution of any dispute, claim, action or proceeding, including any derivative claim of breach of fiduciary duty, contract, tort, or other claim, against New Delaware Holdco, its directors, officers, employees, agents, independent contractors, stockholders, (i) or any provision of Delaware Holdco's certificate of incorporation, Delaware Holdco's bylaws, or Delaware Holdco's articles of incorporation, shall be the state or federal court in Delaware, provided that the claim, action or proceeding is not one that the Delaware courts have personal jurisdiction over and the parties named as defendants in the claim, action or proceeding are not all Delaware residents.

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PROPOSAL NO. 2 APPROVAL OF THE AUTHORIZED SHARE PROPOSAL

(Item 2 on the proxy card)

Sabine Investor Holdings, AIV Holdings and Forest agreed in the merger agreement that the Forest certificate of incorporation be amended to increase the number of authorized Forest common shares.

In the authorized share proposal, Forest is asking its shareholders to authorize an amendment to the Forest certificate of incorporation to increase the number of authorized Forest common shares from 200,000,000 to 650,000,000. The increase in authorized common shares is in addition to the increase of common shares to Sabine Investor Holdings and AIV Holdings pursuant to the merger agreement and the conversion of common shares to common-equivalent preferred shares issued to Sabine Investor Holdings and AIV Holdings pursuant to the merger agreement.

Required Vote

The affirmative vote of a majority of the outstanding Forest common shares is required to approve the authorized share proposal. If the affirmative vote is not obtained, a vote to fail to vote, it will have the same effect as voting AGAINST this proposal.

The Forest board recommends a vote FOR the authorized share proposal (Item 2).

THE MERGER AGREEMENT PROVIDES THAT APPROVAL OF THE AUTHORIZED SHARE PROPOSAL IS A CONDITION TO CLOSING THE COMBINATION TRANSACTION, UNLESS RECEIPT THEREOF IS WAIVED BY FOREST INVESTOR HOLDINGS, 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 authorized share proposal, the combination transaction may not close if the conditions to closing the combination transaction are not satisfied or, if allowed by applicable law, waived. Forest can give its consent to the combination transaction if the conditions to closing the combination transaction will be satisfied or so waived.

If the authorized share proposal is not approved and Forest and Sabine Investor Holdings mutually agree to waive this condition to the combination transaction, Sabine Investor Holdings and AIV Holdings will instead receive shares of Forest Series B convertible common stock in lieu of a portion of the Forest common stock that would have been received by them if there were available for issuance the number of authorized but unissued common shares. As a result, Sabine Investor Holdings and AIV Holdings would receive (i) 37,800,000 Forest common shares, (ii) 1,258,900 and 405,349 shares of Forest Series A convertible common-equivalent preferred stock, and (iii) 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 will collectively hold 26.5% of the issued and outstanding Forest common shares, representing approximately a 26.5% economic interest in Forest and 20% of the issued and outstanding Forest common shares, and Sabine Investor Holdings and AIV Holdings will collectively hold 30% of the issued and outstanding Forest common shares, representing approximately a 30% economic interest in Forest, and Sabine Investor Holdings and AIV Holdings will collectively hold 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 73.5% of the voting power in Forest.

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PROPOSAL NO. 3 APPROVAL OF THE NAME CHANGE PROPOSAL

(Item 3 on the proxy card)

Sabine Investor Holdings, AIV Holdings and Forest agreed in the merger agreement that, subject to the consummation of the Forest certificate of incorporation would be amended to change the name of Forest to Sabine Oil & Gas Corporation.

In the name change proposal, Forest is asking its shareholders to authorize an amendment to the Forest certificate of incorporation, which, upon consummation of the combination transaction, will change the name of Forest to Sabine Oil & Gas Corporation.

Required Vote

The affirmative vote of a majority of the outstanding Forest common shares is required to approve the name change proposal. If the proposal fails to pass, or if it fails to pass and a majority of the outstanding Forest common shares fail to vote, it will have the same effect as voting AGAINST this proposal.

The Forest board recommends a vote FOR the name change proposal (Item 3).

Table of Contents**PROPOSAL NO. 4 VOTE TO APPROVE THE ADOPTION OF THE 2014 LTIP****The 2014 LTIP Proposal***(Item 4 on the proxy card)****Background and Purpose of the Proposal***

The Forest board has adopted the 2014 LTIP, subject to the approval of Forest's shareholders. We are asking Forest's shareholders to vote in favor of the 2014 LTIP at the special meeting. If the 2014 LTIP is approved, it will become effective on the date immediately following the closing of the combination transaction, and no awards will be granted under the 2014 LTIP until after the effective time of the combination transaction. As of the date further below, the 2014 LTIP will be used by Forest to grant equity-based awards following the combination transaction in the discretion of the Compensation Committee. It is currently contemplated that substantially all shares of Forest common stock will be used to grant awards to continuing employees in connection with the closing of the combination transaction or shortly thereafter. With respect to the amounts and recipients of individual grants have not been determined at this time. A summary description of the 2014 LTIP as proposed is set forth below. The following summary does not purport to be a complete description of all the terms of the 2014 LTIP and is qualified in its entirety by reference to the 2014 LTIP, a copy of which is attached as Annex G to this proxy statement. The 2014 LTIP is in its entirety in this proposal by reference.

Forest currently sponsors the Forest Oil Corporation 2007 Stock Incentive Plan (the "2007 Stock Plan"), which provides for the grant of awards to non-employee directors), incentive stock options, options that do not constitute incentive stock options, restricted stock awards, and phantom stock awards. A total of 9,513,767 shares of Forest's common stock have been reserved for issuance under the 2007 Stock Plan. [] shares were available for future awards under the 2007 Stock Plan, and [] shares were subject to outstanding awards under the 2007 Stock Plan. If this 2014 LTIP proposal is approved by Forest's shareholders and the 2014 LTIP becomes effective in accordance with the terms of the 2014 LTIP, no further grants under the 2007 Stock Plan following the effective date of the 2014 LTIP.

Forest also sponsors the Forest Oil Corporation 2001 Stock Incentive Plan, as amended (the "2001 Stock Plan"), although no awards have been granted under this plan. As of [], 2014, [] shares were subject to outstanding awards under the 2001 Stock Plan.

The approval of the 2014 LTIP will provide a vehicle for Forest to grant equity-based awards following the combination transaction. Forest to grant a wide variety of equity, equity-based, and cash awards. Maximum flexibility in the types and amounts of awards available under its compensation program allows Forest to remain competitive by responding quickly to changing trends in the executive compensation market and to find new and more effective ways to tie its executives' pay to company performance. With these principles in mind, the 2014 LTIP will be more in line with current equity compensation practices and metrics employed by Forest's peers. Like Forest's current compensation program, the 2014 LTIP will make available awards through which eligible persons may acquire and maintain stock ownership in Forest.

Summary of the 2014 LTIP

Purposes of the 2014 LTIP. The purpose of the 2014 LTIP is to attract and retain able persons as employees, directors and officers (and their subsidiaries) and to provide incentives to such individuals to devote their abilities and energies to Forest's success through the use of various means to acquire and maintain stock ownership or awards, the value of which is tied to the performance of Forest's common stock.

Award Types. The 2014 LTIP permits the grant of nonstatutory options, incentive stock options, stock appreciation rights, restricted stock units, bonus stock, dividend equivalents, and other stock-

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based awards, any of which may be further designated as performance awards or annual incentive awards (collectively referred to as "Awards").

Administration. The 2014 LTIP will be administered by a committee of the Forest board (the "committee") pursuant to applicable federal or other rules or laws. However, the Forest board may also take any action designated to the committee, unless its action in the administration of the 2014 LTIP by outside directors is necessary with respect to awards intended to qualify for the performance-based exemption to Section 162(m) of the Internal Revenue Code ("Section 162(m)"). The committee has the sole discretion to determine the directors and consultants to whom Awards are granted under the 2014 LTIP and the manner in which such Awards will be granted to the committee to employees, directors and consultants in such amounts (measured in cash, shares of common stock or a combination thereof) and on such terms and conditions as the committee shall determine. Subject to applicable law and the terms of the 2014 LTIP, the committee is authorized to interpret the 2014 LTIP, to establish, amend and rescind any rules and regulations relating to the 2014 LTIP, to terminate, modify or amend the 2014 LTIP (subject to any required shareholder approval as described below) and to make such determinations that it deems necessary or desirable for the administration of the 2014 LTIP. The committee may correct or reconcile any inconsistency in the 2014 LTIP in the manner and to the extent the committee deems necessary or desirable. The committee shall be final, binding and conclusive upon all parties.

Eligibility to Participate. The employees eligible to receive Awards under the 2014 LTIP are Forest's employees and the directors of Forest's board who are not employees or consultants of Forest or its subsidiaries and individuals who provide consulting services to Forest or its subsidiaries are also eligible to receive Awards. As of [], 2014, Forest had [] employees, [] directors and [] consultants who would be eligible to participate in the 2014 LTIP. Eligible employees, directors or consultants who are designated by the committee to receive Awards under the 2014 LTIP are referred to as "participants".

Individual Limitations on Awards. The 2014 LTIP provides that a participant who is expected to be a covered employee under Section 162(m) may not receive (i) grants of share-denominated Awards (other than options and stock appreciation rights) during a calendar year with respect to more than 1,000,000 shares of Forest's common stock, (ii) grants of options and stock appreciation rights during a calendar year with respect to more than 1,000,000 shares of Forest's common stock, or (iii) dollar-denominated Awards during a calendar year that are intended to qualify for the performance-based exception to Section 162(m) determined on the date of grant in excess of \$5,000,000. These limits are not intended to suggest that the amount of compensation payable to an individual expected to be a covered employee will be the maximum set forth in the 2014 LTIP.

Number of Shares Subject to the 2014 LTIP. The maximum number of shares of Forest's common stock that may be issued under the 2014 LTIP is [] shares, subject to certain adjustments as provided in the 2014 LTIP. The closing price of a share of Forest's common stock on [] was \$[]. If an Award expires or is canceled, forfeited, exchanged, or settled in cash, or otherwise terminates, including shares of restricted stock, the shares subject to those Awards will again be available for issuance under the 2014 LTIP, unless an event prevents such re-issuance. Shares withheld in payment of any exercise or purchase price of an Award or taxes related to the Award will be held for future issuance under the 2014 LTIP.

Source of Shares. Common stock issued under the 2014 LTIP may come from authorized but unissued shares of Forest's common stock held by Forest or from previously issued shares of common stock reacquired by Forest, including shares purchased in the open market.

Stock Options. Stock options to purchase one or more shares of Forest's common stock may be granted under the 2014 LTIP. The committee may determine to grant stock options that are either incentive stock options or non-qualified stock options.

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governed by Section 422 of the Internal Revenue Code, or stock options that are not intended to meet these requirements. The committee will determine the specific terms and conditions of any stock option at the time of grant. The exercise price will be less than 100% of the fair market value of a share of Forest's common stock on the date of the grant (other than in lieu of substitute Awards), and in the case of an incentive stock option granted to an eligible employee that owns more than 10% of the common stock, the exercise price will not be less than 110% percent of the fair market value of Forest's common stock on the date of grant. The term of stock options will not exceed 10 years and incentive stock options may not be granted more than ten years after the date of adoption of the plan. The committee will determine the methods and form of payment for the exercise price of an option (including, in the discretion of the committee, in cash, common stock, or other Awards, or other property) and the methods and forms in which common stock will be delivered to a participant.

Stock Appreciation Rights. The committee may grant stock appreciation rights (or SARs) independent of or in connection with the grant or exercise, price per share of an SAR will be an amount determined by the committee and will be not less than the fair market value of one share of common stock on the date the SAR is granted. Generally, each SAR will entitle a participant upon exercise to an amount of common stock equal to the fair market value of one share of common stock on the exercise date over (b) the exercise price, multiplied by (ii) the number of shares covered by the SAR. Payment shall be made in common stock or in cash, or partly in common stock and partly in cash, at the discretion of the committee. The term of an SAR may not exceed 10 years.

Restricted Stock. Restricted stock may be granted under the 2014 LTIP, which means shares of Forest's common stock that are subject to transfer limitations, a risk of forfeiture and other restrictions imposed by the committee in its discretion. During the restricted period, a participant may not sell, assign or otherwise dispose of the restricted stock, and any stock certificate will contain an appropriate notice of such restrictions upon such common stock until such time as all restrictions have been removed. Restrictions may lapse at such times and under such circumstances as determined by the committee. During the restricted period, the holder will have rights as a shareholder, including the right to vote on common stock subject to the award and to receive cash dividends thereon (which may, if required by the committee be held in escrow during the restricted period subject to the same vesting terms as applicable to the underlying restricted stock award). Unless otherwise determined by the committee, common stock distributed to a holder of a restricted stock Award in connection with a stock split or stock dividend (other than cash) distributed as a dividend, will be subject to restrictions and a risk of forfeiture to the same extent as the underlying common stock with respect to which such common stock or other property has been distributed.

Restricted Stock Units. Restricted stock units (RSUs) are rights to receive shares of common stock, cash or a combination thereof over a specified period. The committee may subject RSUs to restrictions (which may include a risk of forfeiture) to be specified in the award agreement. Such restrictions may lapse at such times and under such circumstances as determined by the committee. RSUs may be satisfied by the distribution of common stock, cash equal to the fair market value of the specified number of shares of common stock covered by the RSUs, or a combination thereof determined by the committee at the date of grant or thereafter. Dividend equivalents on the specified number of shares of common stock covered by RSUs will either be paid on the dividend payment date with respect to such RSUs in cash or in shares of unrestricted common stock with a value equal to the amount of such dividends or deferred with respect to such RSUs and the amount or value thereof automatically added to the number of additional RSUs or other Awards, unless otherwise determined by the Committee on the date of grant.

Bonus Stock. Bonus stock awards may be granted to eligible individuals. Each bonus stock award will constitute a transfer of common stock on terms and conditions determined by the committee.

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Dividend Equivalents. Dividend equivalents may be granted to eligible individuals, entitling the participant to receive cash or other property equal in value to dividends paid with respect to a specified number of shares of common stock, or other property, at the discretion of the committee. Dividend equivalents may be awarded on a freestanding basis or in connection with another award, but will provide that dividend equivalents will be payable or distributed when accrued, deferred until a later payment date or deemed payable on common stock, Awards, or other investment vehicles. The committee will specify any restrictions on transferability and vesting of dividend equivalents.

Other Stock-Based Awards. Other stock-based awards may be granted that consist of a right denominated in or payable in shares of common stock, in reference to, or otherwise based on or related to shares of Forest's common stock, subject to applicable legal limitations. In the discretion of the committee, other stock-based awards may be subject to such vesting and other terms as the committee may determine to meet performance goals. Cash awards may be granted as an element of or a supplement to any other stock-based awards permitted under the Plan.

Performance Awards; Annual Incentive Awards. The committee may designate that certain Awards granted under the Plan are performance-based Awards. A performance Award is any Award the grant, exercise or settlement of which is subject to one or more performance goals. If the committee determines that a participant is expected to be a covered employee under Section 162(m) and the contemplated Award will be treated as performance-based compensation under such section, then the grant, exercise and/or settlement of such Award will be contingent on the achievement of one or more pre-established performance goals based on one or more of the business criteria set forth below. If the Award is intended to constitute performance-based compensation, performance goals will be designed to be objective, substantiated, and measurable as of the date of grant, and to otherwise meet the requirements of Section 162(m) of the Internal Revenue Code and the regulations thereunder. Performance goals may vary among Award recipients or among Awards to the same recipient. Performance goals will be established at the beginning of any performance period applicable to such Awards, or at such other date as may be required or permitted for the Award. Compensation under Section 162(m) of the Internal Revenue Code. If the committee notes that it will exclude the impact of certain events or occurrences at the time it establishes the performance goals for the relevant performance period, then the following items will be appropriately excluded, as applicable: (a) asset write-downs; (b) litigation, claims, judgments or settlements; (c) the effect of changes in such laws or regulations affecting reported results; (d) accruals for reorganization and restructuring programs; (e) any extraordinary nonrecurring items as described in the Accounting Standards Codification Topic 225, as the same may be amended or supplemented; (f) any change in accounting principles as defined in the Accounting Standards Codification Topic 250, as the same may be amended from time to time; (g) any loss from a discontinued operation as described in the Accounting Standards Codification Topic 360, as the same may be amended or superseded from time to time; (h) goodwill impairment charges; (i) operating results for any business acquired during the performance period; and (j) party expenses associated with any acquisition by Forest or any subsidiary.

One or more of the following business criteria for Forest, on a consolidated basis, and/or for specified subsidiaries, divisions, or other units of Forest (except with respect to stock price and earnings per share criteria), will be used by the committee in establishing performance goals: (1) earnings per share; (2) increase in revenues; (3) increase in cash flow; (4) increase in cash flow from operations; (5) increase in operating income; (6) return on net assets; (7) return on assets; (8) return on investment; (9) return on capital; (10) return on equity; (11) earnings before interest and taxes; (12) operating margin; (13) contribution margin; (14) net income; (15) net income per share; (16) pretax earnings; (17) pretax operating earnings; (18) depreciation and amortization; (19) pretax operating earnings after interest expense and before incentives, service fees, and other items; (20) total shareholder return; (21) debt reduction; (22) market share; (23) change in the fair market value of the common stock; (24) operating results; and (25) any of the above goals determined on an absolute or relative basis or as compared to a peer group as published or

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special index deemed applicable by the Committee including, but not limited to, the Standard & Poor's 500 Stock Index companies.

If the committee determines that a participant is expected to be a covered employee under Section 162(m) and the compensation would qualify as performance-based compensation under such section, then the committee may, in its discretion, reduce the amount that may be made in connection with such performance-based compensation, but may not exercise discretion to increase any such amount for any participant.

The committee may establish an unfunded pool for purposes of measuring performance against performance goals. Settlement of Awards may be in common stock, cash, or a combination of common stock and cash at the discretion of the committee. The committee may determine the circumstances in which a performance Award shall be paid or forfeited in the event of termination of employment by a participant during a performance period or settlement of performance Awards. All determinations by the committee as to the establishment, payment, or forfeiture of performance goals will be made in writing and the committee may not delegate any responsibility relating to such Awards to any person expected to be covered employees under Section 162(m).

The foregoing summary of performance Awards (including with respect to the applicable business criteria and unfunded pool) applies with respect to annual incentive Awards that may be granted to participants pursuant to the 2014 LTIP.

Tax Withholding. Forest and its subsidiaries are authorized to withhold from any Award granted, or any payment relating to the 2014 LTIP, including from a distribution of common stock, amounts of withholding and other taxes due or potentially payable on any transaction involving an Award, and to take any other action the committee may deem advisable to enable Forest and its subsidiaries to pay for the payment of withholding taxes and other tax obligations related to an Award.

Subdivision or Consolidation. In the event of a change in control (as defined in the 2014 LTIP), certain changes to Forest, such as a split, stock combination, stock dividend, extraordinary cash dividend, exchange of shares, or other recapitalization, merger, or an increase or decrease in the number of outstanding shares of common stock, appropriate adjustments will be made by the committee to the price of shares subject to an Award, the number of shares available for issuance under the 2014 LTIP, and the maximum amount payable under certain Awards. The committee may also provide for accelerated vesting (in full or in part) of such Awards, conversion of such Awards into securities or other interests of any successor Person, or the cash settlement of such Awards in exchange for such securities or other interests.

Change in Control. Upon a change in control, the committee shall have the discretion without the consent or approval of any participant to take the following actions: (i) accelerate the time at which options or SARs may be exercisable or become vested; (ii) require the exercise of such options or SARs for no consideration; or (iii) make any such adjustments as the committee determines appropriate.

Termination of Employment. The treatment of an Award upon a termination of employment or any other service relationship shall be governed by the agreement controlling such Award.

Amendment. The Forest board may amend, alter, suspend, discontinue or terminate the 2014 LTIP at any time, subject to the approval of the shareholders if required by any state or federal law or regulation or the rules of any stock exchange; provided, that without the consent of any participant, no such action by the Forest board may materially and adversely affect the rights of such participant under any outstanding Award. The committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate any Award granted, except as otherwise provided in the 2014 LTIP;

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provided, that without the consent of an affected participant, no such committee action may materially and adversely affect the participant's rights under such Award.

Term and Termination of the Plan. The Forest board in its discretion may terminate the 2014 LTIP at any time with respect to the common stock that are not subject to previously granted Awards. No further Awards may be granted under the 2014 LTIP after the termination effective date.

Transferability of Awards. Awards will not generally be transferable other than by will or the laws of descent and distribution or a court order issued by a court of competent jurisdiction. An incentive stock option will not be transferable other than by will or the laws of descent and distribution. With respect to a specific nonstatutory option or SAR, in accordance with rules and procedures established from time to time, the participant may transfer, for estate planning purposes, all or part of such Award to one or more immediate family members, related family trusts or partnerships or similar entities, as determined by the committee. Any attempt to transfer an Award under the 2014 LTIP or without proper notification to the committee shall be deemed null and void, and at the discretion of the committee, may result in the forfeiture of that Award.

Clawback Policy. The 2014 LTIP will be subject to any written clawback policy of Forest, whether in effect on the effective date of the Award or by Forest in the future, which policy may subject a participant's Awards, or amounts paid or realizable under such Awards, to reduction, cancellation, forfeiture or recoupment if certain events or wrongful conduct specified in the policy occur.

Federal Income Tax Consequences

The following discussion is for general information only and is intended to summarize briefly the U.S. federal income tax consequences of transactions contemplated under the 2014 LTIP. This description is based on laws, regulations and guidance currently in effect and may change (possibly retroactively). The tax treatment of participants in the 2014 LTIP may vary depending on each participant's individual circumstances and therefore, be subject to special rules not discussed below. No attempt has been made to discuss any potential foreign, state or local tax consequences. Participants are advised to consult with a tax advisor concerning the specific tax consequences of their participation in the 2014 LTIP.

Tax Consequences to Participants under the 2014 LTIP

Stock Options and Stock Appreciation Rights. Participants will not realize taxable income upon the grant of a stock option or SAR. In the case of a nonstatutory option or an SAR, a participant will recognize ordinary compensation income in an amount equal to the excess of (i) the cash and the fair market value of the common stock received, over (ii) the exercise price of the Award. A participant will recognize taxable income on any shares of common stock received pursuant to the exercise of a nonstatutory option or SAR that equals the fair market value of the common stock received on the date of exercise. In general, Forest will be entitled to a deduction for federal income tax purposes that corresponds to the amount of compensation income recognized by a participant. When a participant sells the common stock acquired as a result of the exercise of a stock option or SAR, any appreciation (or depreciation) in the value of the common stock after the exercise date is treated as long-term capital gain for federal income tax purposes, depending on the holding period. The common stock must be held for more than 12 months to qualify for capital gain treatment.

Participants eligible to receive a stock option intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code will not recognize taxable income on the grant of an incentive stock option. Upon the exercise of an incentive stock option, a participant will recognize taxable income, although the excess of the fair market value of the shares of common stock received upon exercise of the option over the exercise price will be included in the participant's income for alternative minimum tax purposes.

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Upon the disposition of ISO Stock that has been held for the required holding period (generally, until the later of two years or one year from the date of exercise of the incentive stock option), a participant will generally recognize capital gain (or loss or shortfall) of the amount received in the disposition over the exercise price paid by the participant for the ISO Stock. However, if a participant makes a Disqualifying Disposition of ISO Stock that has not been held for the requisite holding period (a Disqualifying Disposition), the participant will recognize ordinary income in the year of the Disqualifying Disposition in an amount equal to the amount by which the fair market value of the ISO Stock on the exercise of the incentive stock option (or, if less, the amount realized in the case of an arm's length disposition to an unrelated party) exceeds the exercise price paid by the participant for such ISO Stock. A participant would also recognize capital gain to the extent the amount realized in the Disqualifying Disposition exceeds the fair market value of the ISO Stock on the exercise date. If the exercise price paid for the ISO Stock (in the case of an arm's-length disposition to an unrelated party), such excess would ordinarily constitute a capital loss.

Forest will generally not be entitled to any federal income tax deduction upon the grant or exercise of an incentive stock option if the participant makes a Disqualifying Disposition of the ISO Stock. If a participant makes a Disqualifying Disposition, Forest will then be entitled to a tax deduction that corresponds as to timing and amount with the compensation income recognized by the participant.

Under current rulings, if a participant transfers previously held shares of common stock (other than ISO Stock that has not been held for the required holding period) in satisfaction of part or all of the exercise price of a stock option, whether a nonstatutory option or an incentive stock option, no additional gain will be recognized on the transfer of such previously held shares in satisfaction of the nonstatutory option or incentive stock option exercise price (although a participant would still recognize ordinary compensation income upon exercise of an incentive stock option as described above). Moreover, that number of shares of common stock received upon exercise which equals the number of shares of common stock surrendered in satisfaction of the nonstatutory option or incentive stock option exercise price will have a capital gains holding period that includes, the tax basis and capital gains holding period of the previously held shares of common stock in satisfaction of the nonstatutory option or incentive stock option exercise price. Any additional shares of common stock received upon exercise will have a tax basis that equals the amount of cash (if any) paid by the participant, plus the amount of compensation income recognized upon exercise of the rules described above.

Cash Awards; Restricted Stock Units; Restricted Stock; Bonus Stock. A participant will recognize ordinary compensation income upon receipt pursuant to a cash award or, if earlier, at the time the cash is otherwise made available for the participant to draw upon. A participant will recognize taxable income at the time of grant of a restricted stock unit, but rather, will generally recognize ordinary compensation income when the participant receives cash or a share of Forest common stock in settlement of the restricted stock unit award, as applicable, in an amount equal to the fair market value of the common stock received. The dividend equivalents, if any, received with respect to a restricted stock unit will be treated as ordinary compensation income, not dividend income, when paid.

A recipient of restricted stock or bonus stock generally will be subject to tax at ordinary income tax rates on the fair market value of the stock when it is received, reduced by any amount paid by the recipient; however, if the common stock is not transferable and is subject to forfeiture when received, a participant will recognize ordinary compensation income in an amount equal to the fair market value of the stock (i) when the common stock first becomes transferable or is no longer subject to a substantial risk of forfeiture, in cases where a valid election under Section 83(b) of the Internal Revenue Code, or (ii) when the Award is received, in cases where a valid election has not been made under Section 83(b) of the Internal Revenue Code. If a Section 83(b) election is made and the shares are subsequently forfeited, the participant is allowed to take a deduction for the value of the forfeited shares. If a Section 83(b) election has not been made, any dividend received with respect to restricted stock that is subject at

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that time to a risk of forfeiture or restrictions on transfer generally will be treated as compensation that is taxable as ordinary income. If the dividends are not reinvested in common stock, otherwise the dividends will be treated as dividend income.

The tax basis in the common stock received by a participant will equal the amount recognized by him as compensation in the preceding paragraph, and the participant's capital gains holding period in those shares will commence on the later of the date the stock is received or the restrictions lapse. In general, Forest will be entitled to a deduction for federal income tax purposes that corresponds to the amount with the compensation income recognized by a participant in respect of a cash award, restricted stock unit award or restricted stock award.

Tax Consequences to Forest

Golden Parachute Payments. Forest's ability to obtain a deduction for future payments under the 2014 LTIP could also be affected by the parachute rules of Section 280G of the Internal Revenue Code, which prevent the deductibility of certain excess parachute payments with a change in control of a corporation to which the participant renders services.

Performance-Based Compensation. In general, Section 162(m) limits Forest's compensation deduction to \$1,000,000 per employee as defined under Section 162(m). This deduction limitation does not apply to certain types of compensation, including performance-based compensation within the meaning of Section 162(m). The terms of the 2014 LTIP permit, but do not require, Forest to structure Awards under the plan that are intended to satisfy the requirements of performance-based compensation so that such Awards are deductible for federal income tax purposes.

New Plan Benefits

No Awards have been granted under the 2014 LTIP. The benefits or amounts that will be received by or allocated to each of our current executive officers as a group, all directors who are not executive officers as a group, and all employees who are not executive officers under the 2014 LTIP, as well as the benefits or amounts that would have been so received or allocated had the 2014 LTIP been granted, are presently determinable.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table shows, as of December 31, 2013, information with respect to compensation plans under which shares of common stock are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options (\$)
Equity compensation plans approved by shareholders	1,951,486 ⁽¹⁾	\$ 17.2113 ⁽²⁾
Equity compensation plans not approved by shareholders	290,000 ⁽⁵⁾	N/A
Total	2,241,486	

- (1) Includes (i) shares underlying outstanding stock options to purchase shares of Forest's common stock under Forest's Stock Plan, and (ii) an aggregate of 1,320,280 shares issuable under performance unit awards granted under Forest's terms of the performance unit award agreements, each performance unit represents a contractual right to receive one share of common stock; provided that the actual number of shares that may be deliverable under the award will range

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- from 0% to 200% of the number of performance units awarded, depending on Forest's relative total shareholder return in comparison to an identified peer group over a thirty-six month performance period. The amount in this column assumes the maximum number of shares that may be deliverable under the award will range from 0% to 200% of the number of performance units identified in the award, depending on Forest's relative total shareholder return in comparison to an identified peer group over a thirty-six month performance period. The amount in this column assumes the maximum number of shares that may be issued to the respective participants under the terms of the performance unit award agreements. As of December 31, 2013, there would have been no payout under any outstanding performance award if the performance period had ended on that date.
- (2) Amount reflects the weighted-average exercise price of outstanding stock options as of December 31, 2013.
 - (3) Includes shares of Forest's common stock available for issuance under (i) Forest's Employee Stock Purchase Plan as of December 31, 2013, 712,772 shares of common stock were available for future issuance under the Employee Stock Purchase Plan and (ii) 3,307,055 shares of common stock were available for future issuance under the 2007 Stock Plan. Under the terms of the performance unit award agreements, each performance unit represents a contractual right to receive one share of Forest common stock. The number of shares that may be deliverable under the award will range from 0% to 200% of the number of performance units identified in the award, depending on Forest's relative total shareholder return in comparison to an identified peer group over a thirty-six month performance period. The amount in this column assumes the maximum number of shares that may be issued to the respective participants under the terms of the performance unit award agreements. As of December 31, 2013, there would have been no payout under any outstanding performance award if the performance period had ended on that date.
 - (4) Amount does not reflect (i) 1,924,819 outstanding cash-settled phantom stock units, or (ii) 1,412,000 outstanding cash-settled performance units. The cash-settled performance units assume the maximum 200% payout.
 - (5) Consists of 290,000 shares potentially issuable under a performance unit award to Mr. McDonald granted under the 2014 LTIP proposal. This award does not satisfy the requirements of performance-based compensation under the NYSE listing rules. This award does not satisfy the requirements of performance-based compensation under the Internal Revenue Code, and assumes a maximum payout of 200%. Each performance unit represents a contractual right to receive one share of Forest's common stock; provided that the actual number of shares that may be deliverable under an award will range from 0% to 200% of the number of performance units identified in the award, depending on Forest's relative total shareholder return in comparison to an identified peer group during the thirty-six-month performance period. The amount in this column assumes the maximum 200% payout. As of December 31, 2013, there would have been no payout under this award, assuming the performance period ended on that date.

In the event this 2014 LTIP proposal is approved by Forest's shareholders and the 2014 LTIP becomes effective in accordance with the terms of the proposal, we will make no further grants under the 2007 Stock Plan following the effective date of the 2014 LTIP.

Consequences of Failing to Approve the Proposal

The 2014 LTIP will not be implemented and no grants pursuant thereto will be made unless it is approved by Forest's shareholders at the special meeting. If the proposal is not approved, the transaction is completed.

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 on the record date is required to approve this proposal. If you vote to abstain, it will have the effect of a vote AGAINST this proposal. If you fail to vote, it will have no effect on the voting outcome of this proposal, but it will not constitute a vote towards the quorum. Accordingly, it is important that you provide Forest with your proxy or attend the special meeting in person so that your vote counts towards the quorum and this requirement.

The Forest board recommends a vote FOR the 2014 LTIP proposal (Item 4).

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**PROPOSAL NO. 5 VOTE ON CERTAIN TERMS OF THE 2014 LTIP FOR PURPOSES
COMPLYING WITH THE REQUIREMENTS OF SECTION 162(M) OF
THE INTERNAL REVENUE CODE**

The Section 162(m) Proposal

(Item 5 on the proxy card)

Background and Purpose of the Proposal

In addition to generally approving the 2014 LTIP, the Forest board is also requesting that shareholders approve the material terms of the 2014 LTIP so that certain designated awards under the 2014 LTIP may qualify for exemption from the deduction limitations of Section 162(m) of the Internal Revenue Code. As discussed in Proposal 4 above, under Section 162(m) of the Internal Revenue Code, the federal income tax deduction for compensation paid to Forest's Chief Executive Officer and three other most highly compensated officers (other than Forest's Chief Executive Officer) determined pursuant to the executive compensation disclosure rules under the Securities Exchange Act of 1934 is limited to the extent such compensation exceeds \$1,000,000 in any taxable year. However, Forest may deduct compensation paid to other highly compensated employees in excess of that amount if it qualifies as performance-based compensation as defined in Section 162(m) of the Internal Revenue Code. In addition to certain other requirements, in order for awards under the 2014 LTIP to constitute performance-based compensation, the material terms of the 2014 LTIP must be disclosed to and approved by Forest's shareholders in connection with this proxy statement.

Under the Section 162(m) regulations, the material terms of the 2014 LTIP are (i) the maximum amount of compensation payable to any participant under the 2014 LTIP in any fiscal year, (ii) the employees eligible to receive compensation under the 2014 LTIP and the performance goals on which the performance goals are based. Forest intends that certain awards under the 2014 LTIP should meet the requirements to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. Accordingly, Forest is asking its shareholders to approve the material terms of the 2014 LTIP for purposes of Section 162(m) of the Internal Revenue Code so that awards under the 2014 LTIP will qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code, and the federal income tax deduction therefor, will be fully deductible by Forest. The material terms of the 2014 LTIP are disclosed above in Proposal 4 as follows: (i) the maximum compensation is described in the section entitled "Proposal No. 4 Vote to Approve the Adoption of the 2014 LTIP Summary of the 2014 LTIP Limitations on Awards," (ii) the eligible employees are described in the section entitled "Proposal No. 4 Vote to Approve the Adoption of the 2014 LTIP Summary of the 2014 LTIP Eligibility to Participate," and (iii) the business criteria are described in the section entitled "Proposal No. 4 Vote to Approve the Adoption of the 2014 LTIP Summary of the 2014 LTIP Performance Awards; Annual Incentive Awards."

Consequences of Failing to Approve the Proposal

Failure of Forest's shareholders to approve the Section 162(m) proposal will mean that Forest cannot grant awards that, without shareholder approval, are intended to meet the requirements of performance-based compensation to Covered Employees. Such failure shall not limit in any other manner the amount and type of awards that may be granted to Covered Employees.

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 meeting and entitled to vote on the record date is required to approve this proposal. If you vote to abstain, it will have no effect on the voting outcome of this proposal. If you vote AGAINST this proposal, it will have no effect on the voting outcome of this proposal, but it will not be counted as a vote.

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quorum. Accordingly, it is important that you provide Forest with your proxy or attend the special meeting in person so towards the quorum and this requirement.

The Forest board recommends a vote FOR the Section 162(m) proposal (Item 5).

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**PROPOSAL NO. 6 APPROVAL OF THE ADJOURNMENT OR CONTINUATION
OF THE SPECIAL MEETING**

Adjournment Proposal

(Item 6 on the proxy card)

The Forest special meeting may be adjourned or postponed to another time or place, if necessary or appropriate to permit necessary to obtain additional votes in favor of the share issuance proposal or the authorized share proposal. If, at the special meeting, a majority of the Forest common shares present or represented and voting in favor of the share issuance proposal or the authorized share proposal approve the corresponding proposals, Forest may adjourn or postpone the special meeting in order to enable the Forest to solicit additional proxies for approval of such proposals.

In the adjournment proposal, Forest is asking its shareholders to authorize the holder of any proxy solicited by the Forest to grant discretionary authority to the proxy holders, and to each proxy holder individually, to adjourn or postpone the special meeting and place for the purpose of soliciting additional proxies. If the shareholders approve this proposal, Forest could adjourn or postpone any adjourned or postponed session of the meeting and use the additional time to solicit additional proxies, including the proxies of shareholders who have previously voted.

Required Vote

Whether or not a quorum is present at the special meeting, the affirmative vote of a majority of the Forest common shares present and entitled to vote on the record date is required to approve this proposal. If you vote to abstain, it will not affect the voting outcome of this proposal. If you vote **AGAINST** this proposal, it will have no effect on the voting outcome of this proposal.

The Forest board recommends a vote FOR the adjournment proposal (Item 6). For a discussion of interests of Forest's 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."

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SHAREHOLDER PROPOSALS FOR THE 2015 ANNUAL MEETING

Any proposal that a shareholder wishes to include in Forest's proxy materials for the 2015 annual meeting of shareholders, subject to the regulations of the SEC, must be received no later than November 26, 2014. The written proposal will need to comply with the SEC's rules under Rule 14a-8 regarding the inclusion of shareholder proposals in company-sponsored proxy materials. Proposals should be submitted to Forest Oil Corporation, 707 Seventeenth Street, Suite 3600, Denver, Colorado 80202, or sent to the Secretary via facsimile.

Any proposal or nomination for director that a shareholder wishes to propose for consideration at the 2015 annual meeting of shareholders, subject to the applicable SEC rules, must be submitted in accordance with Forest's proxy statement and seek to include in Forest's proxy statement under the applicable SEC rules, must be submitted in accordance with Forest's proxy statement to our principal executive offices no earlier than November 26, 2014, and not later than December 26, 2014. Any such proposal must be a proper subject for shareholder action under applicable law and must otherwise comply with Article I of Forest's Bylaws and must be mailed to Forest's Secretary, at the address shown above.

Table of Contents**WHERE YOU CAN FIND MORE INFORMATION**

Forest files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read all statements and other information at the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, D.C. You may also obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also has a website that contains reports, proxy statements and other information about issuers, like Forest, who file electronically with the SEC at www.sec.gov. The reports and other information filed by Forest with the SEC are also available at Forest's Internet website at www.forestoil.com. The web address of the SEC and Forest are included as inactive textual references only. Except as specifically referred to by reference into this document, information on those websites is not part of this document.

The SEC allows the incorporation by reference into this document of certain information relating to Forest. This means that certain information may be disclosed to you regarding Forest by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this document, except for any information that is superseded by information that is included directly in this document.

This document incorporates by reference the documents listed below that Forest previously filed with the SEC. They contain information about Forest and its financial condition.

Forest SEC Filings**(SEC File No. 001-13515; CIK No. 38079)**

	Period or Date Filed
Annual Report on Form 10-K	Year ended December 31, 2013
Quarterly Reports on Form 10-Q	Quarter ended March 31, 2014
Current Reports on Form 8-K	Filed on January 9, 2014, February 3, 2014, February 4, 2014, April 17, 2014, May 6, 2014 (both reports), May 8, 2014 and July 15, 2014
Proxy Statement on Schedule 14A	Filed on March 26, 2014
Registration Statement on Form 8-A	Filed on July 10, 2014

In addition, Forest also incorporates by reference additional documents that it files with the SEC under Sections 13(a), 13(c) and 13(d) of the Securities Exchange Act after the date of this proxy and prior to the date of the special meeting, other than any information contained in this document that is specifically furnished, but not filed, with the SEC, including pursuant to Item 2.02 or Item 7.01 of Form 8-K and the corresponding information included in Item 9.01 of Form 8-K or included as an exhibit. These documents include periodic reports, such as Annual Reports on Form 10-K and Current Reports on Form 8-K, as well as proxy statements.

Forest has supplied all information contained in, or incorporated by reference into, this document relating to Forest.

Documents incorporated by reference regarding Forest are available from Forest without charge, excluding any exhibits that are specifically incorporated by reference as an exhibit in this document. You can obtain documents incorporated by reference 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**

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Forest common shareholders requesting documents should do so by [], 2014 to receive them before the special meeting. If you request any of these documents that you request. If you request any incorporated documents from Forest, Forest will mail them to you by another equally prompt means after it receives your request.

Neither Sabine nor Forest has authorized anyone to give any information or make any representation about the contents of the parties that is different from, or in addition to, that contained in this document or in any of the materials that are incorporated by reference into this document. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the information contained in this document does not extend to you. The information contained in this document speaks only as of the date of the information specifically indicates that another date applies.

This document contains a description of the representations and warranties that each of Sabine and Forest made in connection with the agreement. Representations and warranties made by Sabine, Forest and other applicable parties are also set forth in the documents that are attached or filed as exhibits to this document or are incorporated by reference into this document. Representations and warranties were made as of specific dates, may be subject to important qualifications and limitations agreed to in connection with negotiating the terms of the agreement, and may have been included in the agreement for the purpose of establishing matters between the parties rather than to establish matters as facts.

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INFORMATION CONCERNING SABINE OIL & GAS LLC

BUSINESS

In this Annex A, references to Sabine and the Company refer to Sabine Oil & Gas LLC (formerly, NFR Energy LLC).

Overview

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's operations are focused in three core geographic areas:

East Texas, targeting the Cotton Valley Sand and Haynesville Shale formations;

South Texas, targeting the Eagle Ford Shale formation; and

North Texas, targeting the Granite Wash formation.

From Sabine's inception in 2007 through 2011, it was focused primarily in East Texas, where Sabine completed multiple development programs to build an extensive inventory of Cotton Valley Sand and Haynesville Shale drilling locations. During its initial position in South Texas in the Eagle Ford Shale formation through a farm-out agreement with a major operator, Sabine acquired a basin at an attractive entry cost. Subsequently, Sabine has completed four additional transactions in the Eagle Ford Shale formation, providing attractive acquisition and leasing opportunities in the play. Sabine's North Texas position was acquired from a privately held company and targets the Granite Wash formation. Through Sabine's drilling program and Sabine's acquisition history, Sabine has increased production from approximately 32 MMcfe/d for the twelve months ended December 31, 2008, to approximately 185 MMcfe/d for the twelve months ended December 31, 2014, representing a compound annual growth rate (CAGR) of 39%. During that same period, the percentage of Sabine's production of natural gas liquids (NGLs), which Sabine collectively refers to as liquids, grew from approximately 12% of total production to approximately 25% of total production.

As of March 31, 2014, Sabine held interests in approximately 130,000 gross (103,600 net) acres in East Texas, 42,900 gross (36,200 net) acres in South Texas and 51,700 gross (36,200 net) acres in North Texas. As of March 31, 2014, Sabine was the operator on 97%, 99% and 100% of its acreage positions in East Texas, South Texas and North Texas, respectively.

From Sabine's formation through December 31, 2013, it had drilled over 194 total wells, including over 129 horizontal wells. Sabine's drilling and completion expertise gained in its East Texas operations and extended that expertise to its South Texas operations with an initial 30-day production rate of approximately 2,400 Boe/d for the first eight wells in Sabine's Sugarkane prospect and the first eight wells in Sabine's South Shiner prospect.

The hydrocarbon content of this inventory ranges from predominantly oil to entirely natural gas, providing significant operational flexibility and allocation to maximize returns in a wide variety of commodity price environments. Furthermore, Sabine's acreage in the Eagle Ford Shale is approximately 95% held by production, which gives it flexibility to focus its drilling and completion capital program on the Eagle Ford Shale, Granite Wash and Cotton Valley Sand positions and defer development in the Haynesville Shale until commodity prices are favorable.

Sabine's 2014 drilling and completion capital program is focused on projects that exhibit attractive economics and best-in-class returns in cash flow. Sabine's full year 2014 capital expenditures are forecasted to total approximately \$625 million, and Sabine's 2014 production is forecasted to total approximately 1.5 billion cubic feet of natural gas and 1.5 million barrels of oil.

\$520 million on

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drilling and completion activities and approximately \$105 million on leasing and other activities. Drilling and completion activities were approximately \$210 million for the development of proved reserves and approximately \$310 million for the development of unproved reserves. Consistent with Sabine's historical practice, Sabine periodically reviews its capital expenditures and adjusts its budget based on commodity prices and drilling results. As of March 31, 2014, Sabine has spent approximately \$186 million of its 2014 capital budget. Approximately \$100 million was spent on drilling and completion activities and approximately \$45 million on leasing and other activities.

As of December 31, 2013, Sabine had overall estimated proved reserves of 839.3 Bcfe, consisting of 596.0 Bcfe in East Texas and 60.7 Bcfe in North Texas. Approximately 56% of Sabine's proved reserves were classified as proved developed reserves. The following chart summarizes certain operating information of Sabine's properties as of December 31, 2013:

Area	Gross Acreage	Net Acreage	% Held By Production	Bcfe
East Texas⁽¹⁾				
Cotton Valley Sand	100,488	88,900	95%	514.3
Haynesville Shale	85,004	67,283	95%	81.7
South Texas				
Sugarkane	2,631	2,387	90%	118.9
South Shiner	29,150	24,196	20%	53.6
North Shiner	10,263	7,261	31%	10.1
North Texas				
Granite Wash	51,103	33,537	15%	60.7

- (1) Sabine's acreage in East Texas excludes 81,060 gross and 71,291 net acres prospective for other formations. Furthermore, Sabine's Haynesville Shale and Cotton Valley Sand acreage overlaps geographically, so such acreage is only counted once in the table above despite representing two distinct targets and development opportunities.

Sabine's Acquisition History

During 2011 through 2013, Sabine successfully completed five significant acquisitions that, coupled with farm out agreements, resulted in additional proved reserves in the Eagle Ford Shale in South Texas and in the Granite Wash and Cleveland Sand areas in North Texas, and in the Cotton Valley Sand and Haynesville Shale areas in East Texas. Sabine's key acquisitions and development activities are summarized as follows:

In January and February 2011, Sabine acquired, in two acquisitions, approximately an additional 21,000 net acres and a then-current net production of approximately 3,900 Boe/d, further growing Sabine's position in the Haynesville Shale area in East Texas.

In July and September 2011, Sabine acquired, in two acquisitions, approximately an additional 37,000 net acres and a then-current net production of approximately 5,800 Boe/d, to significantly consolidate Sabine's acreage in the Cotton Valley Sand area in East Texas.

Sabine established its initial position in the Eagle Ford Shale in South Texas in 2012 through a farm-out agreement, drill and complete two wells in the play to earn approximately 20,000 gross (15,500 net) acres.

Subsequently, Sabine has grown its position in the Eagle Ford Shale to over 40,400 net acres as of the date of the transactions and an active leasing campaign and continue to benefit from low-cost acreage earning potential through additional joint venture and farm-out agreements.

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In December 2012, Sabine acquired interests in over 60,000 net leasehold acres with then-current net production of approximately 100,000 barrels of oil equivalent (Boe/d), which established Sabine's position in the Granite Wash and Cleveland Sand in North Texas. Sabine also owns several Sand assets.

Sabine's Operating Regions***East Texas***

Sabine's East Texas position is characterized by several productive horizons, such as the Cotton Valley Sand, Haynesville Shale, Bossier Shale, Travis Peak and other formations. Currently, Sabine's primary operational focus is directed at the Cotton Valley Sand formation. Sabine believes the Cotton Valley Sand formation is a well-understood play given its history of extensive production, making it a predictable and repeatable development opportunity. Geologically, the Cotton Valley Sand formation is a thick, organic-rich shale reservoir at depths ranging from approximately 7,800 feet to 10,800 feet, and has had over 400 horizontal wells drilled in the play.

Sabine's other primary target in East Texas, the Haynesville Shale, lies approximately 1,500 feet below the Cotton Valley Sand. The Haynesville Shale is a Jurassic age reservoir, which is as much as 300 feet thick, is composed of organic-rich black shale. Sabine's East Texas acreage position at depths ranging from approximately 11,000 feet to 12,000 feet. Sabine believes it represents a large gas resource, which is strategically positioned geographically to benefit from a growing foreign demand.

Sabine's interests are primarily located in Harrison, Panola, Rusk and Shelby Counties with estimated proved reserves of approximately 1.5 billion cubic feet as of December 31, 2013, of which 83% is gas and 63% is developed. As of December 31, 2013, Sabine was producing from 822 wells in East Texas, 89% of those wells. Sabine's average net daily production in East Texas for the three months ended December 31, 2013, was approximately 100,000 Boe/d.

Substantially all of Sabine's reserves in East Texas are located in the following geological formations:

Cotton Valley Sand As of December 31, 2013, approximately 100,500 gross (89,000 net) acres of Sabine's acreage is prospective for the liquids-rich Cotton Valley Sand formation, 95% of which was held by production. As of December 31, 2013, Sabine produced from 37 horizontal and 694 vertical wells in the Cotton Valley Sand, and it operated 655, or 90%, of those wells.

Haynesville Shale As of December 31, 2013, approximately 85,000 gross (67,300 net) acres of Sabine's acreage is prospective for the Haynesville Shale, 95% of which was held by production. As of December 31, 2013, Sabine produced from 48 wells in the Haynesville Shale, and it operated 48, or 86%, of those wells. Sabine is currently executing on a program to drill and complete 100 additional wells in the Haynesville Shale, and it operated 48, or 86%, of those wells. Sabine is currently executing on a program to drill but uncompleted wells under a joint venture with a third party in 2014.

South Texas

Sabine's South Texas assets are primarily prospective for the Eagle Ford Shale formation. The Eagle Ford Shale play is due to attractive development economics driven by high liquids content. The first horizontal wells in the Eagle Ford Shale play has become one of the largest unconventional oil producing plays in North America. The formation is characterized by extensive and repeatable drilling opportunities. Geologically, the Eagle Ford Shale is a thick, organic-rich, carbonaceous shale reservoir from 4,000 feet to 13,000 feet, and in much of the deeper portions of the play is over-pressurized, enhancing well performance.

In South Texas, as of December 31, 2013, Sabine held interests in approximately 42,000 gross (33,800 net) acres in DeWitt County, Texas, prospective for the Eagle Ford Shale, approximately 27% of which was held by production.

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held by production. This area has estimated proved reserves of 182.6 Bcfe as of December 31, 2013, of which 60.1% was developed. As of December 31, 2013, Sabine was producing from 22 wells in South Texas, and it operated 21, or 95%, of net daily production in South Texas for the three months ended December 31, 2013 was 58.87 MMcfe/d. Sabine acquired the Ford Shale in 2012 through a drill-to-earn joint venture with a major oil company. Subsequently, Sabine has continued its leasing program and four additional strategic transactions. Sabine believes its South Texas inventory has significant reserves and attractive economics in the current commodity price environment. Sabine continues to evaluate and pursue opportunities consistent with the guidelines of Sabine's strategic and financial objectives.

Sabine's primary operations are in the following areas:

Sugarkane Area As of December 31, 2013, the Sugarkane area was approximately 2,600 gross (2,400 net) acres held-by-production. As of December 31, 2013, Sabine was producing from 10 horizontal wells, nine of which are on a 160-acre block. The acreage block makes it well-suited for full field pad development, and Sabine is the operator for all of the identified wells.

South Shiner Area As of December 31, 2013, the South Shiner area was approximately 29,200 gross (24,200 net) acres held-by-production. As of December 31, 2013, Sabine was producing from eight horizontal wells, all of which are on a 160-acre block.

North Shiner Area As of December 31, 2013, the North Shiner area was approximately 10,300 gross (7,300 net) acres held-by-production. As of December 31, 2013, Sabine was producing from four horizontal wells, all of which are on a 160-acre block.

North Texas

Sabine's North Texas properties are located in the Anadarko Basin and it is actively targeting the Granite Wash play. The Granite Wash has a long history of vertical well development, with first commercial production in 1904, and modern horizontal development techniques and high recovery rates. The Granite Wash is a series of stacked, silty-sandy deposits found at depths of 8,500 feet to 11,000 feet that extend from the Pennsylvanian era and into early Permian time, and is over 3,000 feet thick.

In North Texas, as of December 31, 2013, Sabine held rights to develop approximately 51,100 gross (33,500 net) acres of acreage in Texas, approximately 15% of which was held by production. Sabine's North Texas acreage as of December 31, 2013 includes approximately 10,000 acres that are subject to a continuous drilling clause which requires it to drill one gross well every 180 days to hold the acreage.

This area has estimated proved reserves of 60.7 Bcfe as of December 31, 2013, of which 66% was oil or NGLs and 28.5% was gas. As of December 31, 2013, Sabine was producing from 20 wells in North Texas, all of which Sabine operates. Sabine's average net daily production in North Texas for the three months ended December 31, 2013 was 28.4 MMcfe/d. Sabine continues to evaluate and pursue opportunities consistent with the guidelines of Sabine's strategic and financial objectives on an opportunistic basis.

Sabine's Operations

Estimated Proved Reserves

The information with respect to Sabine's estimated proved reserves as of December 31, 2013 presented below has been prepared by a petroleum engineering firm, Ryder Scott Company, L.P. (Ryder Scott), in accordance with rules and regulations of the SEC that are involved in oil and natural gas producing activities in effect at the applicable time. The report of Ryder Scott is dated January 15, 2014 with respect to Sabine's estimated proved reserves as of December 31, 2012 and 2011.

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The following table sets forth additional information regarding Sabine's estimated proved reserves at the dates indicated.

	2013⁽¹⁾
Estimated proved reserves:	
Oil (MMBbl)	16.9
NGLs (MMBbl)	25.0
Natural gas (Bcf)	588.1
Total estimated proved reserves (Bcfe)	839.3
Proved developed producing reserves:	
Oil (MMBbl)	5.5
NGLs (MMBbl)	11.0
Natural gas (Bcf)	348.3
Total proved developed producing reserves (Bcfe)	447.7
Proved developed non-producing:	
Oil (MMBbl)	0.5
NGLs (MMBbl)	0.6
Natural gas (Bcf)	12.3
Total proved developed non-producing reserves (Bcfe)	18.4
Total proved undeveloped:	
Oil (MMBbl)	10.9
NGLs (MMBbl)	13.4
Natural gas (Bcf)	227.5
Total proved undeveloped reserves (Bcfe)	373.2
Percent developed	55.5%

- (1) Data for December 31, 2013 is based on the unweighted average of the first-day-of-the-month (a) West Texas Intermediate prior 12 months of \$96.78 per Bbl for oil and (b) Henry Hub spot market prices for the prior 12 months of \$3.67 per Bcf for natural gas.
- (2) Data for December 31, 2012 is based on the unweighted average of the first-day-of-the-month (a) West Texas Intermediate prior 12 months of \$94.71 per Bbl for oil and (b) Henry Hub spot market prices for the prior 12 months of \$2.76 per Bcf for natural gas.
- (3) Data for December 31, 2011 is based on the unweighted average of the first-day-of-the-month (a) West Texas Intermediate prior 12 months of \$96.19 per Bbl for oil and (b) Henry Hub spot market prices for the prior 12 months of \$4.12 per Bcf for natural gas.

Internal Controls and Qualifications of Technical Persons

In accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers and guidelines established by the SEC, Miller and Lents, independent reserve engineers, estimated proved reserves information as of December 31, 2011 and as of December 31, 2012, and Ryder Scott, independent reserve engineers, estimated proved reserves information as of December 31, 2013. The technical persons responsible for preparing the reserves estimates prepared the reserves estimates in accordance with the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

Sabine maintains an internal staff of petroleum engineers and geoscience professionals who worked closely with its independent reserve engineers to ensure the integrity, accuracy and timeliness of the data used to calculate its proved reserves relating to its assets. Sabine's internal staff members met with its independent reserve engineers periodically during the period covered by the reserve report to discuss the data used to calculate its proved reserves.

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assumptions and methods used in the proved reserve estimation process. Sabine provides historical information to the investor regarding its properties such as ownership interest, oil and natural gas production, well test data, commodity prices and operating costs.

The preparation of Sabine's proved reserve estimates are completed in accordance with Sabine's internal control procedures intended to ensure reliability of reserve estimations, include the following:

review and verification of historical production data, which data is based on actual production as reported by Sabine's production reporting system;

preparation of reserve estimates by Sabine's Senior Vice President - Engineering and Development or under his direct supervision;

review by Sabine's Senior Vice President - Engineering of all of Sabine's reported proved reserves at the close of each quarter and review of all significant reserve changes and all new proved undeveloped reserves additions;

direct reporting responsibilities by Sabine's Senior Vice President - Engineering to Sabine's Chief Executive Officer;

verification of property ownership by Sabine's land department.

Cheryl R. Levesque, Senior Vice President - Engineering and Development, is the technical person primarily responsible for Sabine's reserves estimates. Mrs. Levesque is a graduate of Texas Tech University with a Bachelor of Science degree in Petroleum Engineering and is a Registered Professional Engineer in Texas. Mrs. Levesque has 18 years of energy experience and Sabine's geoscience and engineering department has 18 years of industry experience per person.

Technology Used to Establish Proved Reserves

Under the SEC rules, proved reserves are those quantities of oil and natural gas that by analysis of geoscience and engineering data, have a reasonable certainty to be economically producible from a given date forward from known reservoirs, and under existing economic conditions, laws and government regulations. The term "reasonable certainty" implies a high degree of confidence that the quantities actually recovered will equal or exceed the estimate. Reasonable certainty can be established using techniques that have been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or by other evidence using reliable technology to estimate production from projects in the same reservoir or an analogous reservoir or by other evidence using reliable technology to estimate production. Reliable technology is a grouping of one or more technologies (including computational methods) that has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or by other evidence using reliable technology to estimate production.

To establish reasonable certainty with respect to Sabine's estimated proved reserves, Sabine's independent reserve engineering firm, Scott, employed technologies that have been demonstrated to yield results with consistency and repeatability. The technologies used in the estimation of Sabine's proved reserves include, but are not limited to, open hole logs, core analyses, geologic maps, production data and seismic data. Reserves attributable to producing wells with sufficient production history were estimated using decline curves, material balance calculations or other performance relationships. Reserves attributable to producing wells with limited production history and undeveloped locations were estimated using pore volume calculations and performance from analogous wells in the surrounding area to assess the reservoir continuity. These wells were considered to be analogous based on production performance from the surrounding area and completion using similar techniques.

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Proved Undeveloped Reserves (PUDs)

Year Ended December 31, 2013

As of December 31, 2013, Sabine's proved undeveloped reserves totaled 11 MMBbls of oil, 13 MMBbls of NGLs and 2 of 373 Bcfe. There were a total of 100 PUD's booked with 50, 27, 19 and 4 wells booked in the Eagle Ford, Cotton Valley, Haynesville Shale, respectively. This total represents less than two years of inventory at year-end rig count and is indicated by the PUD booking methodology.

Changes in PUDs that occurred during 2013 were primarily due to:

additions of 87,861 MMcfe attributable to extensions resulting from strategic drilling of wells by Sabine to current position;

the conversion of approximately 48,478 MMcfe attributable to PUDs into proved developed reserves;

negative revisions of approximately 82,089 MMcfe due to the reduction of Sabine's booked Cotton Valley to 27 locations, or three years of drilling activity at Sabine's current level of one rig;

positive revisions of approximately 35,675 MMcfe in PUDs due to a combination of adjustments in working interest and pricing; and

sales of reserves in place of 101,269 MMcfe.

Costs incurred relating to the development of PUDs were approximately \$112.3 million during the twelve months ended December 31, 2013.

As of December 31, 2013, 2.2% of Sabine's total proved reserves were classified as proved developed non-producing.

Productive Wells

Sabine's principal properties consist of developed and undeveloped oil and natural gas leases in the operating areas described above. Generally, developed oil and natural gas leases remain in force as long as production is maintained. Natural gas leaseholds are generally for a primary term of three to five years. In most cases, the terms of Sabine's undeveloped leases are extended by paying delay rentals or by producing oil and natural gas reserves that are discovered under those leases. The following table summarizes the productive wells in which Sabine owned a working interest at December 31, 2013. Productive wells consist of producing developed producing (PDP) per the December 31, 2013 reserve report prepared by Ryder Scott. Gross wells are the total number of wells in which Sabine has working interests, and net wells are the sum of Sabine's fractional working interests owned in gross wells. Sabine's future net revenue is from natural gas while the remaining 42% is from oil and NGLs.

East Texas

Gross
82

South Texas	2
North Texas	2
Total	86

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Table of Contents**Drilling Activities**

The table below sets forth the results of Sabine's drilling activities for the periods indicated. The information should not be taken as an indication of performance, nor should it be assumed that there is necessarily any correlation among the number of productive wells drilled, the number of wells found or economic value. Productive wells are those that produce, or are capable of producing, commercial quantities of oil or gas, whether they produce a reasonable rate of return. Dry wells are those that prove to be incapable of producing hydrocarbons in quantities to justify completion.

	For the Year		
	2013		
	Gross	Net	G
Exploratory Wells:			
Productive ⁽¹⁾⁽²⁾	2.0	1.3	
Dry			
Total Exploratory	2.0	1.3	
Development Wells:			
Productive ⁽¹⁾⁽²⁾	43.0	30.8	
Dry	1.0	0.4	
Total Development	44.0	31.2	
Total Wells:			
Productive ⁽¹⁾⁽²⁾	45.0	32.1	1
Dry	1.0	0.4	
Total	46.0	32.5	1

(1) Although a well may be classified as productive upon completion, future changes in oil and natural gas prices, operating costs, or other factors may result in the well becoming uneconomical, particularly exploratory wells where there is no production history.

(2) As of March 31, 2014, Sabine had completed 21 wells (16.2 net).

Developed and Undeveloped Acreage

Sabine holds interests in developed and undeveloped oil and natural gas acreage in the regions set forth in the table below. The percentage of acreage held by production (HBP). These interests generally take the form of working interests or licenses that have varying terms. The following table presents a summary of Sabine's acreage interests as of December 31, 2013.

	Developed acreage		Undeveloped acreage		
	Gross	Net	Gross	Net	
East Texas ⁽¹⁾	106,002	89,162	25,092	14,820	1
South Texas	12,576	9,276	29,467	24,567	
North Texas	9,124	5,183	41,979	28,354	
Total Acreage	127,702	103,621	96,538	67,741	2

(1) Sabine's East Texas acreage excludes 81,060 gross and 71,291 net acres outside of the Haynesville Shale and Cotulla, which the company considers non-core acreage.

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Sabine's inventory of undeveloped oil and natural gas leaseholds is comprised of three to five year term leases and leases beyond their primary term. In most cases, the terms of Sabine's undeveloped leases can be extended by paying delay rentals. Natural gas reserves that are discovered under those leases, however undeveloped acreage could expire subject to development.

Undeveloped Acreage Expirations

The following table sets forth the number of total net undeveloped acres as of December 31, 2013 that will expire in 2014 if production is established within the spacing units covering the acreage prior to the expiration dates or unless such leases are renewed. Such acreage is not associated with Sabine's proved undeveloped reserves.

	2014
East Texas ⁽¹⁾	2,571
South Texas	5,016
North Texas	14,543
 Total	 22,130

(1) Sabine's acreage expiration in East Texas excludes approximately 71,000 net acres prospective for other formations in 2015.

Production, Revenues and Price History

Oil and natural gas are commodities. The prices Sabine receives for the oil, natural gas and NGLs it produces are largely dependent on market demand. Sabine is not committed to provide any material fixed or determinable quantities of oil or natural gas under any contracts or agreements. Demand is impacted by general economic conditions, weather and other seasonal conditions, including hurricanes. Shortages or under supply of oil or natural gas can result in substantial price volatility. Historically, commodity prices have been volatile and price volatility is expected to continue in the future. A substantial or extended decline in natural gas or oil prices or poor drilling results could have a negative effect on Sabine's financial position, results of operations, cash flows, quantities of reserves that may be economically producible and on capital markets.

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The following table sets forth information regarding oil and natural gas production, revenues and realized prices and production costs for the years ended December 31, 2013, 2012 and 2011. For additional information on price calculations, see information set forth in Annex A, Analysis of Financial Condition and Results of Operations.

	For the December 31
	2013
Oil, NGLs and natural gas sales by product (in thousands):	
Oil	\$ 132,513
NGL	59,772
Natural gas	161,938
Total	\$ 354,223
Production data:	
Oil (MBbl)	1,403.62
NGL (MBbl)	1,842.47
Natural gas (Bcf)	44.29
Combined (Bcfe) ⁽¹⁾	63.77
Average prices before effects of economic hedges⁽²⁾:	
Oil (per Bbl)	\$ 94.41
NGL (per Bbl)	\$ 32.44
Natural gas (per Mcf)	\$ 3.66
Combined (per Mcfe) ⁽¹⁾	\$ 5.55
Average realized prices after effects of economic hedges⁽²⁾:	
Oil (per Bbl)	\$ 90.59
NGL (per Bbl)	\$ 32.44
Natural gas (per Mcf)	\$ 4.82
Combined (per Mcfe) ⁽¹⁾	\$ 6.28
Average costs (per Mcfe)⁽¹⁾:	
Lease operating expenses	\$ 0.67
Workover expense	\$ 0.03
	For the Year:
	2013
Marketing, gathering, transportation and other	\$ 0.28
Production and ad valorem taxes	\$ 0.28
General and administrative expenses	\$ 0.43
Depletion, depreciation and amortization	\$ 2.15

- (1) Oil and NGL production was converted at 6 Mcf per Bbl to calculate combined production and per Mcfe amounts.
- (2) Average prices shown in the table reflect prices both before and after the effects of Sabine's realized commodity derivatives. The calculation of such effects includes realized gains or losses on cash settlements for commodity derivative transactions.
- (3) Revised for the effects of the restatement. Refer to Note 2 of Sabine's consolidated financial statements located in Annex A.

Risk Management

Sabine has designed a risk management policy using derivative instruments in an attempt to provide partial protection against gas prices by reducing the risk of price volatility and the effect it could have on Sabine's operations and its ability to finance operations. Sabine's decision

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on the quantity and price at which it chooses to hedge its production is based on its view of existing and forecasted production, drilling projects and current and future market conditions. While there are many different types of derivatives available, Sabine uses oil and natural gas price collars and swap agreements to attempt to manage price risk more effectively. The collar agreements are designed to establish floor and ceiling commodity prices for a fixed volume of production during a certain time period. Periodically, Sabine pays a premium to increase the floor price above the existing market value at the time it enters into the arrangement. All collar agreements require payments to counterparties if the index price exceeds the ceiling and payments from the counterparties if the index price is below the floor. Payments to, or receipts from, counterparties based on whether the market price of oil and natural gas for the period is greater or less than established for that period when the swap is put in place. Additionally, Sabine has purchased natural gas puts and sold oil and natural gas calls, the counterparty has the option to purchase a set volume of the contracted commodity at a contracted price in the future. For the purchased and sold natural gas puts, the counterparty (sold) or Sabine (purchased) has the option to purchase the commodity at a contracted price on a contracted date in future.

Sabine enters into derivatives arrangements only with counterparties within Sabine's Credit Facility banking group that are members of the same banking group. These arrangements expose Sabine to the risk of financial loss if Sabine's counterparty is unable to satisfy its obligations. The arrangements hedge up to 100% of current production for 24 months, 75% of current production for months 25 through 36, and 50% of current production for months 37 through 60. For this purpose, current production refers to Sabine's latest monthly production total. For additional information on Sabine's hedging position, see Annex A Management's Discussion and Analysis of Financial Condition and Results of Operations.

Competitive Conditions in the Business

The oil and natural gas industry is highly competitive and Sabine competes with a substantial number of other companies that have more other resources than Sabine does. Many of these companies explore for, produce and market oil and natural gas, as well as refine and market the resultant products on a worldwide basis. The primary areas in which Sabine encounters substantial competition are: acquiring desirable leasehold acreage for its drilling and development operations, locating and acquiring attractive production properties, obtaining sufficient rig availability, obtaining purchasers and transporters of the oil and natural gas Sabine produces, and retaining key employees. Sabine's larger competitors may be able to pay more for productive natural gas properties and exploration rights, bid for and purchase a greater number of properties and prospects than Sabine's financial or human resources permit and may be able to attract and maintain industry personnel. In addition, these companies may have a greater ability to continue production during periods of low natural gas market prices.

There is also competition between oil and natural gas producers and other industries producing energy and fuel. Furthermore, Sabine may be substantially affected by various forms of energy legislation and/or regulation considered from time to time by the United States and the jurisdictions in which Sabine operates. It is not possible to predict the nature of any such legislation or regulation that may be adopted or its effects upon Sabine's future operations. Such laws and regulations may substantially increase the costs of producing oil and natural gas and may prevent or delay the commencement or continuation of a given operation. Sabine may not be able to absorb the burden of existing, and any changes to, federal, state and local laws and regulations more easily than it can its competitors. This may affect Sabine's competitive position.

Marketing and Significant Customers

Sabine markets the majority of the natural gas production from properties it operates for both its account and the account owners in these properties.

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In East Texas, Sabine sells approximately half of its production under three to five year gathering and purchase contracts with midstream companies. The remainder of Sabine's production is sold under short-term contracts or spot gas purchase contracts ranging from one to one and a half year terms at competitive market prices. In East Texas, Sabine's oil is sold to one purchaser under a short-term contract.

In South Texas, Sabine sells its production under either short-term contracts or spot gas purchase contracts which are one to one and a half year terms. In South Texas, Sabine's oil is sold to various purchasers under short-term contracts which are month to month.

In North Texas, Sabine sells its production under a long-term contract, to one midstream company, through an acreage agreement. In North Texas, Sabine's oil is sold to one purchaser under a three year contract which allows it to offset to a dedicated last unit.

During the year ended December 31, 2013, purchases by three companies exceeded 10% of the total oil, NGLs and natural gas sales of the Company. Purchases by Eastex Crude Company, Enbridge Pipeline (East Texas) LP and CP Energy LLC accounted for approximately 10%, 10% and 10% of oil, NGLs and natural gas sales, respectively. During the year ended December 31, 2012, purchases by four companies exceeded 10% of the total oil, NGLs and natural gas sales of the Company. Purchases by Enbridge Pipeline (East Texas) LP, Shell Trading (US) Company, Targa Resources and Eastex Crude Company accounted for approximately 17%, 14%, 13% and 12% of oil, NGLs and natural gas sales, respectively. Sabine believes that the loss of any of the purchasers above would not result in a material adverse effect on its ability to compete in the oil and natural gas production. During the year ended December 31, 2011, purchases by three companies exceeded 10% of the total oil, NGLs and natural gas sales of the Company. Purchases by Enbridge Pipeline (East Texas) LP, Texla Energy Management LLC and PVR Midstream accounted for approximately 18%, 15% and 13% of oil, NGLs and natural gas sales, respectively.

Seasonality of Business

Weather conditions affect the demand for, and prices of, oil and natural gas and can also delay drilling activities, disrupt production and shut-in plans. Demand for natural gas is typically higher in the fourth and first quarters resulting in higher natural gas prices. Due to the seasonal nature of operations, results of operations for individual quarterly periods may not be indicative of the results that may be realized on an annual basis.

Regulation of the Oil and Natural Gas Industry

Sabine's operations are substantially affected by federal, state and local laws and regulations. In particular, natural gas production and operations are, or have been, subject to price controls, taxes and numerous other laws and regulations. All of the jurisdictions in which Sabine operates producing oil and natural gas properties have statutory provisions regulating the exploration for and production of oil and natural gas, including provisions related to permits for the drilling of wells, bonding requirements to drill or operate wells, the location of wells, well spacing, casing wells, the surface use and restoration of properties upon which wells are drilled, sourcing and disposal of water used in the completion process, and the abandonment of wells. Sabine's operations are also subject to various conservation laws and regulations, including regulation of the size of drilling and spacing units or proration units, the number of wells which may be drilled in an area, the spacing of crude natural gas wells, as well as regulations that generally prohibit the venting or flaring of natural gas, and impose requirements for the ratability or fair apportionment of production from fields and individual wells.

Failure to comply with applicable laws and regulations can result in substantial penalties. The regulatory burden on the industry is increasing and doing business and affects profitability. Although Sabine believes it is in substantial compliance with all applicable laws and regulations, regulations are frequently amended or reinterpreted. Therefore, Sabine is unable to predict the future costs or impact of changes in laws and regulations.

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Additional proposals and proceedings that affect the natural gas industry are regularly considered by Congress, the states, the Federal Energy Regulatory Commission (FERC), and the courts. Sabine cannot predict when or whether any such proposals may become effective.

Sabine believes that continued substantial compliance with existing requirements will not have a material adverse effect on the results of operations or cash flows. However, current regulatory requirements may change currently unforeseen environmental requirements, and past non-compliance with environmental laws or regulations may be discovered.

Regulation of Production

The production of oil and natural gas is subject to regulation under a wide range of local, state and federal statutes, rules, regulations, state and local statutes and regulations require permits for drilling operations, drilling bonds and reports concerning operations. Sabine owns and operates properties that are subject to regulations governing conservation matters, including provisions for the unitization of natural gas properties, the establishment of maximum allowable rates of production from oil and natural gas wells, the re-plugging and abandonment of wells. The effect of these regulations is to limit the amount of oil and natural gas that Sabine can produce and to limit the number of wells or the locations at which it can drill, although Sabine can apply for exceptions to such restrictions in well spacing. Moreover, each state generally imposes a production or severance tax with respect to the production and sale of NGLs within its jurisdiction.

The failure to comply with these rules and regulations can result in substantial penalties. Sabine's competitors in the oil and natural gas industry are subject to the same regulatory requirements and restrictions that affect its operations.

Regulation of Transportation of Oil

Sales of crude oil, condensation and NGLs are not currently regulated and are made at negotiated prices. Nevertheless, there may be controls in the future.

Sabine's sales of crude oil are affected by the availability, terms and cost of transportation. The transportation of oil by interstate pipeline is subject to rate and access regulation. The FERC regulates interstate oil pipeline transportation rates under the Interstate Commerce Act. Interstate oil pipeline rates must be cost-based, although settlement rates agreed to by all shippers are permitted and market-based in certain circumstances. Effective January 1, 1995, the FERC implemented regulations establishing an indexing system for interstate transportation rates for oil pipelines that allows a pipeline to increase its rates annually up to a prescribed ceiling, without FERC approval. Every five years, the FERC reviews the appropriateness of the index level in relation to changes in industry costs.

Intrastate oil pipeline transportation rates are subject to regulation by state regulatory commissions. The basis for intrastate regulation is the degree of regulatory oversight and scrutiny given to intrastate oil pipeline rates, varies from state to state. Insofar as interstate rates are equally applicable to all comparable shippers, Sabine believes that the regulation of oil transportation rates will not be in any way that is of material difference from those of its competitors who are similarly situated.

Further, interstate and intrastate common carrier oil pipelines must provide service on a non-discriminatory basis. Under the Interstate Commerce Act, common carriers must offer service to all similarly situated shippers requesting service on the same terms and under the same conditions. To operate at full capacity, access is generally governed by prorationing provisions set forth in the pipelines' published tariffs. Therefore, that access to oil pipeline transportation services generally will be available to it to the same extent as to its similarly situated competitors.

Table of Contents***Regulation of Transportation and Sales of Natural Gas***

Historically, the transportation and sale for resale of natural gas in interstate commerce have been regulated by agencies primarily FERC. FERC regulates interstate natural gas transportation rates and service conditions, which affects the market for natural gas produced, as well as the revenues it receives for sales of its natural gas. Since 1985, FERC has endeavored to make natural gas accessible to natural gas buyers and sellers on an open and non-discriminatory basis. The open access policies implemented in the mid-1980s serve to enhance the competitive structure of the interstate natural gas pipeline industry and create a regulatory framework that brings gas sellers into direct contractual relations with natural gas buyers by, among other things, ensuring that the sale of natural gas for transportation and storage services. In the past, the federal government has regulated the prices at which natural gas could be sold. As producers of natural gas can currently be made at market prices, Congress could reenact price controls in the future.

Deregulation of wellhead natural gas sales began with the enactment of the Natural Gas Policy Act (the "NGPA") and the Natural Gas Wellhead Decontrol Act which removed controls affecting wellhead sales of natural gas effective January 1, 1985. The sale for resale of natural gas in interstate commerce is regulated primarily under the Natural Gas Act (the "NGA") and has been promulgated under the NGA by FERC. In certain limited circumstances, intrastate transportation and wholesale sales of natural gas are regulated directly or indirectly by laws enacted by Congress and by FERC regulations.

Sabine cannot accurately predict how FERC's actions will impact competition in markets in which Sabine's natural gas is sold. Sabine's proceedings that might affect the natural gas industry are regularly pending before FERC and the courts, as the natural gas industry is very heavily regulated. Therefore, Sabine cannot provide any assurance that any of the measures established by FERC will not be materially altered, potentially on short notice. However, Sabine does not believe that any action taken will affect Sabine differently from the way it affects other natural gas producers.

The price at which Sabine sells natural gas is not currently subject to federal rate regulation and, for the most part, is not subject to federal regulation. However, with regard to its physical sales of energy commodities, Sabine is required to observe anti-market manipulation laws enforced by the FERC and/or the Commodity Futures Trading Commission (the "CFTC") and the Federal Trade Commission. If Sabine were to violate the anti-market manipulation laws and regulations, it could also be subject to related third party damage claims brought by Sabine's customers, owners and taxing authorities.

Gathering services, which occur upstream of FERC jurisdictional transmission services, are regulated by the states onshore. In determining whether the FERC has set forth a general test for determining whether facilities perform a non-jurisdictional gathering function or a jurisdictional transmission function, the FERC's determinations as to the classification of facilities is done on a case by case basis. State regulation of gathering services generally includes various safety, environmental and, in some circumstances, nondiscriminatory take requirements. Although such requirements have generally been affirmatively applied by state agencies, natural gas gathering may receive greater regulatory scrutiny in the future.

Intrastate natural gas transportation and facilities are also subject to regulation by state regulatory agencies, and certain transmission facilities by intrastate pipelines are also regulated by FERC. The basis for intrastate regulation of natural gas transportation and facilities and the scrutiny given to intrastate natural gas pipeline rates and services varies from state to state. Insofar as such regulations generally affect all intrastate natural gas shippers within the state on a comparable basis, Sabine believes that the regulations will not affect intrastate natural gas transportation in any states in which it operates and ships natural gas on an intrastate basis will not be that is of material

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difference from those of its competitors. Like the regulation of interstate transportation rates, the regulation of intrastate marketing of natural gas that Sabine produces, as well as the revenues it receives for sales of its natural gas.

Environmental Regulation

Sabine's operations are subject to stringent federal, state and local laws regulating the discharge of materials into the environment for the health and safety or the protection of the environment. Numerous governmental agencies, such as the U.S. Environmental Protection Agency, issue regulations to implement and enforce these laws, which often require difficult and costly compliance measures. Failure to comply with these laws and regulations may result in the assessment of substantial administrative, civil and criminal penalties, as well as the issuance of orders prohibiting Sabine's activities. In addition, some laws and regulations relating to protection of the environment may, in some cases, impose strict liability for environmental contamination, rendering a person liable for environmental damages and cleanup costs without fault on the part of that person. Adherence to these regulatory requirements increases Sabine's cost of doing business and may reduce its profitability.

Environmental regulatory programs typically regulate the permitting, construction and operations of a facility. Many factors can materially impact the ability to secure an environmental construction or operation permit. Once operational, enforcement of these laws can result in significant civil penalties for regulatory violations regardless of intent. Under appropriate circumstances, an administrative agency can issue an order and desist order to terminate operations. New programs and changes in existing programs are anticipated, some of which may include regulations for radioactive materials, oil and natural gas exploration and production, waste management, and underground injection of water for hydraulic fracturing. Environmental laws and regulations have been subject to frequent changes over the years, and these changes and requirements could have a material adverse effect on Sabine's financial condition and results of operations.

The following is a summary of the more significant existing environmental and occupational health and safety laws, as well as regulations, to which Sabine's business operations are subject and for which compliance may have a material adverse impact on Sabine's operations or financial position.

Hazardous Substances and Wastes

The Resource Conservation and Recovery Act (RCRA) and comparable state statutes and their implementing regulations regulate the storage, treatment, transportation, disposal and cleanup of hazardous and non-hazardous solid wastes. Under the auspices of RCRA, state agencies administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements for hazardous wastes and most of the other wastes associated with the exploration, development and production of oil or natural gas, if such wastes are not regulated as hazardous waste under Subtitle C of RCRA. These wastes, instead, are regulated under RCRA's less stringent waste provisions, state laws or other federal laws. However, it is possible that certain oil and natural gas exploration, development and production wastes now classified as nonhazardous solid wastes could be classified as hazardous wastes in the future. A loss of the RCRA exemption for produced waters and related wastes could result in an increase in Sabine's costs to manage and dispose of generated wastes, which could have a material adverse effect on Sabine's results of operations and financial position. In addition, in the course of Sabine's operations, wastes, such as paint wastes, waste solvents and waste oils that may become regulated as hazardous wastes if such wastes are classified as hazardous.

The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), also known as the Superfund Act, imposes liability, without regard to fault or legality of conduct, on

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classes of persons considered to be responsible for the release of a hazardous substance into the environment. These persons include the owner or operator of the site where the release occurred and anyone who disposed or arranged for the disposal of a hazardous substance at the site. Under CERCLA, such persons may be subject to joint and several, strict liability for the costs of cleaning up the hazardous substances released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also allows, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the persons the costs they incur. In addition, neighboring landowners and other third-parties may file claims for personal injury or property damage allegedly caused by the hazardous substances released into the environment. Sabine generates materials in the course of its operations that are regulated as hazardous substances.

Sabine currently owns, leases, or operates numerous properties that have been used for oil and natural gas exploration and production for many years. Although Sabine believes that it has utilized operating and waste disposal practices that were standard in the industry, hazardous substances, wastes, or petroleum hydrocarbons may have been released on, under or from the properties owned or leased by Sabine or at other locations, including off-site locations, where such substances have been taken for recycling or disposal. In addition, such properties have been operated by third parties or by previous owners or operators whose treatment and disposal of hazardous substances and petroleum hydrocarbons was not under Sabine's control. These properties and the substances disposed or released on, under or from such properties are regulated under CERCLA, RCRA and analogous state laws. Under such laws, Sabine could be required to undertake response or corrective action, which may include removal of previously disposed substances and wastes, cleanup of contaminated property or performance of remedial operations to prevent future contamination.

Water Discharges and Releases

Sabine's operations are also subject to the Clean Water Act (the "CWA") and analogous state laws. The CWA and similar laws regulate the discharge of wastewater, oil, and other pollutants to surface water bodies, such as lakes, rivers, wetlands, and streams. Failure to obtain the necessary permits could result in civil and criminal penalties, orders to cease such discharges, and costs to remediate and pay natural resource damages. The prevention, control and countermeasure plan requirements imposed under the CWA require appropriate containment berms and other measures to prevent the contamination of navigable waters in the event of a petroleum hydrocarbon tank spill, rupture or leak. The CWA also requires individual permits or coverage under general permits for discharges of storm water runoff from certain types of activities, including the discharge of dredge and fill material in regulated waters, including wetlands, unless authorized by permit. Sabine believes it obtains, or is included under, these permits, where necessary, and makes minor modifications to existing facilities and operations that have a material effect on Sabine.

Hydraulic Fracturing

Hydraulic fracturing is an essential and common practice in the oil and natural gas industry used to stimulate production from dense subsurface rock formations. Hydraulic fracturing involves using water, sand, and certain chemicals to fracture the rock formation to allow flow of hydrocarbons into the wellbore. Sabine engages third parties to provide hydraulic fracturing operations to it in connection with many of the wells for which Sabine is the operator. While hydraulic fracturing has historically been used in natural-gas commissions, the EPA has asserted federal regulatory authority over certain hydraulic-fracturing activities under the Clean Water Act ("SDWA") involving the use of diesel fuels and published permitting guidance in February 2014 addressing the use of diesel fuels. Also, in May 2014, the EPA issued an Advanced Notice of Proposed Rulemaking seeking public comment on proposed to issue regulations under the Toxic Substances Control Act regarding the disclosure of information related to the chemical

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fracturing. In addition, in May 2013, the federal Bureau of Land Management published a supplemental notice of proposed rulemaking for hydraulic fracturing on federal and Indian lands that replaces a prior draft of proposed rulemaking issued by the agency in 2011. The proposed rule would continue to require public disclosure of chemicals used in hydraulic fracturing on federal and Indian lands, require that chemicals used in fracturing operations meet appropriate construction standards, and development of appropriate plans for managing the surface.

There are also certain governmental reviews either underway or being proposed that focus on environmental aspects of hydraulic fracturing. The White House Council on Environmental Quality is coordinating an administration-wide review of hydraulic-fracturing activities. The Environmental Protection Agency (EPA) commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater, with a goal of drawing conclusions about the potential impacts of hydraulic fracturing on drinking water resources expected to be available in the future, respectively. Moreover, the EPA has announced that it will develop effluent limitations for the treatment and discharge of wastewater from hydraulic fracturing activities by late 2014. Other governmental agencies, including the U.S. Department of Energy and the U.S. Department of the Interior, have evaluated or are evaluating various other aspects of hydraulic fracturing. These ongoing or proposed studies, if completed in full, and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the federal regulatory mechanisms.

In addition, the SDWA and the Underground Injection Control (the UIC) program promulgated under the SDWA and the UIC regulate the construction and operation of salt water disposal wells. Sabine routinely uses such wells for the disposal of flowback and produced water from hydraulic fracturing operations. EPA directly administers the UIC program in some states and in others it is delegated to the state for administration. Before drilling salt water disposal wells, and casing integrity monitoring must be conducted periodically to ensure the casing does not leak into groundwater. Contamination of groundwater by oil and natural gas drilling, production, and related operations may result in significant remediation costs, among other sanctions and liabilities under the SDWA and state laws. In addition, third party claims may be brought by other parties claiming damages for alternative water supplies, property damages, and bodily injury.

Several states have adopted, or are considering adopting, regulations that could restrict or prohibit hydraulic fracturing in certain areas. Some states require the disclosure of the composition of hydraulic fracturing fluids. For example, Texas requires oil and natural gas operators to disclose the chemicals used in the hydraulic fracturing process. Regulations require that well operators disclose the list of chemical ingredients used in hydraulic fracturing to the requirements of the Occupational Safety and Health Act, as amended (OSHA) for disclosure on an internet website and to the Texas Railroad Commission (the TRC) with the well completion report. The total volume of water used to hydraulically fracture a well also be disclosed to the public and filed with the TRC. Furthermore, in May 2013, the TRC issued a well integrity rule, which requires testing for drilling, putting pipe down, and cementing wells. The rule also includes new testing and reporting requirements, such as the requirement to file cementing reports after well completion or after cessation of drilling, whichever is later, and (ii) the imposition of additional testing requirements 1,000 feet below usable groundwater. The well integrity rule took effect in January 2014. Sabine believes that it follows best practices and legal requirements for groundwater protection in its hydraulic fracturing activities. Nonetheless, if new or more stringent local legal restrictions relating to the hydraulic fracturing process are adopted in areas where Sabine operates, it could incur additional costs to comply with such requirements, experience delays or curtailment in the pursuit of exploration, development, or production, and perhaps even be precluded from drilling wells.

Air Emissions

The federal Clean Air Act (the CAA) and comparable state laws regulate emissions of various air pollutants through the regulation of sources and the imposition of other requirements. In addition, the

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EPA has developed and continues to develop stringent regulations governing emissions of toxic air pollutants at specific regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with air permits or other associated state laws and regulations. Sabine's operations, or the operations of service companies engaged by it, may in some locations be subject to permits and restrictions under these statutes for emissions of air pollutants.

Over the next several years, Sabine may be required to incur certain capital expenditures for air pollution control equipment issues. For example, in January 2013, the EPA published revised regulations under the CAA to control emissions of hazardous air pollutants from existing stationary reciprocal internal combustion engines. The revised rule requires management practices for all covered equipment, including installation of oxidation catalysts or non-selective catalytic reduction equipment on larger equipment at sites that are not in compliance with the rule. Sabine's operations are in substantial compliance with the requirements of this rule.

In addition, in August 2012, the EPA published final rules under the CAA that subject oil and natural gas production, processing and storage operations to regulation under the New Source Performance Standards and National Emission Standards for Hazardous Air Pollutants. With regards to production activities, these final rules require, among other things, the reduction of volatile organic compound emissions from certain subcategories of fractured and refractured gas wells for which well completion operations are conducted: wildcat (exploratory) and low reservoir pressure non-wildcat and non-delineation gas wells; and all other fractured and refractured gas wells. A well must route flow back emissions to a gathering line or be captured and combusted using a combustion device such as a flare. The rule also requires reduced emission completions, also known as "green completions," with or without combustion devices, after January 1, 2015. The rule establishes specific new requirements regarding emissions from production-related wet seal and reciprocating compressors and storage vessels. The EPA published a rule in September 2013 extending the compliance date for controlling regulated air pollutants from storage vessels. Compliance with these requirements could increase Sabine's costs of development and production, which costs

Climate Change Legislation and Greenhouse Gas Regulation

In December 2009, the EPA published its findings that emissions of greenhouse gases (GHGs) present an endangerment to the global environment because emissions of such gases are, according to the EPA, contributing to the warming of the earth's atmosphere and climate changes. Based on these findings, the EPA adopted regulations under existing provisions of the CAA that establish Prevention of Significant Deterioration (PSD) and Title V permit reviews for GHG emissions from certain large stationary sources. Facilities regulated under PSD for their GHG emissions also will be required to meet best available control technology standards that will be established by the EPA on a case-by-case basis. The EPA has also adopted rules requiring the monitoring and reporting of GHG emissions from certain United States, including, among others, certain oil and natural gas production facilities on an annual basis, which include the reporting of GHG emissions. In addition, as noted above, in August 2012, the EPA established new source performance standards for volatile organic compounds, carbon dioxide and an air toxic standard for oil and natural gas production, transmission, and storage.

While Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant federal legislation to reduce GHG emissions at the federal level in recent years. In the absence of such federal climate legislation, state efforts have emerged that are aimed at tracking and/or reducing GHG emissions by means of cap and trade programs that regulate sources of GHG emissions, such as electric power plants, to acquire and surrender emission allowances in return for emitting the amount of GHG emissions. When the President undertakes comprehensive tax reform in the coming year, it is possible that such reform may include a carbon tax, which would increase costs on operations and reduce demand for refined products. In any event, the Obama administration recently announced

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Action Plan, which, among other things, directs federal agencies to develop a strategy for the reduction of methane emissions from the oil and natural gas agency. As part of the Climate Action Plan, the Obama Administration also announced that it intends to issue regulations to reduce emissions of GHGs and to encourage greater use of low carbon technologies in the coming years. At the same time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact Sabine's operations and regulations that require reporting of GHGs or otherwise limit emissions of GHGs from Sabine's equipment and operations could incur costs to monitor and report on GHG emissions or reduce emissions of GHGs associated with Sabine's operations, which could adversely affect demand for the oil and natural gas that it produces. Finally, it should be noted that some scientists have expressed concern that concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as the severity of storms, droughts and floods and other climatic events. If any such effects were to occur, they could have an adverse effect on Sabine's financial condition and results of operations.

Any laws or regulations that may be adopted to restrict or reduce emissions of greenhouse gases could require Sabine to incur costs such as costs to purchase and operate emissions control systems, and additional compliance costs. Such laws and regulations could also reduce demand for oil and natural gas, decreasing the need for Sabine's services, which could result in an adverse effect on Sabine's results of operations.

Threatened and Endangered Species

Various state and federal statutes prohibit certain actions that adversely affect endangered or threatened species and their habitats, including birds. The U.S. Fish and Wildlife Service (FWS) may designate critical habitat and suitable habitat areas that it believes are essential for the recovery of threatened or endangered species. A critical habitat or suitable habitat designation could result in further material restrictions on private land use and could delay or prohibit land access or development. Moreover, as a result of a settlement approved by the District of Columbia in September 2011, the FWS is required to make a determination on listing of more than 250 species under the Endangered Species Act (ESA) by no later than completion of the agency's 2017 fiscal year. For example, the prairie chicken is listed as a threatened species under the ESA. The designation of previously unprotected species as threatened or endangered could cause underlying property operations are conducted could cause Sabine to incur increased costs arising from species protection requirements and limitations on Sabine's exploration and production activities that could have an adverse impact on Sabine's ability to develop and produce oil and natural gas.

OSHA

Sabine is subject to the requirements of OSHA and comparable state statutes whose purpose is to protect the health and safety of workers. Under the OSHA hazard communication standard, the Emergency Planning and Community Right-to-Know Act and comparable state implementing regulations require that Sabine organizes and/or discloses information about hazardous materials used or produced in its operations and that this information be provided to employees, state and local governmental authorities and citizens. Sabine believes it is in compliance with all applicable laws and regulations relating to worker health and safety.

Related Permits and Authorizations

Many environmental laws require Sabine to obtain permits or other authorizations from state and/or federal agencies before commencing construction, production, operation, or other oil and natural gas activities, and to maintain these permits and compliance with applicable laws and regulations during on-going operations. These permits are generally subject to protest, appeal, or litigation, which can in certain cases delay the start of production or operation of wells, pipelines, and other operations.

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Related Insurance

Sabine maintains an insurance program designed to provide coverage for the Company's property and casualty exposures. The insurance program provides coverage types, limits, and deductibles commensurate with companies of comparable size and with similar operations in the oil and natural gas industry. Because of the nature of its operations, Sabine does not insure fully against all risks associated with its business either because of the high cost of insurance or because Sabine believes the premium costs are prohibitive. A loss not fully covered by insurance could have a material adverse effect on Sabine's financial position and results of operations. There can be no assurance that the insurance coverage that Sabine maintains will cover any claim made against it in the future. As hydraulic fracturing is a key component of Sabine's operational strategy, Sabine maintains Professional Liability Insurance, which provides coverage for long-term gradual seepage pollution events. A loss in connection with its operations could have a material adverse effect on Sabine's financial position and results of operations to the extent that the coverage under Sabine's policies is inadequate to cover any such loss.

Employees

As of December 31, 2013, Sabine had 136 full-time employees. Sabine hires independent contractors on an as needed basis and does not have any collective bargaining agreements with its employees. Sabine believes that its employee relationships are satisfactory.

Legal Proceedings

Sabine is party to lawsuits arising in the ordinary course of Sabine's business. Sabine cannot predict the outcome of any such lawsuits. Its management team does not expect the outcome of pending or threatened legal matters to have a material adverse impact on Sabine's financial position and results of operations.

Table of Contents**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS**

The following discussion and analysis of Sabine's financial condition and results of operations should be read in conjunction with the financial statements and related notes appearing elsewhere in this Annex A. The following discussion contains forward-looking information about Sabine's future plans, estimates, beliefs and expected performance. Sabine cautions that assumptions, expectations, projections and forecasts about future events may, and often do, vary from actual results and the differences can be material. Some of the key factors that may cause results to vary from Sabine's expectations include changes in oil, NGLs and natural gas prices, the timing of planned capital expenditures, acquisitions, uncertainties in estimating proved reserves and forecasting production results, operational factors affecting production, maintenance of producing wells, the condition of the capital markets generally, as well as Sabine's ability to access the capital markets, environmental regulations or litigation and other legal or regulatory developments affecting Sabine's business, as well as other risks and elsewhere in this proxy statement, all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the events discussed may not occur. See "Cautionary Statement Regarding Forward-Looking Statements" in this proxy statement and other cautionary statements described under the heading "Risk Factors" included elsewhere in this proxy statement. Sabine is not obligated to publicly update any forward-looking statements except as otherwise required by applicable law. In this section, "Sabine" or "Company" refer to the group of entities within the consolidated group of Sabine Oil & Gas LLC, unless otherwise indicated. The word "requires" requires.

Overview

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's operations are focused in three core geographic areas:

East Texas, targeting the Cotton Valley Sand and Haynesville Shale formations;

South Texas, targeting the Eagle Ford Shale formation; and

North Texas, targeting the Granite Wash formation.

From Sabine's inception in 2007 through 2012, it was focused primarily in East Texas, where it completed multiple acquisition and development program to build an extensive inventory of Cotton Valley Sand and Haynesville Shale drilling locations. During 2012, it acquired its initial position in South Texas in the Eagle Ford Shale formation through a farm-out agreement with a major operator in the Eagle Ford basin at an attractive entry cost. Subsequently, Sabine has completed four additional transactions in the Eagle Ford Shale formation, targeting attractive acquisition targets and leasing opportunity in the play. Sabine's North Texas position was acquired from a private operator in 2012 and is concentrated in the Granite Wash formation. In December 2013, Sabine sold its interests in certain oil and natural gas properties in the Panhandle and surrounding Oklahoma area. Through Sabine's drilling program and its acquisition activities, it has grown its production from 32 MMcfe/d for the twelve months ended December 31, 2008, to approximately 185 MMcfe/d for the three months ended December 31, 2013, a CAGR of 39%. During that same period, the percentage of Sabine's production comprised of liquids grew from approximately 25% to approximately 33%.

As of March 31, 2014, Sabine held interests in approximately 130,000 gross (103,600 net) acres in East Texas, 42,900 gross (36,200 net) acres in Texas and 51,700 gross (36,200 net) in North Texas. Sabine is the operator on 97%, 99% and 99% of its net acreage position in East Texas, Texas and North Texas, respectively.

Sabine's full year 2014 capital expenditures are forecasted to total approximately \$625 million, and it expects to spend approximately \$105 million on drilling and completion activities and approximately \$105 million on

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leasing and other activities. Consistent with Sabine's historical practice, it periodically reviews its capital expenditures and liquidity, commodity prices and drilling results. As of March 31, 2014, Sabine has spent approximately \$186 million of which approximately \$141 million was spent on drilling and completion activities and approximately \$45 million on leasing and

Sabine operates in the exploration and production segment of the energy industry and all of its operations are conducted in the United States. Sabine's gathering and processing assets are primarily dedicated to supporting the natural gas volumes it produces and do not generate revenue. Sabine's ability to develop and produce its current reserves and add additional reserves is driven by several factors:

- success in the drilling of new wells;

- commodity prices;

- the availability of attractive acquisition opportunities and Sabine's ability to execute them;

- the activities and elections of third parties under Sabine's joint development agreements;

- the availability of capital and the amount Sabine invests in the leasing and development of properties and the

- facility or equipment availability and unexpected delays or downtime, including delays imposed by or resulting from regulatory requirements; and

- the rate at which production volumes naturally decline.

Source of Sabine's Revenues

Sabine derives substantially all of its revenue from the sale of oil, natural gas and NGLs that are produced from its interests in the United States. Oil and natural gas prices are inherently volatile and are influenced by many factors outside of Sabine's control. To ensure predictable cash flows and to reduce its exposure to downward price fluctuations, Sabine uses derivative instruments to hedge a significant portion of its oil and natural gas production. Sabine currently uses a combination of fixed price natural gas swaps, which it receives a fixed price (via either swap price, floor of collar or put price) for future production in exchange for a variable price received at the time future production is sold. See "Commodity Hedging Activities" below for more information on Sabine's hedging positions.

Principal Components of Sabine's Cost Structure

Lease operating, workover, marketing, gathering, transportation and other. These are costs incurred to produce and deliver the volumes to the market, together with the costs incurred to maintain producing properties, such as depreciation and amortization costs, which have both a fixed and variable component, are primarily a function of volume of oil and natural gas produced from producing wells and incrementally from new production from drilling and completion activities.

Production and ad valorem taxes. Production taxes are paid on produced oil and natural gas primarily based on production. The applicable rates vary across the areas in which Sabine operates. As the proportion of Sabine's production to area, its production tax rates will vary depending on the quantities produced from each area and the applicable rates. Ad valorem taxes are typically computed on the basis of a property valuation as determined by certain local authorities and will vary annually based on commodity price fluctuations.

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General and administrative. This cost includes all overhead associated with Sabine's business activities. It includes salaries and benefits for Sabine's corporate staff, costs of maintaining Sabine's headquarters, audit, tax, legal and other professional fees, insurance and other costs necessary in the management of Sabine's production and development operations.

As a full cost method of accounting company, Sabine capitalizes general and administrative expenses that are directly related to oil and natural gas activities. For the three months ended March 31, 2014 and 2013, the amount of general and administrative expenses capitalized was \$3.3 million and \$0.8 million, respectively.

Depletion, depreciation and amortization. This includes the systematic expensing of the capitalized costs in proportion to oil and natural gas. As a full cost company, Sabine capitalizes all costs associated with its acquisition, development and production and depletes these costs using the units-of-production method.

Impairments. Sabine evaluates the impairment of its proved oil and natural gas properties on a full cost basis. An impairment may result from application of the ceiling test under the full cost accounting rules, which Sabine is required to apply. The ceiling test requires that a non-cash impairment charge be taken to reduce the carrying value of oil and natural gas if the carrying value exceeds a defined cost-center ceiling. Because current commodity prices, and related calculations of the carrying value of oil and natural gas reserves, are significant factors in the full cost ceiling test, impairment charges may result from declines in commodity prices. Sabine evaluates gas gathering and processing equipment for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is then recognized if the carrying amount is not recoverable. For the three months ended March 31, 2014 and 2013, Sabine recorded no non-cash impairment charges. There was no limitation and no impairment charge for gas gathering and processing equipment.

Interest. Sabine has financed a portion of its working capital requirements and acquisitions with borrowings under its revolving credit facility ("Credit Facility") and second lien term loan agreement ("Term Loan Facility" and "Credit Facilities"). As a result, Sabine incurs interest expense that is affected by the level of drilling, completion and production, as well as fluctuations in interest rates and Sabine's financing decisions. Sabine also incurs interest expense on its 2017 due 2017 ("2017 Notes"). Sabine will likely continue to incur significant interest expense as it continues to explore for and develop oil and natural gas. Sabine entered into any interest rate hedging arrangements to mitigate the effects of interest rate changes. Additionally, Sabine capitalized \$1.9 million and \$3.9 million of interest expense for the three month periods ended March 31, 2014 and 2013, respectively.

How Sabine Evaluates Its Operations

In evaluating its financial results, Sabine focuses on the mix of its revenue from oil, natural gas and NGLs, the average production (before and after hedges) and its net income. Sabine also evaluates its rates of return on invested capital in its oil and natural gas wells based on the expected return of its wells based on estimated ultimate recoveries and the related costs of drilling and completion.

Table of Contents**Significant Transactions**

The following table presents a summary of Sabine's significant property acquisitions from 2011 to date:

Primary locations of acquired properties	Transaction Date
South Texas Eagleford (TX)	April 2013
North Texas Anadarko Basin (TX)	December 2012
South Texas Eagle Ford Shale (TX)	December 2012
East Texas Cotton Valley Sand (TX)	November 2011
East Texas Cotton Valley Sand (TX)	August 2011
East Texas Haynesville Shale (TX)	February 2011
East Texas Haynesville Shale (TX)	January 2011

Sabine's acquisitions were financed with a combination of funding from equity contributions from Sabine's sponsors, b Facilities and cash flow from operations. Because of its substantial recent acquisition activity, Sabine's discussion and a condition and results of operations for the periods discussed below may not necessarily be comparable with or applicable operations. Sabine's historical results include the results from its recent acquisitions beginning on the closing dates indic

Results of Operations

The following chart presents Sabine's historical key operating and financial metrics:

	For the Three Months Ended		For the Year
	2014	2013	
	(unaudited)	(unaudited)	(in thousands)
		(as restated)	
Revenues			
Oil, natural gas and NGLs	\$ 112,306	\$ 67,523	\$ 354,223
Other	411	173	755
Total revenues	112,717	67,696	354,978
Operating expenses			
Lease operating	11,270	9,635	42,491
Workover	186	230	2,160
Marketing, gathering, transportation and other	4,386	4,477	17,567
Production and ad valorem taxes	5,592	3,491	17,824
General and administrative	6,390	6,165	27,469
Depletion, depreciation and amortization	39,925	26,172	137,068
Gain on bargain purchase			

Accretion	217	209	952
Impairments			1,125
Total operating expenses	67,966	50,379	246,656
Other income (expenses)			
Interest, net of capitalized interest	(25,827)	(23,318)	(99,471)
Gain (loss) on derivative instruments	(22,126)	(19,585)	814
Other income (expenses)	1,516	11	912
Total other income (expenses)	(46,437)	(42,892)	(97,745)

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	For the Three Months Ended		For the Year
	March 31,		2013
	2014	2013	(in thousands)
	(unaudited)	(unaudited)	
		(as	
		restated)	
Net income (loss), including noncontrolling interests	\$ (1,686)	\$ (25,575)	\$ 10,577
Less: Net income (loss) applicable to noncontrolling interests			
Net income (loss) applicable to controlling interests	\$ (1,686)	\$ (25,575)	\$ 10,577
Reconciliation to derive Adjusted EBITDA ⁽¹⁾ :			
Interest, net of capitalized interest	25,827	23,318	99,471
Depletion, depreciation and amortization	39,925	26,172	137,068
Impairments			1,125
Gain on bargain purchase			
Other	(1,501)	1	1,739
Amortization of deferred rent	(27)	(133)	(249)
Accretion	217	209	952
Gain (loss) on derivative instruments	20,941	34,691	46,545
Option premium amortization	(6,156)	(289)	(1,171)
Net (income) loss applicable to noncontrolling interests			
Adjusted EBITDA⁽¹⁾	\$ 77,540	\$ 58,394	\$ 296,057

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

Is widely used by investors in the oil and natural gas industry to measure a company's operating performance; is excluded from the calculation of such term, which can vary substantially from company to company depending on the nature 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; and Sabine's capital structure from its operating structure; and

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is used by Sabine's management team for various purposes, including strategic planning and forecasting.

	For the Three Months Ended		For the Year
	March 31,		
	2014	2013	2013
Oil, natural gas and NGL sales by product (in thousands):			
Oil	\$ 39,123	\$ 23,519	\$ 132,513
NGL	17,077	11,934	59,772
Natural gas	56,106	32,070 ⁽³⁾	161,938
Total	\$ 112,306	\$ 67,523⁽³⁾	\$ 354,223
Production data:			
Oil (MBbl)	419.06	250.67	1,403.62
NGL (MBbl)	508.34	340.92	1,842.47
Natural gas (Bcf)	11.05	9.03	44.29
Combined (Bcfe) ⁽¹⁾	16.61	12.58	63.77
Average prices before effects of economic hedges⁽²⁾:			
Oil (per Bbl)	\$ 93.36	\$ 93.83	\$ 94.41
NGL (per Bbl)	\$ 33.59	\$ 35.00	\$ 32.44
Natural gas (per Mcf)	\$ 5.08	\$ 3.55 ⁽³⁾	\$ 3.66
Combined (per Mcfe) ⁽¹⁾	\$ 6.76	\$ 5.37 ⁽³⁾	\$ 5.55
Average realized prices after effects of economic hedges⁽²⁾:			
Oil (per Bbl)	\$ 89.78	\$ 90.87	\$ 90.59
NGL (per Bbl) ⁽¹⁾	\$ 33.59	\$ 35.00	\$ 32.44
Natural gas (per Mcf)	\$ 4.65	\$ 5.27 ⁽³⁾	\$ 4.82
Combined (per Mcfe) ⁽¹⁾	\$ 6.39	\$ 6.54 ⁽³⁾	\$ 6.28
Average costs (per Mcfe)⁽¹⁾:			
Lease operating	\$ 0.68	\$ 0.77	\$ 0.67
Workover	\$ 0.01	\$ 0.02	\$ 0.03
Marketing, gathering, transportation and other	\$ 0.26	\$ 0.36 ⁽³⁾	\$ 0.28
Production and ad valorem taxes	\$ 0.34	\$ 0.28	\$ 0.28
General and administrative	\$ 0.38	\$ 0.49	\$ 0.43
Depletion, depreciation and amortization	\$ 2.40	\$ 2.08 ⁽³⁾	\$ 2.15

- (1) Oil and NGL production was converted at 6 Mcf per Bbl to calculate combined production and per Mcfe amounts.
- (2) Average prices shown in the table reflect prices both before and after the effects of Sabine's cash settlements on commodity derivative transactions. Sabine's calculation of such effects includes gains or losses on cash settlements for commodity derivative transactions.
- (3) Revised for the effects of the restatement. Refer to Note 2 of Sabine's consolidated financial statements located in the Appendix.

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The following table sets forth additional information regarding Sabine's historical production by operating region:

	For the Three Months Ended March 31,		For the 2013 (in Bcfe)
	2014	2013	
East Texas	10.10	9.19	42.05
South Texas	5.14	0.33	9.89
North Texas	1.37	3.06	11.83
Rockies (through August 31, 2012)			
Total	16.61	12.58	63.77

The following table sets forth additional information regarding Sabine's historical lease operating expense by operating

	For the Three Months Ended March 31,				For the Year End		
	2014	Per Mcf	2013	Per Mcf	2013	Per McFe	2012
	(in thousands, except per Mcfe)						
East Texas	\$ 8,833	\$ 0.87	\$ 8,261	\$ 0.90	\$ 34,100	\$ 0.81	\$ 37,991
South Texas	1,816	0.35	253	0.77	2,266	0.23	246
North Texas	575	0.42	1,128	0.37	6,086	0.51	186
Rockies (through August 31, 2012)			(7)		(11)		2,588
Giant ⁽¹⁾	46				50		
Total	\$ 11,270	\$ 0.68	\$ 9,635	\$ 0.77	\$ 42,491	\$ 0.67	\$ 41,011

- (1) Giant Gas Gathering LLC, acquired in December 2012, owns and operates gas gathering and processing equipment in North Texas.

Table of Contents**Three Months Ended March 31, 2014 compared to Three Months Ended March 31, 2013**

The following table sets forth selected operating data for the three months ended March 31, 2014 compared to the three months ended March 31, 2013.

	For the Three Months Ended March 31,	
	2014	2013
	(in thousands) (as restated)	
Revenues		
Oil, natural gas and NGLs	\$ 112,306	\$ 67,523
Other	411	173
Total revenues	112,717	67,696
Operating expenses		
Lease operating	11,270	9,635
Workover	186	230
Marketing, gathering, transportation and other	4,386	4,477
Production and ad valorem taxes	5,592	3,491
General and administrative	6,390	6,165
Depletion, depreciation and amortization	39,925	26,172
Accretion	217	209
Total operating expenses	67,966	50,379
Other income (expenses)		
Interest, net of capitalized interest	(25,827)	(23,318)
Loss on derivative instruments	(22,126)	(19,585)
Other income	1,516	11
Total other expenses	(46,437)	(42,892)
Net loss	\$ (1,686)	\$ (25,575)
Reconciliation to derive Adjusted EBITDA⁽¹⁾:		
Interest, net of capitalized interest	25,827	23,318
Depletion, depreciation and amortization	39,925	26,172
Other	(1,501)	1
Amortization of deferred rent	(27)	(133)
Accretion	217	209
Loss on derivative instruments	20,941	34,691
Option premium amortization	(6,156)	(289)
Adjusted EBITDA⁽¹⁾	\$ 77,540	\$ 58,394

- * Not meaningful or applicable.
- (1) Adjusted EBITDA is a non-GAAP financial measure. Sabine uses Adjusted EBITDA as a supplemental performance measure. Adjusted EBITDA is calculated as income (loss) applicable to controlling interests before interest, taxes, depreciation and amortization, as further adjusted for one-time items, such as impairment, accretion expense, non-cash hedge gains or losses and other non-cash charges, and other adjustments, to similarly titled measures, employed by other companies. Adjusted EBITDA should not be considered in isolation of other financial information, including income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or loss. Adjusted EBITDA is prepared in accordance with GAAP. Adjusted EBITDA provides no information regarding a company's capital structure, capital expenditures, and working capital movement or tax position. Adjusted EBITDA does not represent funds available for distribution because those funds are required

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for debt service, capital expenditures, working capital, and other commitments and obligations. However, Sabine this measure is useful to an investor in evaluating Sabine because this measure:

is widely used by investors in the oil and natural gas industry to measure a company's operating performance, and is excluded from the calculation of such term, which can vary substantially from company to company depending on the company's assets 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, and Sabine's capital structure from its operating structure; and

is used by Sabine's management team for various purposes, including strategic planning and forecasting.

	Three Months Ended March 31,	
	2014	2013
Oil, natural gas and NGL sales by product (in thousands):		
Oil	\$ 39,123	\$ 23,519
NGL	17,077	11,934
Natural gas	56,106	32,070 ⁽³⁾
Total	\$ 112,306	\$ 67,523 ⁽³⁾
Production data:		
Oil (MBbl)	419.06	250.67
NGL (MBbl)	508.34	340.92
Natural gas (Bcf)	11.05	9.03
Combined (Bcfe) ⁽¹⁾	16.61	12.58
Average prices before effects of economic hedges⁽²⁾:		
Oil (per Bbl)	\$ 93.36	\$ 93.83
NGL (per Bbl)	\$ 33.59	\$ 35.00
Natural gas (per Mcf)	\$ 5.08	\$ 3.55 ⁽³⁾
Combined (per Mcfe) ⁽¹⁾	\$ 6.76	\$ 5.37 ⁽³⁾
Average realized prices after effects of economic hedges⁽²⁾:		
Oil (per Bbl)	\$ 89.78	\$ 90.87
NGL (per Bbl)	\$ 33.59	\$ 35.00
Natural gas (per Mcf)	\$ 4.65	\$ 5.27 ⁽³⁾
Combined (per Mcfe) ⁽¹⁾	\$ 6.39	\$ 6.54 ⁽³⁾
Average costs (per Mcfe)⁽¹⁾:		
Lease operating	\$ 0.68	\$ 0.77
Workover	\$ 0.01	\$ 0.02
Marketing, gathering, transportation and other	\$ 0.26	\$ 0.36 ⁽³⁾
Production and ad valorem taxes	\$ 0.34	\$ 0.28
General and administrative	\$ 0.38	\$ 0.49
Depletion, depreciation and amortization	\$ 2.40	\$ 2.08 ⁽³⁾

- (1) Oil and NGL production was converted at 6 Mcf per Bbl to calculate combined production and per Mcfe amounts.
- (2) Average prices shown in the table reflect prices both before and after the effects of Sabine's cash settlements on oil. Sabine's calculation of such effects includes gains or losses on cash settlements for commodity derivative transactions.
- (3) Revised for the effects of the restatement. Refer to Note 2 of Sabine's consolidated financial statements located in the Appendix.

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Oil, NGLs and natural gas sales. Revenues from production of oil, NGLs and natural gas increased from \$67.5 million in the first quarter of 2013 to \$112.3 million in the first quarter of 2014, an increase of 66%. This increase of \$44.8 million was primarily the result of increases in revenues of \$24.0 million due to an increase in realized natural gas price by 43% contributing approximately \$16.9 million and an increase in production volumes by 22% contributing approximately \$7.1 million. The increase in natural gas production was the result of increased production. Additionally, oil and NGLs revenues increased \$15.6 million and \$5.2 million, respectively, due to an increase in production from active and successful development program in this region contributing approximately \$15.8 and \$5.9 million for oil and NGLs, respectively. These increases were partially offset by the December 2013 sale of Sabine's interests in certain oil and natural gas properties in the surrounding Oklahoma area.

The following table sets forth additional information concerning Sabine's production volumes for the three months ended March 31, 2014:

	For the Three Months March 31, 2014 (in Bcfe)
East Texas	10.10
South Texas	5.14
North Texas	1.37
Total	16.61

Lease operating expenses. Lease operating expenses increased from \$9.6 million in the first quarter of 2013 to \$11.3 million in the first quarter of 2014, an increase of 17%. The increase in lease operating expense of \$1.6 million is primarily due to an increase in production of natural gas combined contributing approximately \$2.1 million, partially offset by the December 2013 sale of Sabine's interests in certain oil and natural gas properties in the Texas Panhandle and surrounding Oklahoma area. Lease operating expenses decreased from \$0.77 per Mcfe in the first quarter of 2013 to \$0.68 per Mcfe in the first quarter of 2014. The decrease of \$0.09 per Mcfe in the first quarter of 2014 versus the first quarter of 2013 is primarily due to higher production volumes associated with increase completion activity in the last 12 months. The following table displays lease operating expenses by area for the quarters ended March 31, 2014 and 2013:

	March 31, 2014	For the Three Months Per Mcfe March 31, 2013 (in thousands, except per Mcfe)	March 31, 2014
East Texas	\$ 8,833	\$ 0.87	\$ 0.87
South Texas	1,816	0.35	0.35
North Texas	575	0.42	0.42
Other ⁽¹⁾	46		
Total	\$ 11,270	\$ 0.68	\$ 0.68

- (1) Primarily Giant Gas Gathering LLC and Sabine Mid-Continent LLC, acquired in December 2012, own and operate equipment servicing certain wells in North Texas.

Marketing, gathering, transportation and other. Marketing, gathering, transportation and other expenses decreased from \$4.4 million in the first quarter of 2013 to \$4.4 million in the first quarter of 2014. Marketing, gathering, transportation and other expenses decreased on a per unit basis from \$0.26 per Mcfe in the first quarter of 2013 to \$0.26 per Mcfe in the first quarter of 2014. The per unit basis decrease is primarily due to the reduction in volumes associated with Sabine's development activities in North Texas and South Texas regions which are not subject to marketing, gathering, transportation and other charges, as well as a reduction in fees on a per unit of production basis attributable to volumes from Sabine's 2013 and 2014 production.

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Production and ad valorem taxes. Production and ad valorem taxes increased from \$3.5 million in the first quarter of 2013 to \$5.7 million in the first quarter of 2014, an increase of 60%. Production and ad valorem taxes increased on a per unit basis from \$0.28 per Mcfe in the first quarter of 2013 to \$0.34 per Mcfe in the first quarter of 2014. The increase is primarily related to increased production in Sabine's South Texas production contributing approximately \$2.8 million, which was offset by a slight decrease in Sabine's Texas production due to the December 2013 sale of Sabine's interests in certain oil and natural gas properties in the Texas and Oklahoma area. The Company also expects to experience continued variability in its production taxes as a result of timing of certain tax exemptions. Production taxes as a percentage of oil and natural gas revenues were 5% for the both the first quarter of 2013 and the first quarter of 2014.

General and administrative. General and administrative expenses increased from \$6.2 million in the first quarter of 2013 to \$6.4 million in the first quarter of 2014, an increase of \$0.2 million, or 4%, primarily as a result of higher overhead associated with Sabine's growth and higher professional service fees paid in 2014 compared to the previous period. These increases were partially offset by decreases in general and administrative expenses in the first quarter of 2013 due to the December 2012 acquisitions. General and administrative expenses decreased from \$0.49 per Mcfe in the first quarter of 2013 to \$0.38 per Mcfe in the first quarter of 2014 due to increased production without a proportionate increase in general and administrative expenses.

Depletion, depreciation and amortization. DD&A increased from \$26.2 million in the first quarter of 2013 to \$39.9 million in the first quarter of 2014, an increase of \$13.7 million. Depletion, depreciation, and amortization increased from \$2.08 per Mcfe in the first quarter of 2013 to \$2.45 per Mcfe in the first quarter of 2014, or an increase of 15%. Increase in the DD&A rate per Mcfe is primarily driven by reductions to the carrying cost of certain oil and natural gas properties in North Texas during the fourth quarter of 2013.

Interest. Interest expense increased from \$23.3 million in the first quarter of 2013 to \$25.8 million in the first quarter of 2014, an increase of \$2.5 million, or 11%, primarily as a result of lower capitalized interest. Sabine capitalized \$1.9 million and \$3.9 million of interest expense in the three months ended March 31, 2014 and 2013, respectively.

Loss on derivative instruments. Gains and losses from the change in fair value of derivative instruments as well as cash flows from derivative instruments are recognized in Sabine's results of operations. During the three months ended March 31, 2014 and 2013, the Company recognized gains on derivative instruments of \$22.1 million and \$19.6 million, respectively. The amount of future gain or loss recognized will be dependent upon future commodity prices, which will affect the value of the contracts.

Table of Contents**Year Ended December 31, 2013 Compared to Year Ended December 31, 2012**

The following table sets forth selected operating data for the year ended December 31, 2013 compared to the year ended

	For the Year Ended December 31,	
	2013	2012 (in thou (as restated))
Revenues		
Oil, natural gas and NGLs	\$ 354,223	\$ 177,422
Other	755	24
Total revenues	354,978	177,446
Operating expenses		
Lease operating	42,491	41,011
Workover	2,160	2,638
Marketing, gathering, transportation and other	17,567	17,491
Production and ad valorem taxes	17,824	4,400
General and administrative	27,469	21,434
Depletion, depreciation and amortization	137,068	91,353
Accretion	952	862
Impairments	1,125	664,438
Total operating expenses	246,656	843,627
Other income (expenses)		
Interest, net of capitalized interest	(99,471)	(49,387)
Gain on derivative instruments	814	29,267
Other income (expenses)	912	(498)
Total other expenses	(97,745)	(20,618)
Net income (loss), including noncontrolling interests	10,577	(686,799)
Less: Net loss applicable to noncontrolling interests		17
Net income (loss) applicable to controlling interests	\$ 10,577	\$ (686,782)
Reconciliation to derive Adjusted EBITDA⁽¹⁾:		
Interest, net of capitalized interest	99,471	49,387
Depletion, depreciation and amortization	137,068	91,353
Impairments	1,125	664,438
Other	1,739	599
Amortization of deferred rent	(249)	(532)
Accretion	952	862

Loss on derivative instruments	46,545	75,734
Option premium amortization	(1,171)	(56)
Net income applicable to noncontrolling interests		(17)
Adjusted EBITDA⁽¹⁾	\$ 296,057	\$ 194,986

* Not meaningful or applicable

- (1) Adjusted EBITDA is a non-GAAP financial measure. Sabine uses Adjusted EBITDA as a supplemental performance measure. Adjusted EBITDA is calculated as net income (loss) applicable to controlling interests before interest, taxes, depreciation and amortization, as further adjusted for one-time items, such as impairment, accretion expense, non-cash hedge gains or losses and other non-cash charges, and other adjustments, to similarly titled measures, employed by other companies. Adjusted EBITDA should not be considered in isolation of net income, net income or loss, cash flows provided by operating, investing and financing activities, or other income components. Adjusted EBITDA is prepared in accordance with GAAP. Adjusted EBITDA provides no information regarding a company's capital structure, capital expenditures, and working capital movement or tax position. Adjusted EBITDA does not represent funds available for distribution because those funds are required

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for debt service, capital expenditures, working capital, and other commitments and obligations. However, Sabine this measure is useful to an investor in evaluating Sabine because this measure:

is widely used by investors in the oil and natural gas industry to measure a company's operating performance, and is excluded from the calculation of such term, which can vary substantially from company to company depending on the nature 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, and Sabine's capital structure from its operating structure; and

is used by Sabine's management team for various purposes, including strategic planning and forecasting.

	For the Year Ended December 31,	
	2013	2012
Oil, natural gas and NGL sales by product (in thousands):		
Oil	\$ 132,513	\$ 30,343
NGL	59,772	36,957
Natural gas	161,938	110,122 ⁽³⁾
Total	\$ 354,223	\$ 177,422⁽³⁾
Production data:		
Oil (MBbl)	1,403.62	317.07
NGL (MBbl)	1,842.47	931.26
Natural gas (Bcf)	44.29	41.12
Combined (Bcfe) ⁽¹⁾	63.77	48.61
Average prices before effects of economic hedges⁽²⁾:		
Oil (per Bbl)	\$ 94.41	\$ 95.70
NGL (per Bbl)	\$ 32.44	\$ 39.68
Natural gas (per Mcf)	\$ 3.66	\$ 2.68 ⁽³⁾
Combined (per Mcfe) ⁽¹⁾	\$ 5.55	\$ 3.65 ⁽³⁾
Average realized prices after effects of economic hedges⁽²⁾:		
Oil (per Bbl)	\$ 90.59	\$ 95.79
NGL (per Bbl)	\$ 32.44	\$ 39.68
Natural gas (per Mcf)	\$ 4.82	\$ 5.23 ⁽³⁾
Combined (per Mcfe) ⁽¹⁾	\$ 6.28	\$ 5.81 ⁽³⁾
Average costs (per Mcfe)⁽¹⁾:		
Lease operating	\$ 0.67	\$ 0.84
Workover	\$ 0.03	\$ 0.05
Marketing, gathering, transportation and other	\$ 0.28	\$ 0.36 ⁽³⁾
Production and ad valorem taxes	\$ 0.28	\$ 0.09
General and administrative	\$ 0.43	\$ 0.44
Depletion, depreciation and amortization	\$ 2.15	\$ 1.88 ⁽³⁾

- (1) Oil and NGL production was converted at 6 Mcf per Bbl to calculate combined production and per Mcfe amounts.
- (2) Average prices shown in the table reflect prices both before and after the effects of Sabine's cash settlements on c
Sabine's calculation of such effects includes gains or losses on cash settlements for commodity derivative transac
- (3) Revised for the effects of the restatement. Refer to Note 2 of Sabine's consolidated financial statements located in

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Oil, natural gas and NGLs sales. Revenues from production of oil and natural gas increased from \$177.4 million in 2012 to \$354.2 million in 2013, an increase of 100%. This increase of \$176.8 million was primarily the result of an increase in liquids revenues of \$124.9 million due to increased liquids production subsequent to Sabine's North Texas and South Texas acquisitions and Sabine's active and successful development programs in these regions contributing approximately \$140.1 million, partially offset by decreased liquids pricing of approximately \$15.2 million. Natural gas revenues increased approximately \$51.8 million, or 47%, due to an increase in realized natural gas price by 37% contributing approximately \$33.3 million, and increased natural gas production contributing approximately \$8.5 million due to acquisitions in North Texas and Sabine's active and successful development programs in these regions, partially offset by lower East Texas volumes and the sale of the Rock

The following table sets forth additional information concerning Sabine's production volumes for the year ended December 31, 2013 and the year ended December 31, 2012:

	For the Year Ended December 2013
	(in Bcfe)
East Texas	42.05
South Texas	9.89
North Texas	11.83
Rockies (through August 31, 2012)	
Total	63.77

Lease operating expenses. Lease operating expenses increased from \$41.0 million in 2012 to \$42.5 million in 2013, an increase of \$1.5 million. The increase in lease operating expense of \$1.5 million is primarily due to Sabine's December 2012 acquired properties. Lease operating expense per Mcfe in 2012 to \$0.67 per Mcfe in 2013. The decrease of \$0.17 per Mcfe is primarily due to the commencement of liquid production in East Texas and North Texas following Sabine's December 2012 acquisitions in these areas as well as a lower realized cost of oil and gas in East Texas 2013 completions. The following table displays the lease operating expense by area for years ended December 31, 2013 and 2012:

	2013	For the Years Ended December 2013 Per Mcfe
		(in thousands, except per Mcfe)
East Texas	\$ 34,100	\$ 0.81
South Texas	2,266	0.23
North Texas	6,086	0.51
Rockies (through August 31, 2012)	(11)	
Giant ⁽¹⁾	50	
Total	\$ 42,491	\$ 0.67

(1) Giant Gas Gathering LLC, acquired in December 2012, owns and operates gas gathering and processing equipment in North Texas.

Marketing, gathering, transportation and other. Marketing, gathering, transportation and other expenses increased from million in 2013. Marketing, gathering, transportation and other expense decreased on a per unit basis from \$0.36 per Mc 2013. The per unit basis decrease is primarily associated with Sabine s North Texas and South Texas regions resulting from and current year development activities, as well as a reduction in fees on a per unit of production basis attributable to volume completions in East Texas and the sale of the Rockies assets.

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Production and ad valorem taxes. Production and ad valorem taxes increased from \$4.4 million in 2012 to \$17.8 million in 2013. Production and ad valorem taxes increased on a per unit basis from \$0.09 per Mcfe in 2012 to \$0.28 per Mcfe in 2013. This increase is due to increased production in Sabine's North Texas and South Texas regions which are incurring higher production taxes and not earnings tax credits attributed to high cost gas exemptions for Sabine's wells in 2013 compared to 2012. The Company's continued variability in its production taxes as a result of timing of approval for high cost gas tax exemptions. Production and ad valorem taxes as a percentage of natural gas revenues were 5% and 3% for 2013 and 2012, respectively.

General and administrative expenses. General and administrative expenses increased from \$21.4 million in 2012 to \$27.4 million in 2013, or 28%, primarily as a result of increased legal and consulting fees related to various current year projects of \$6.0 million and higher overhead associated with Sabine's growing business contributing approximately \$1.0 million. General and administrative expenses per Mcfe decreased from \$0.44 per Mcfe in 2012 to \$0.43 per Mcfe in 2013.

Depletion, depreciation and amortization (DD&A). DD&A increased from \$91.4 million in 2012 to \$137.1 million in 2013, or 50%. Depletion, depreciation, and amortization increased from \$1.88 per Mcfe in 2012 to \$2.15 per Mcfe in 2013, or 14%. The DD&A rate is primarily the result of Sabine's December 2012 acquisitions and increased production.

Impairments. In 2012, there were non-cash impairment charges related to oil and natural gas properties of \$641.8 million, gathering and processing equipment of \$21.4 million and impairment charges for other assets of \$1.2 million. In 2013, there were non-cash impairment charges for other assets of \$1.1 million. There were no impairments related to oil and natural gas properties recognized in 2013 as a result of the unweighted first day of the month pricing for the year ended December 31, 2012 of \$2.76 per MMBtu as compared to \$3.00 per MMBtu for the year ended December 31, 2013, as well as favorable performance from Sabine's 2013 development activities.

Interest expense. Interest expense increased from \$49.4 million in the year ended December 31, 2012 to \$99.5 million in the year ended December 31, 2013, an increase of \$50.1 million, or 101%, primarily as a result of the Term Loan Facility. Additionally, Sabine capitalized \$1.0 million of interest expense for the years ended December 31, 2013 and 2012, respectively.

Gain on derivative instruments. Gains and losses from the change in fair value of derivative instruments as well as cash flows from derivative instruments are recognized in Sabine's results of operations. During the years ended December 31, 2013 and 2012, the Company recognized gains on derivative instruments of \$0.8 million and \$29.3 million, respectively. The amount of future gain or loss recognized on derivative instruments is dependent upon future commodity prices, which will affect the value of the contracts.

Table of Contents**Year Ended December 31, 2012 Compared to Year Ended December 31, 2011**

This Management's Discussion and Analysis has been revised for the effects of the restatement (refer to Note 2 of Sabir statements located in this Annex A). The following table sets forth selected operating data for the year ended December 31, 2011:

	For the Year Ended December 31,	
	2012	2011
	(as restated)	(in thousands) (as restated)
Revenues		
Oil, NGLs and natural gas	\$ 177,422	\$ 201,421
Other	24	131
Total revenues	177,446	201,552
Operating expenses		
Lease operating	41,011	27,113
Workover	2,638	2,903
Marketing, gathering, transportation and other	17,491	16,149
Production and ad valorem taxes	4,400	7,775
General and administrative	21,434	23,546
Depletion, depreciation and amortization	91,353	75,424
Gain on bargain purchase		(99,548)
Accretion	862	628
Impairments	664,438	4,192
Total operating expenses	843,627	58,182
Other income (expenses)		
Interest, net of capitalized interest	(49,387)	(39,632)
Gain on derivative instruments	29,267	71,834
Other expenses	(498)	(389)
Total other income (expenses)	(20,618)	31,813
Net income (loss), including noncontrolling interests	(686,799)	175,183
Less: Net (income) loss applicable to noncontrolling interests	17	(117)
Net income (loss) applicable to controlling interests	\$ (686,782)	\$ 175,066
Revenues		
Reconciliation to derive Adjusted EBITDA ⁽¹⁾ :		
Interest, net of capitalized interest	\$ 49,387	\$ 39,632

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Depletion, depreciation and amortization	91,353	75,424
Impairments	664,438	4,192
Gain on bargain purchase		(99,548)
Other	599	439
Amortization of deferred rent	(532)	(406)
Accretion	862	628
(Gain) loss on derivative instruments	75,734	(1,272)
Option premium amortization	(56)	
Net (income) loss applicable to noncontrolling interests	(17)	117
Adjusted EBITDA⁽¹⁾	\$ 194,986	\$ 194,272

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* Not meaningful or applicable.

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

is widely used by investors in the oil and natural gas industry to measure a company's operating performance; is excluded from the calculation of such term, which can vary substantially from company to company depending on the nature 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; and Sabine's capital structure from its operating structure; and

is used by Sabine's management team for various purposes, including strategic planning and forecasting.

	For the Year Ended December 31,	
	2012	2011
Oil, NGL and natural gas sales by product (in thousands):		
Oil	\$ 30,343	\$ 15,462
NGL	36,957	36,272
Natural gas	110,122 ⁽³⁾	149,687 ⁽³⁾
Total	\$ 177,422⁽³⁾	\$ 201,421⁽³⁾
Production data:		
Oil (MBbl)	317.07	170.52
NGL (MBbl)	931.26	704.44
Natural gas (Bcf)	41.12	38.94
Combined (Bcfe) ⁽¹⁾	48.61	44.20
Average prices before effects of economic hedges⁽²⁾:		
Oil (per Bbl)	\$ 95.70	\$ 90.68
NGL (per Bbl)	\$ 39.68	\$ 51.49
Natural gas (per Mcf) ⁽¹⁾	\$ 2.68 ⁽³⁾	\$ 3.84 ⁽³⁾
Combined (per Mcfe) ⁽²⁾	\$ 3.65 ⁽³⁾	\$ 4.56 ⁽³⁾
Average realized prices after effects of economic hedges⁽²⁾:		
Oil (per Bbl)	\$ 95.79	\$ 90.68
NGL (per Bbl)	\$ 39.68	\$ 51.49

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Natural gas (per Mcf) ⁽¹⁾	\$ 5.23 ⁽³⁾	\$ 5.66 ⁽³⁾
Combined (per Mcfe) ⁽²⁾	\$ 5.81 ⁽³⁾	\$ 6.16 ⁽³⁾
Average costs (per Mcfe)⁽¹⁾:		
Lease operating	\$ 0.84	\$ 0.61
Workover	\$ 0.05	\$ 0.07
Marketing, gathering, transportation and other	\$ 0.36 ⁽³⁾	\$ 0.37 ⁽³⁾
Production and ad valorem taxes	\$ 0.09	\$ 0.18
General and administrative	\$ 0.44	\$ 0.53
Depletion, depreciation and amortization	\$ 1.88 ⁽³⁾	\$ 1.71 ⁽³⁾

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- (1) Oil and NGL production was converted at 6 Mcf per Bbl to calculate combined production and per Mcfe amounts.
- (2) Average prices shown in the table reflect prices both before and after the effects of Sabine's realized commodity hedges. The calculation of such effects includes realized gains or losses on cash settlements for commodity derivative transactions.
- (3) Revised for the effects of the restatement. Refer to Note 2 of Sabine's consolidated financial statements located in *Oil, NGLs and natural gas sales*. Revenues from production of oil and natural gas decreased from \$201.4 million in 2011 to \$177.4 million in 2012, a decrease of 12%. This decrease of \$24.0 million was a result of a decrease in average prices per Mcfe of 20% totaling approximately \$48.0 million, offset in part by an increase in production due to acquisitions and drilling success contributing approximately \$20.2 million.

The following table sets forth additional information concerning Sabine's production volumes for the years ended December 31, 2012 and 2011:

	For the Year Ended December 31, 2012
	(in Bcfe)
East Texas	45.83
South Texas	0.38
North Texas	0.54
Rockies (through August 31, 2012)	1.86
Total	48.61

Lease operating expenses. Lease operating expenses increased from \$27.1 million in 2011 to \$41.0 million in 2012, an increase of 51%. The increase in lease operating expense is due to an increase in production associated with Sabine's two recent producing property acquisitions. Lease operating expenses increased from \$0.61 per Mcfe in 2011 to \$0.84 per Mcfe in 2012 primarily due to an increase in production from vertical wells acquired in the second half of 2011 with higher operating costs. The following table displays the lease operating expenses for the years ended December 31, 2012 and 2011:

	December 31, 2012	For the Year Ended December 31, 2012
		Per Mcfe (in thousands, except per barrel)
East Texas	\$ 37,991	\$ 0.83
South Texas	246	0.65
North Texas	186	0.35
Rockies (through August 31, 2012)	2,588	1.39
Total	\$ 41,011	\$ 0.84

Marketing, gathering, transportation and other. Marketing, gathering, transportation and other expenses increased from \$10.0 million in 2011 to \$10.8 million in 2012, an increase of 8%. The increase is due to an increase in production volumes by 10%. Marketing, gathering, transportation and other expense decreased on a per unit basis from \$0.37 per Mcfe in 2011 to \$0.36 per Mcfe in 2012.

Production and ad valorem taxes. Total production and ad valorem taxes decreased from \$7.8 million in 2011 to \$4.4 million in 2012, a decrease of 43%, primarily as a result of the timing of the approval of high cost

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gas tax exemptions that are currently received on all of Sabine's horizontal gas wells. The Company expects continued as a result of timing of approval for the aforementioned exemptions. Production taxes as a percentage of oil and natural gas hedging were 3.9% for 2011 and 2.5% for 2012.

General and administrative expenses. General and administrative expenses decreased from \$23.5 million in 2011 to \$21.1 million, or 9%, primarily as a result of lower due diligence and other acquisition costs in 2012. General and administrative expenses per Mcfe decreased from \$0.53 per Mcfe in 2011 to \$0.44 per Mcfe in 2012 primarily as a result of an increase in production volumes without a proportional increase in general and administrative expenses.

Depletion, depreciation and amortization (DD&A). DD&A increased from \$75.4 million in 2011 to \$91.4 million in 2012, or 21%, as a result of the impact of increased production. Depletion, depreciation, and amortization increased from \$1.7 per Mcfe in 2011 to \$2.0 per Mcfe in 2012 due to a higher depletion and amortization base resulting from acquired assets and capital expenditures.

Gain on bargain purchase. In 2011, the Company recognized a gain related to the acquisition of certain oil and natural gas assets acquired in excess of the adjusted purchase price of \$99.5 million.

Impairments. In 2011, there were non-cash impairment charges for gas gathering and processing equipment of \$2.8 million and the write-down of carrying value of certain sizes of casing inventory of \$1.4 million. In 2012, there were non-cash impairment charges for natural gas properties of \$641.8 million, impairment charges for gas gathering and processing equipment of \$21.4 million and the write-down of carrying value of certain sizes of casing inventory of \$1.2 million. The average unweighted first day of the months ended December 31, 2012 was \$2.76 per MMBtu versus \$4.12 per MMBtu at December 31, 2011.

Interest expense. Interest expense increased from \$39.6 million in 2011 to \$49.4 million in 2012, an increase of \$9.8 million, as a result of higher average borrowings for the period under Sabine's Credit Facility and entrance into the Term Loan Facility. Additionally, Sabine capitalized \$4.3 million and \$5.9 million of interest expense for the years ended December 31, 2012 and 2011, respectively.

Gain on derivative instruments. Gains and losses from the change in fair value of derivative instruments as well as cash flows from derivatives are recognized in Sabine's results of operations. During the years ended December 31, 2012 and 2011, the Company recognized gains on derivative instruments of \$29.3 million and \$71.8 million, respectively. The amount of future gain or loss recognized on derivatives is dependent upon future commodity prices, which will affect the value of the contracts.

Capital Resources and Liquidity

Sabine's primary sources of liquidity have been equity contributions, borrowings under Sabine's Credit Facility, net cash flows and net proceeds from the sale of Sabine's 2017 Notes and proceeds from Sabine's Term Loan Facility. Sabine's primary use of capital is for the acquisition and development of oil and natural gas properties. As Sabine pursues reserve and production growth, it continually monitors its liquidity, including equity and debt financings, available to it to meet its future financial obligations, planned capital expenditure and other requirements. Sabine's future success in growing proved reserves and production will be highly dependent on the capital available. As of March 31, 2014, the estimated capital costs of developing Sabine's proved undeveloped reserves are approximately \$71 billion over approximately five years which Sabine expects to fund utilizing a combination of operating cash flows and borrowings under its Credit Facility. Depending on the timing and concentration of the development of the non-proved locations, Sabine would be required to raise additional capital to develop all of its potential drilling locations should it elect to do so.

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Combined contributions for an equity interest in the Company totaled over \$1.5 billion from inception through March 31, 2013 and natural gas properties.

As of March 31, 2014, Sabine's borrowing base under the Credit Facility was \$620 million, the outstanding amount totaled \$429 million and the ability to borrow approximately \$265 million under the Credit Facility. The most recent redetermination effective April 1, 2014 increased the borrowing base under the Credit Facility from \$620 million to \$700 million. Subsequent to the period ended March 31, 2014, Sabine has drawn an additional \$74 million under the Credit Facility. As of May 14, 2014, after giving effect to the redetermination of borrowings, the borrowing base under the Credit Facility was \$700 million, the outstanding amount totaled \$429 million and \$271 million of secured indebtedness available under the Credit Facility.

In addition to the Credit Facility, the Company entered into a \$500 million Term Loan Facility on December 14, 2012 with a maturity date of December 14, 2018. On January 23, 2013, the syndication was completed with an additional funding of \$150 million of proceeds, bringing the total amount of the Term Loan Facility to \$650 million as of March 31, 2014. Proceeds from the Term Loan Facility were used to acquire oil and natural gas properties and to repay borrowings under the Credit Facility in the first quarter of 2013.

Sabine believes that operating cash flows and available borrowings under its Credit Facility should be sufficient to meet its obligations, including normal operating needs, debt service obligations, capital expenditures, and commitments and contingencies due to its operations. To the extent that Sabine considers market conditions favorable, it will access the capital markets to raise capital from time to time, including through the issuance of senior debt, to fund acquisitions, pay down Sabine's Credit Facility and for general working capital purposes.

Working Capital

Sabine's working capital balance fluctuates as a result of timing and amount of borrowings or repayments under Sabine's Credit Facility, the fair value of Sabine's outstanding commodity derivative instruments as well as the timing of receiving reimbursements from the benefit of joint venture partners. Sabine's capital investment levels will exceed its estimate of cash flows from operations in 2014, which may require the use of available capacity under its credit arrangements.

For the three months ended March 31, 2014, Sabine had a decrease in its working capital of \$45.5 million compared to a decrease of \$14.8 million for the three months ended December 31, 2013. The decrease in Sabine's working capital is primarily due to a decrease of \$54.8 million in the fair value of its derivative position and the settlement of derivative contracts during 2014, as well as an increase of \$14.8 million in accrued capital and operating expenditures. For the year ended December 31, 2013, Sabine had a decrease in its working capital of \$127.9 million compared to a decrease of \$127.9 million for the twelve months ended December 31, 2012. The decrease in Sabine's working capital is primarily due to a decrease of \$54.8 million in the fair value of its current derivatives of \$54.8 million and the settlement of derivative contracts during 2013, as well as an increase of \$69.0 million related to accrued capital and operating expenditures. In addition, working capital fluctuates due to the timing of development activities, payments made by Sabine to vendors, and the timing and amount of advances from its joint operations.

Cash Flow Provided by Operating Activities

Cash flows from operations are Sabine's primary source of capital and liquidity and are primarily affected by the sale of oil and natural gas, as well as commodity prices, net of effects of derivative contract settlements and changes in working capital. Net cash provided by operating activities was \$51.7 million and \$22.2 million for the three months ended March 31, 2014 and 2013, respectively. The increase in cash provided by operations for the three months ended March 31, 2014 compared to 2013 was primarily the result of an increase of 32% in cash provided by operations. This increase was attributable to Sabine's successful drilling program in

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South Texas and North Texas, offset by the sale of Sabine's interests in certain oil and natural gas properties in the Texas and Oklahoma area and decreases due to higher expenditures as a result of an increased rig count and development program. Cash flow from operations for the year ended December 31, 2013 compared to 2012 was primarily the result of an increase in production volumes. This increase was due to acquisitions and development, offset by the sale of Rockies assets and decreases due to higher expenditures of an increased rig count and development program. The decrease in cash flow from operations for the year ended December 31, 2013 was primarily due to the 6% decrease in average prices per Mcfe partially offset by an increase in production.

Sabine's operating cash flow is sensitive to many variables, the most significant of which is the volatility of prices for oil and natural gas. Prices for these commodities are determined primarily by prevailing market conditions. Regional and worldwide economic conditions, infrastructure capacity to reach markets and other variable factors influence market conditions for these products. These factors are beyond Sabine's control and are difficult to predict. For additional information on the impact of changing prices on Sabine's financial position, see the Qualitative Disclosure about Market Risk.

Cash Flow Used In Investing Activities

During the three months ended March 31, 2014 and 2013, cash flows used in investing activities were \$166.4 million and \$144.2 million, respectively, primarily related to Sabine's capital expenditures for drilling, development and acquisition costs. During the years ended December 31, 2013, 2012 and 2011, cash flows used in investing activities were \$193.8 million, \$687.4 million and \$680.9 million, respectively, primarily related to capital expenditures for drilling, development and acquisition costs, net of sales proceeds. The decrease in cash flows used in investing activities for the year ended December 31, 2013 compared to 2012 and the increase during the year ended December 31, 2012 compared to 2011 were primarily due to acquisitions.

Sabine's full year 2014 capital expenditures are now forecasted to total approximately \$520 million for drilling and completion activities and approximately \$105 million for leasing and other activities. The amount, timing and allocation of capital expenditures are within Sabine's control. If oil and natural gas prices decline to levels below Sabine's acceptable levels or costs increase significantly, Sabine could choose to defer a significant portion of its budgeted capital expenditures until later periods to achieve a better balance of sources and uses of liquidity and prioritize capital projects that it believes have the highest expected returns and potential cash flow. Sabine routinely monitors and adjusts its capital expenditures in response to changes in prices, availability of financing, costs, industry conditions, the timing of regulatory approvals, the availability of rigs, success or lack of success in drilling and completion obligations, internally generated cash flow and other factors both within and outside Sabine's control. Such historical adjustments in capital expenditures have not resulted in an unfavorable liquidity position. However, a significant reduction in its capital program could impact Sabine's oil and natural gas reserves and production and cash flows, as well as a decline in its borrowing base under its credit facility and its ability to obtain needed capital or financing.

As of March 31, 2014, Sabine has incurred approximately \$186 million of Sabine's 2014 capital forecast, of which \$141 million is on drilling and completion activities and \$45 million on leasing and other items.

Cash Flow Provided By Financing Activities

Net cash provided by financing activities of \$103.8 million during the three months ended March 31, 2014 was primarily provided by debt issuance under the Credit Facility of \$105.0 million offset by debt issuance costs of \$1.2 million. During the three months ended December 31, 2013, net cash provided by financing activities was \$103.8 million.

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totaled \$49.8 million, which was primarily the result of borrowings under the Term Loan Facility of \$153.5 million offset by the credit Facility of \$99.0 million and debt issuance costs of \$4.7 million. Net cash used in financing activities of \$17.8 million for the year ended December 31, 2013 was primarily the result of net repayments under the Credit Facility of \$155.0 million and debt issuance costs of \$4.7 million offset by borrowings under the Term Loan of \$153.5 million. Net cash provided by financing activities of \$545.1 million during the year ended December 31, 2012 was primarily the result of borrowings under the Term Loan of \$490 million and equity contributions of \$87.5 million offset by the Credit Facility of \$13 million and debt issuance costs of \$19.2 million. Net cash provided by financing activities of \$521.1 million for the year ended December 31, 2011 was primarily the result of net borrowings under the Credit Facility of \$324.0 million, member's contributions of \$19.5 million and debt issuance costs of \$4.5 million.

Senior Secured Revolving Credit Facility. Sabine has a \$750 million senior secured revolving credit facility with Wells Fargo Bank, N.A. as agent. As of March 31, 2014, Sabine's borrowing base under the Credit Facility was \$620 million, the outstanding amount of borrowings under the Credit Facility was \$265 million. Sabine was able to incur approximately \$265 million of secured indebtedness under the Credit Facility. As of May 14, 2014, Sabine's redetermined borrowing base and the borrowings, the borrowing base under the Credit Facility was \$700 million, the outstanding amount of borrowings under the Credit Facility was \$271 million and Sabine had approximately \$271 million of secured indebtedness available under the Credit Facility.

Principal amounts borrowed are payable on the maturity date with such borrowings bearing interest currently, payable quarterly in arrears on the borrowing in Eurodollars or at the base rate. Eurodollar loans bear interest at a rate per annum equal to the rate appearing in the applicable rate schedule on Page multiplied by the statutory reserve rate, plus an applicable margin ranging from 225 to 300 basis points, depending on the borrowing base utilized.

Base rate loans bear interest at a rate per annum equal to the greatest of (i) the prime rate of Wells Fargo Bank, (ii) the federal funds rate plus 50 basis points and (iii) the rate for one month Eurodollar loans, plus 150 basis points, depending on the percentage of the borrowing base. The borrowing base is re-determined semiannually, but may be adjusted more frequently upon request of the Company. The most recent redetermination of Sabine's borrowing base was effective April 2, 2014. Effective April 2, 2014, along with the increase in the borrowing base, the applicable margin for the Eurodollar rate was amended and reduced to 1.50% (for periods in which Sabine has utilized less than 90% of the borrowing base) to 2.50% (for periods in which Sabine has utilized equal to or greater than 90% of the borrowing base).

As amended, the Credit Facility provides that Sabine may issue senior unsecured and senior subordinated debt securities in compliance on a pro forma basis with the maintenance covenants set forth below and there is no other default under such securities. In the future, Sabine issues such senior unsecured or senior subordinated debt securities, Sabine's borrowing base will be adjusted for every dollar of principal amount of such indebtedness. As of March 31, 2014, commitments under the Credit Facility are \$620 million, the borrowing base is \$620 million, and the maturity date is April 7, 2016. The most recent amendment effective April 2, 2014, increased the borrowing base from \$620 million to \$700 million.

As amended, the Credit Facility also requires Sabine to maintain the following two financial ratios:

a current ratio, which is the ratio of Sabine's consolidated current assets to Sabine's consolidated current liabilities, as of the end of each fiscal quarter; and

a coverage ratio, which is the ratio of Adjusted EBITDA to interest expense, of not less than 2.5 to 1.0 as of the end of each fiscal quarter. The Credit Facility also contains certain other covenants, including restrictions on additional indebtedness and dividends. The most recent amendments to such covenants as of March 31, 2014 and December 31, 2013. The

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amounts outstanding under the Credit Facility are secured by a first priority lien on substantially all of Sabine's oil and associated assets and are guaranteed by each of Sabine's wholly-owned domestic subsidiaries along with a pledge of the all non-wholly owned domestic subsidiaries. For information concerning the effect of changes in interest rates on interest see Interest rate risks below.

As of March 31, 2014 and December 31, 2013, borrowings outstanding under the Credit Facility totaled \$355 million and had a weighted average interest rate of 2.3% and 2.4% for the three and 12 month periods ended, respectively.

Term Loan Agreement. The Company entered into a \$500 million second lien term loan agreement on December 14, 2011 and April 7, 2018. On January 23, 2013, the syndication was completed with an additional funding of \$150 million, bringing the total amount of borrowings under the Credit Facility to \$650 million as of March 31, 2014. Proceeds from the Term Loan Facility were used to acquire oil and natural gas properties and to pay down borrowings under the Credit Facility in the first quarter of 2013. Interest is accrued on Eurodollar loans at a rate per annum equal to the applicable rate with a Eurodollar floor of 1.25%, plus an applicable margin of 750 basis points.

Principal amounts borrowed are payable on the maturity date. Sabine has a choice of borrowing in Eurodollars or at the base rate plus a margin. Eurodollar loans bear interest at a rate per annum equal to the British Bankers Association LIBOR Rate appearing in the applicable rate schedule multiplied by the statutory reserve rate, with a Eurodollar floor of 1.25%. Base rate loans bear interest at a rate per annum equal to the prime rate of Bank of America, (ii) the federal funds effective rate plus 50 basis points and (iii) the rate for one month Eurodollar loans plus 50 basis points, with a base rate floor of 2.25%. The applicable margin for Eurodollar loans is 7.75%, and for base rate loans, 6.75%. Interest is due on the last day of the interest period, except that Eurodollar loans with an interest period of more than three months are due on the third day of the three months duration. Interest on base rate loans is payable quarterly. For information concerning the effect of changes in interest rates on interest payments under this facility, see Interest rate risks below.

Sabine has the right to make optional prepayments under Sabine's Term Loan Facility with prior notice; provided that such prepayments made before the first anniversary of the closing date are subject to a 2.00% prepayment premium, and such prepayments made after the first anniversary of the closing date are subject to a 1.00% prepayment premium. If an event of default exists under the Term Loan Facility, Sabine may make optional prepayments on loans thereunder with the proceeds of (i) any asset sale, (ii) issuances of indebtedness for borrowed money and (iii) term swap agreement or hedge position, in each case to the extent the proceeds thereof are not used to prepay the Credit Facility. Sabine may also make the foregoing prepayment with respect to asset sales if it reinvests the proceeds thereof in useful assets within 18 months of the date of the proceeds. The foregoing prepayment with respect to issuances of indebtedness for borrowed money is subject to the same restrictions as apply in connection with optional prepayments.

The Term Loan Facility restricts Sabine's ability to incur indebtedness, provided that Sabine may incur indebtedness if its debt to capitalization ratio (defined as the ratio of Sabine's consolidated cash flow to fixed charges, including interest expense, capital leases, payments of dividends, and capitalized interest and cash dividends) for the most recently ended four fiscal quarters for which internal financial statements are available preceding the date of such incurrence would have been at least 2.00 to 1.00 (as if the additional indebtedness had been incurred during the preceding period).

Sabine's Term Loan Facility also contains certain other covenants, including restrictions on Sabine's ability to create or incur additional indebtedness, make other restricted payments, sell assets, engage in transactions with affiliates or merge or consolidate, in each case subject to certain exceptions.

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The amounts outstanding under the Term Loan Facility are secured by a second priority lien on substantially all of Sabine's and associated assets and are guaranteed by each of Sabine's wholly-owned domestic subsidiaries along with a pledge of interests in all non-wholly owned domestic subsidiaries.

As of March 31, 2014, borrowings outstanding under Sabine's Term Loan Facility totaled \$650 million, and had a weighted average interest rate of approximately 8.25% for the three months ended March 31, 2014. Sabine was in compliance with all financial covenants.

In addition to the foregoing, the agreements governing Sabine's Term Loan Facility contain affirmative and negative covenants that restrict Sabine to engage in activities that may be in its long-term best interests. Sabine's failure to comply with those covenants could constitute an event of default, which, if not cured or waived, could result in the acceleration of all of Sabine's debts.

2017 Notes. On February 12, 2010, Sabine and its subsidiary Sabine Oil & Gas Finance Corporation, co-issued \$200 million of 2017 notes due 2017 in a private placement to qualified institutional buyers. The 2017 Notes bear interest at a rate of 9.75% per annum, payable semi-annually on February 15 and August 15 each year commencing August 15, 2010. The 2017 Notes were issued at 98.73% of par. In connection with the issuance of the 2017 Notes, the Company recorded a discount of \$2.5 million to be amortized over the remaining life of the 2017 Notes using the effective interest method. The remaining unamortized discount was \$1.0 million and \$1.1 million at March 31, 2014 and December 31, 2013. The 2017 Notes were issued under and are governed by an indenture dated February 12, 2010 between the Company, Sabine Oil & Gas Finance Corporation, the Bank of New York Mellon Trust Company, N.A. as trustee, and the Company's subsidiaries named therein as guarantors.

All of Sabine's restricted subsidiaries that guarantee Sabine's Credit Facility (other than Sabine Oil & Gas Finance Corporation) are guarantors of the 2017 Notes on a senior unsecured basis.

On April 14, 2010, Sabine and Sabine Oil & Gas Finance Corporation issued an additional \$150 million of the 2017 Notes. The additional notes were issued at 98.75% of par and bear interest at a rate of 9.75% per annum, payable semi-annually on February 15 and August 15, 2010. The additional notes were issued under the same indenture as the 2017 Notes issued on February 12, 2010. In connection with the issuance of the additional 2017 Notes, the Company recorded a discount of \$1.9 million to be amortized over the remaining life of the 2017 Notes utilizing the simple interest method. The remaining unamortized discount was \$0.8 million at each of March 31, 2014 and December 31, 2013. Proceeds of the 2017 Notes were used to purchase assets in East Texas, and to provide working capital for general corporate purposes in 2010.

Sabine may redeem the 2017 Notes, in whole or in part, at any time on or after February 15, 2014, at a redemption price equal to 100% of the principal amount (plus accrued and unpaid interest, if any, to the applicable redemption date) set forth in the following table plus accrued and unpaid interest, if any, to the applicable redemption date over the twelve-month period beginning on February 15 of the years indicated below:

Year	Percentage
2014	100%
2015	100%
2016	100%

Sabine may redeem some or all of the 2017 Notes prior to February 15, 2014 at a redemption price equal to 100% of the principal amount (plus accrued and unpaid interest to the date of such redemption, plus a "make-whole" premium equal to the greater of (1) 1.0% of the principal amount of such note or (2) the excess of (a) the present value at such time of (i) the redemption price of such note at February 15, 2014, plus (ii) the scheduled principal payments due on the 2017 Notes through February 15, 2014, computed using a discount rate of 10.0% per annum, compounded annually, over the period from the date of such redemption to February 15, 2014).

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equal to the yield of United States Treasury securities with a constant maturity most nearly equal to the period from the 1/1/2014 plus 50 basis points, over (b) the principal amount of such note. Each holder of the 2017 Notes will also be entitled to receive all or a portion of its notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, upon a repurchase, upon a change of control.

The indenture governing the 2017 Notes contains covenants that, among other things, limit Sabine's ability and the ability of its subsidiaries to incur additional indebtedness unless the ratio of Sabine's adjusted consolidated EBITDA to Sabine's adjusted consolidated debt over the trailing four fiscal quarters will be at least 2.0 to 1.0 (subject to exceptions for borrowings within certain limits); limit the ability to pay dividends or repurchase or redeem equity interests; limit dividends or other payments by restricted subsidiaries that are not its other subsidiaries; make certain investments; incur liens; enter into certain types of transactions with Sabine's affiliates; or merge with or into other companies. However, if and for as long as the 2017 Notes receive an investment grade rating from S&P Global Ratings Group, Inc. and Moody's Investors Service, Inc., and no default or event of default exists under the indenture, Sabine is exempt from the foregoing covenants.

Commodity Hedging Activities

Sabine's primary market risk exposure is in the prices it receives for its oil and natural gas production. Realized pricing is based on prevailing worldwide price for crude oil and spot regional market prices applicable to Sabine's U.S. natural gas production. Natural gas production has been volatile and unpredictable for several years, and Sabine expects this volatility to continue in the future. Oil and natural gas production depend on many factors outside of Sabine's control, including volatility in the differences between production and the applicable index price.

To mitigate the potential negative impact on Sabine's cash flow caused by changes in oil and natural gas prices, Sabine enters into commodity derivative contracts in the form of fixed price swap agreements, three-way collars utilizing purchased and written call options and price swaps with sub floors in order to receive fixed prices or set price floors for a portion of Sabine's future oil and natural gas production. Management believes that favorable future prices can be secured. Sabine typically hedges the New York Mercantile Exchange price for natural gas and the NYMEX West Texas Intermediate (WTI) price for crude oil.

Sabine's hedging activities are intended to support oil and natural gas prices at targeted levels and to manage Sabine's price fluctuations. Under the terms of Sabine's fixed price swap agreements, the counterparty is required to make a payment to Sabine if the fixed price is below the settlement price, which is based on market prices on the settlement date. If the settlement price is below the fixed price, Sabine is required to make a payment to the counterparty for the difference between the fixed price and the settlement price. Additionally, the Company sets pricing floors for certain production by executing three-way collar contracts including written calls, purchased puts and written puts to create three-way collars. Three-way collar contracts consist of a long call (the lower price), a long put (the middle price) and a short call (the higher price) to provide a higher ceiling price as compared to a standard swap (the downside risk to the market price plus the difference between the middle price and the lower price if market price drops below the floor). If the applicable monthly price indices settle outside the range of the floor, sub floor and ceiling prices set by the contracts, the counterparty to the option contracts would be required to settle the difference. Swaps with sub floor consist of a standard swap with a purchased option sold with a strike below the associated fixed swap. This structure enables Sabine to increase the fixed price swap price above the sale of the put. If the settlement price for any settlement period falls equal to the or below the put strike, then Sabine is required to make a payment between the swap price and the put strike price. If the settlement price is greater than the put strike, the result is the same as a standard swap only.

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At March 31, 2014, Sabine had in place oil and natural gas swaps and purchased and written oil and natural gas options on production through December 2016. Sabine's Credit Facility allows it to hedge up to 100% of current production for 24 months, 100% of current production for months 25 to 36 and 50% of current production for months 37 to 60.

All derivative instruments are recorded at fair market value and are included in Sabine's Consolidated Balance Sheets and their values are adjusted for non-performance risk. For the three months ended March 31, 2014, Sabine economically hedged approximately 90% of its combined oil and natural gas volumes, which resulted in operating cash outflows from commodity derivative instruments of approximately \$14.8 million. For the three months ended March 31, 2013, Sabine economically hedged approximately 90% of its combined oil and natural gas volumes, which resulted in operating cash flows from commodity derivative instruments of approximately \$14.8 million.

Sabine expects continued volatility in the fair value of its derivative instruments. Sabine's cash flow is only impacted when a transaction takes place in the future and when the associated derivative instrument contract is settled by making or receiving from a counterparty. At March 31, 2014 and December 31, 2013, the estimated fair value of all of Sabine's commodity derivative instruments was \$25.5 million and \$10.8 million, respectively, which is comprised of current and noncurrent assets and liabilities.

The table below summarizes the losses related to oil and natural gas derivative instruments for the three months ended March 31, 2014.

	Recognized in the Income Statement for the Three Months ended March 31, 2014
Cash received on settlements of derivative instruments	\$ (7,341,000)
Change in fair value of derivative instruments	(14,785,000)
Total loss on derivative instruments	\$ (22,126,000)

As of March 31, 2014, Sabine had economically hedged a portion of Sabine's oil and natural gas production through December 2016.

	Natural Gas
	Average price
Year ending December 31, 2014	MMbtu/d 135,000 \$ 4.2
Year ending December 31, 2015	MMbtu/d 115,000 \$ 4.1

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Additionally, the Company has purchased and sold certain options on oil and natural gas; using these contracts in combination with swap agreements to further mitigate pricing risk associated with anticipated production. The Company received a premium on these contracts which was used to execute natural gas swap contracts above market. The details of the Company's hedge positions and

Natural Gas				
Settlement Period	Derivative Instrument	Notional Amount (Mmbtu)	Swap	Weighted Sub Floor
2014	Swap	15,222,000	\$ 4.05	
2014	Swap with sub floor	3,128,000	\$ 3.99	\$
2014	Three-way collar	18,775,000		\$
2015	Swap	20,075,000	\$ 4.11	
2015	Swap with sub floor	21,900,000	\$ 4.25	\$
2016	Sold Call	21,960,000		

Oil				
Settlement Period	Derivative Instrument	Notional Amount (Bbl)	Swap	Weighted Sub Floor
2014	Swap	1,007,875	\$ 92.47	
2014	Swap with sub floor	92,125	\$ 89.13	\$ 7
2014	Swap	695,375	\$ 90.38	
2015	Swap with sub floor	104,025	\$ 89.50	\$ 7
2015	Solid Call	200,750		

Effective April 23, 2014, the Company executed additional oil swap agreements on 797,400 Bbl of anticipated 2015 production and written put agreements on 200,750 Bbl of anticipated 2015 production and written put agreements on 235,425 Bbl of anticipated 2015 production.

By removing price volatility from a portion of Sabine's expected oil and natural gas production through December 2015, the potential effects of changing prices on Sabine's operating cash flow for those periods. While mitigating negative effects, these derivative contracts also limit the benefits Sabine would receive from increases in commodity prices.

By using derivative instruments to hedge exposures to changes in commodity prices, Sabine exposes itself to the credit risk. The primary credit risk is the potential failure of the counterparty to perform under the terms of the derivative contract. When the fair value of the derivative is positive, the counterparty is expected to owe Sabine, which creates credit risk. To minimize the credit risk in derivative instruments, Sabine enters into derivative contracts only with counterparties that are creditworthy financial institutions deemed by management to be creditworthy. The creditworthiness of Sabine's counterparties is subject to periodic review. Sabine has dealt with seven different counterparties. As of March 31, 2014, Sabine's contracts with JPMorgan Chase & Company, Citibank, Bank of America Merrill Lynch and Huntington accounted for 31%, 29%, 16%, 10%, 8%, 5% and 1%, respectively, of the fair value of Sabine's derivative assets. Sabine believes all of these institutions currently are acceptable credit risks. Sabine is not required to provide collateral to any of its counterparties under current contracts, nor are these institutions required to provide credit support. As of March 31, 2014, Sabine did not have any past due receivables from counterparties.

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Contractual obligations. A summary of Sabine's contractual obligations as of March 31, 2014 is provided in the following table:

	2014	2015	Payments due by period		
			2016	2017	2018
	For the Year Ending December 31				
	(in millions)				
Senior Secured revolving credit facility ⁽¹⁾	\$	\$	\$ 355.0	\$	\$
Second Lien term loan ⁽¹⁾					65.0
2017 Senior Notes ⁽²⁾	17.1	34.1	34.1	366.8	
Drilling rig commitments ⁽³⁾	7.4	23.4	21.6	15.0	
Office and equipment leases	2.7	2.6	0.9		
Other	0.7	0.4	0.1		
Total	\$ 27.9	\$ 60.5	\$ 411.7	\$ 381.8	\$ 65.0

- (1) Includes outstanding principal amounts at March 31, 2014. This table does not include future commitment fees, interest on these facilities because they are floating rate instruments and Sabine cannot determine with accuracy the timing of future repayments or future interest rates to be charged.
- (2) Includes interest at a rate of 9.75% per annum, payable semi-annually on February 15 and August 15.
- (3) At March 31, 2014, Sabine had three drilling rigs under contracts which expire in 2017. Any rig performing work on a well-by-well basis and therefore can be released without penalty at the conclusion of drilling on the current well. These obligations have not been included in the table above. The values in the table represent the gross amounts that Sabine would be obligated to pay. However, Sabine will record in its financials its proportionate share based on its working interest.

Critical Accounting Policies and Estimates

The discussion and analysis of Sabine's financial condition and results of operations are based upon Sabine's consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires Sabine to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and certain contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that the reported amounts could materially differ from the amounts that would have been reported under different conditions, or if different assumptions had been used. Sabine makes estimates and assumptions on a regular basis. Sabine bases its estimates on historical experience and various other assumptions. If these estimates and assumptions are not reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in preparing Sabine's financial statements.

Oil and natural gas activities

Accounting for oil and natural gas activities is subject to unique rules. Two generally accepted methods of accounting for oil and natural gas activities are available: successful efforts and full cost. The most significant differences between these two methods are the treatment of exploration costs and the manner in which the carrying value of oil and natural gas properties are amortized and evaluated for impairment. The successful efforts method requires unsuccessful exploration costs to be expensed as they are incurred upon a determination that the well is not commercially viable. The full cost method provides for the capitalization of these costs. Both methods generally provide for the periodic amortization of capitalized costs over reserve quantities. Impairment of oil and natural gas properties under the successful efforts method is based on an evaluation of the carrying value of the property.

individual oil and natural gas properties against their estimated fair value,

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while impairment under the full cost method requires an evaluation of the carrying value of oil and natural gas properties against the net present value of future cash flows from the related proved reserves, using the unweighted average of the market prices, period end costs and a 10% discount rate.

Full cost method

Sabine uses the full cost method of accounting for its oil and natural gas activities. Under this method, all costs incurred and development of oil and natural gas properties are capitalized into a cost center (the amortization base). Such amount includes equipping productive wells, dry hole costs, lease acquisition costs and delay rentals. All general and administrative costs are expensed as incurred. Sales or other dispositions of oil and natural gas properties are accounted for as adjustments to cost or loss recorded unless the ratio of cost to proved reserves would significantly change. The capitalized costs of Sabine's cost center plus an estimate of Sabine's future development and asset retirement obligations, are depleted on a unit-of-production method of total proved reserves. Sabine's financial position and results of operations could have been significantly different had Sabine used the full cost method of accounting for its oil and natural gas activities.

Goodwill

Goodwill is tested by Sabine for impairment on an annual basis as of October 1 of each year. Sabine's testing of goodwill includes a qualitative assessment of relevant events and circumstances to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount (step zero). This would include an assessment of events and circumstances that would more likely than not result in the fair value of the enterprise below its carrying amount.

Further testing goodwill for impairment is done via a two-step process. The first step of the process compares the fair value of the country-wide cost center with its carrying amount including goodwill. The fair value of the country-wide cost center will be determined by a discounted cash flow model which relies primarily on Sabine's reserve data which include significant assumptions, judgments and estimates, and the average cost of capital (WACC), derived through analysis of the capital structures of selected peer companies and related to the fair value derived exceeds the carrying amount, no impairment is present and the test is concluded.

When the carrying amount exceeds the fair value derived, the second step of the impairment test is performed to compare the implied fair value of goodwill with the carrying amount of goodwill. The implied fair value of goodwill is determined by assigning the fair value to the assets and liabilities of the reporting unit as if the unit had been acquired in a business combination. The excess of fair value over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. Impairment is recognized for the amount of the excess of implied fair value, limited to the total carrying value of goodwill.

Factors, such as significant decreases in commodity prices and unfavorable changes in the significant assumptions, judgments and estimates reserves could result in a goodwill impairment charge. A goodwill impairment charge would have no effect on Sabine's cash resources. However, it would adversely affect Sabine's results of operations in that period.

Because Sabine sold certain of its oil and gas properties in the Texas Panhandle in the fourth quarter of 2013 for less than the December 14, 2012 acquisition, Sabine's management considered the triggering event for the purposes of the Goodwill impairment test as of October 1, 2013. At October 1, 2013, the date of Sabine's most recent impairment test, as well as in connection with the sale of Sabine's country-wide cost center substantially exceeded its carrying value, and thus Sabine was not at risk of failing to

Table of Contents***Depletion, depreciation and amortization***

Sabine's rate of recording depreciation, depletion and amortization expense (DD&A) is primarily dependent upon Sa which is utilized in Sabine's unit-of-production method calculation. If the estimates of proved reserves were to be reduced, records DD&A expense would increase, reducing net income. Such a reduction in reserves may result from lower market non-economic to drill for and produce higher cost reserves.

Full cost ceiling limitation

Under the full cost method, Sabine is subject to quarterly calculations of a ceiling or limitation on the amount of Sabine that can be capitalized on Sabine's balance sheet. If the net capitalized costs of Sabine's oil and natural gas properties exceed Sabine is subject to a ceiling test write-down to the extent of such excess. If required, it would reduce earnings and impair period of occurrence and result in lower amortization expense in future periods. The discounted present value of Sabine component of the ceiling calculation and represents the component that requires the most subjective judgments. However, natural gas reserves that are included in the discounted present value of the reserves do not require judgment. The ceiling is the unweighted average of the historical first day-of-the-month prices for the prior 12 months. If oil and natural gas prices fall over a short period of time, or if Sabine has downward revisions to its estimated proved reserves, it is possible that further write-downs of natural gas properties could occur in the future. The costs of unproved properties are excluded from amortization until the Sabine analyzes its unproved properties and transfers costs to proved properties for leasehold property that can be associated with leasehold property that expired in the quarter or leasehold property that is not part of Sabine's development strategy and result in further ceiling test write-downs. For the year ended December 31, 2013, Sabine recorded no non-cash impairment charges for ceiling limitation. For the year ended December 31, 2012, Sabine recorded impairment charges of \$641.8 million for the natural gas properties in excess of the ceiling limitation as a result of the decline of natural gas prices.

Future development costs

Future development costs include costs incurred to obtain access to proved reserves such as drilling costs and the installation of infrastructure. Sabine develops estimates of these costs for each of Sabine's properties based upon their Geographic location, type of property, currently available procedures and ongoing consultations with construction and engineering consultants. Because these costs extend into the future, estimating these future costs is difficult and requires management to make judgments that are subject to many numerous factors, including changing technology and the political and regulatory environment. Sabine reviews its assumptions for development costs on an annual basis.

Asset retirement obligations

Sabine has significant obligations to remove tangible equipment and facilities associated with its oil and gas wells and S restore land at the end of oil and gas production operations. Sabine's removal and restoration obligations are associated with oil wells and Sabine's gathering systems. Estimating the future restoration and removal costs is difficult and requires Sabine's judgments because most of the removal obligations are many years in the future and contracts and regulations often have not yet been established. Asset removal technologies and costs are constantly changing, as are regulatory, political, environmental and other considerations. Inherent in the present value calculations are numerous assumptions and judgments including the ultimate timing of removal, factors, credit adjusted discount rates, timing of settlements and changes in the legal, regulatory, environmental and political

Table of Contents***Allocation of purchase price in business combinations***

As part of Sabine's business strategy, it periodically pursues the acquisition of oil and natural gas properties. The purchase price is allocated to the assets acquired and liabilities assumed based on their relative fair values as of the acquisition date, which is determined as of the announcement date. Therefore, while the consideration to be paid may be fixed, the fair value of the assets acquired and liabilities assumed may change during the period between the announcement date and the acquisition date. Sabine's most significant estimates and assumptions relate to the value assigned to future recoverable oil and natural gas reserves and unproved properties. As the allocation of purchase price involves significant estimates and subjective judgments, the accuracy of this assessment is inherently uncertain.

New accounting pronouncements

In February 2013, the Financial Accounting Standards Board (the "FASB") issues Accounting Standards Update No. 2013-02, *Reclassified out of Accumulated Other Comprehensive Income* (ASU 2013-02). ASU 2013-02 requires information about items reclassified out of AOCI by component. Sabine adopted this new requirement in the second quarter of 2013 and it did not affect its consolidated financial statements.

In June 2011, FASB issued Accounting Standards Update 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05), which provides guidance for how companies must present other comprehensive income (OCI) and its components in their financial statements. This guidance applies to all companies that report items of OCI but perhaps is most relevant for companies that have historically presented components of OCI on the statement of changes in stockholders' equity which is no longer an option available under this guidance. ASU 2011-05 is intended to increase the prominence of items that are recorded in OCI and improve comparability and transparency in financial statements and allow for a better evaluation of the effect of OCI on a company's overall performance. The new guidance described in ASU 2011-05 will be applied to all options in Topic 220 (previously known as Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income), however, affects only the presentation of OCI, not the components that must be reported in OCI. ASU 2011-05 is effective for annual periods beginning after December 15, 2012, and interim and annual periods thereafter. Sabine adopted ASU 2011-05 in 2013, however, the impact of the restatement of previously designated hedges as described in Note 2 to the consolidated financial statements will result in any historical comprehensive income recognition.

In December 2011, the FASB issued Accounting Standards Update 2011-11, *Disclosures About Offsetting Assets and Liabilities* (ASU 2011-11) amends the disclosure requirements on offsetting assets and liabilities by requiring improved information about derivative instruments that have a right of offset or are subject to an enforceable master netting arrangement or similar agreement. This guidance enables users of a company's financial statements to evaluate the effect or potential effect of netting arrangements on a company's financial statements, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. ASU 2011-11 applies the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within the same annual reporting period. The Company adopted the provisions of ASU 2011-11 in the period ended March 31, 2013. Sabine will provide the disclosures required by the amendments retrospectively for all comparative periods presented for the first quarter 2013.

In December 2010, the FASB issued Accounting Standards Update 2010-29, *Business Combinations: Disclosure of Supplemental Information for Business Combinations* (ASU 2010-29). ASU 2010-29 clarifies that when presenting comparative financial statements in conjunction with business combination disclosures, revenue and earnings of the combined entity should be presented as if that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. In addition, the description of the nature and amount of material,

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nonrecurring pro forma adjustments included in pro forma revenue and earnings that are directly attributable to the business combinations that occur on or after the beginning of the first annual reporting period. ASU 2010-29 relates to disclosure requirements, there will be no impact on Sabine's financial condition or results of operations.

In December 2010, the FASB issued Accounting Standards Update 2010-28, *Intangibles - Goodwill and Other: When to Perform an Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* (ASU 2010-28). ASU 2010-28 requires an impairment test to be performed when the carrying value of a reporting unit is zero or negative, if it is more likely than not that an impairment exists. The requirements of this update are effective for fiscal years beginning after December 15, 2010. Sabine recognizes goodwill and will perform goodwill impairment tests when applicable.

Change in Independent Public Accounting Firm

On December 19, 2013, the audit committee of Sabine's board of directors dismissed PricewaterhouseCoopers LLP (PwC), a registered public accounting firm. PwC performed an audit of Sabine's consolidated financial statements for the fiscal year ended December 31, 2011. On December 19, 2013, Sabine engaged Deloitte & Touche LLP as the independent registered public accounting firm to audit Sabine's financial statements for the fiscal year ended December 31, 2012 and audit Sabine's financial statements for the fiscal year ended December 31, 2011. The committee of Sabine's board of directors approved the engagement of Deloitte & Touche LLP as Sabine's independent registered public accounting firm.

PwC's reports on the financial statements for the fiscal year ended December 31, 2012 and 2011 did not contain any adverse opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended December 31, 2012 and 2011 and the subsequent interim period through December 19, 2013, there were no disagreements (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between Sabine and PwC on accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of both parties, would have caused PwC to make reference to the subject matter of such disagreements in connection with the audit of the financial statements of the Company for such years, and (ii) no reportable events (as that term is defined in Item 304(a)(2)(ii) of Regulation S-K and the related instructions) were identified by PwC during the audit of the financial statements of the Company for such years.

During the fiscal years ended December 31, 2012 and 2011 and the subsequent interim period through December 19, 2013, there were no disagreements between Sabine and Deloitte & Touche LLP on any financial or accounting reporting matters described in Item 304(a)(2)(i) or Item 304(a)(2)(ii) of Regulation S-K and the related instructions.

Sabine provided PwC with a copy of the foregoing disclosures and requested PwC to furnish Sabine with a letter addressed to Sabine stating whether the firm agrees with the statements made in this document (a copy of the letter dated May 27, 2014 furnished in response to Item 304(a)(2)(ii) of Regulation S-K and the related instructions is included as Exhibit 16.1 to the Registration Statement on Form S-4 filed by New Forest Oil Inc. on May 29, 2014).

Quantitative and Qualitative Disclosure about Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about Sabine's exposure to market risk. The term "market risk" refers to the risk of loss arising from adverse changes in oil and natural gas prices. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. The information provides indicators of how Sabine views and manages its ongoing market risk exposures. All of Sabine's market risk exposures were entered into for hedging purposes, rather than for speculative trading.

Table of Contents**Commodity price risk and hedges**

Sabine periodically enters into derivative positions on a portion of its projected oil and natural gas production through arrangements intended to manage fluctuations in cash flows resulting from changes in commodity prices. The Company uses these arrangements to mitigate commodity price risk.

On March 31, 2014, the Company had open natural gas derivatives in a liability position with a fair value of \$17.8 million. If natural gas prices would increase the liability by approximately \$35.4 million, while a 10 percent decrease in prices would decrease the liability by approximately \$14.8 million. The Company also had open oil derivatives in a liability position with a fair value of \$7.7 million. If oil prices would increase the liability by approximately \$19.6 million, while a 10 percent decrease in prices would move the liability to a position of \$11.5 million. These fair value changes assume volatility based on prevailing market parameters at March 31, 2014. For more information on how Sabine uses financial commodity derivative contracts to mitigate some of the potential negative impact on Sabine's cash flows in oil and natural gas prices, see "Commodity Hedging Activities."

Interest rate risks

At March 31, 2014 and December 31, 2013, Sabine had indebtedness outstanding under the Credit Facility of \$355 million and \$350 million, respectively, which bears interest at a floating rate. The average interest rate incurred on this indebtedness for the three months ended March 31, 2014 and 2013 was approximately 2.3% and 2.5%, respectively. A 100 basis points increase in each of the average LIBOR rate for the three months ended March 31, 2014 and 2013 would have resulted in an estimated \$0.7 million and \$0.8 million increase in interest expense for the three months ended March 31, 2014 and 2013.

On December 14, 2012, the Company entered into a second lien term loan agreement with a syndicate of banks. As of March 31, 2014, the Company had indebtedness outstanding under its Term Loan Facility of \$650 million which bears interest at a floating rate. The average interest rate on this indebtedness for the three months ended March 31, 2014 and 2013 was approximately 8.8% and 9.0%, respectively. Interest on these loans is at a rate per annum equal to the Eurodollar rate, with a Eurodollar floor of 1.25%, plus an applicable margin of 750 basis points. A 100 basis points increase in each of the average LIBOR rate for the three months ended March 31, 2014 and 2013 would have resulted in an estimated \$1.5 million increase in interest expense for the three months ended March 31, 2014 and 2013.

Sabine does not currently have any derivatives in place to mitigate the effects of interest rate risk. Sabine may implement a hedging strategy in the future.

Counterparty and customer credit risk

Sabine's principal exposures to credit risk are through receivables resulting from commodity derivative instruments (\$35.4 million at March 31, 2014), joint interest receivables (\$12.8 million at March 31, 2014) and the sale of Sabine's natural gas production (\$65.2 million at March 31, 2014), which Sabine markets to energy marketing companies, refineries and affiliates. Joint interest receivables arise from Sabine's partial interest in the wells Sabine operates. These entities participate in Sabine's wells primarily based on their ownership and whether they wish to drill. Sabine can do very little to choose who participates in its wells. Sabine is also subject to credit risk due to its receivables with several significant customers. Sabine does not require Sabine's customers to post collateral. The inability of these customers to meet their obligations to Sabine or their insolvency or liquidation may adversely affect Sabine's financial results.

Off-Balance Sheet Arrangements

Currently, Sabine does not have any off-balance sheet arrangements.

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Consolidated Statement of Member's Capital for the Years Ended December 31, 2013, 2012 and 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member of

Sabine Oil & Gas LLC

Houston, Texas

We have audited the accompanying consolidated balance sheets of Sabine Oil & Gas LLC and subsidiaries (the Company) as of December 31, 2012, and the related consolidated statements of operations, member's capital, and cash flows for each of the two years ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. A Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits were performed for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Those standards also require that we communicate to the Company's management the results of our audits and that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Sabine Oil & Gas LLC and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the two years ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the accompanying 2012 consolidated financial statements include certain errors.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas

March 31, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Member of Sabine Oil & Gas LLC

In our opinion, the accompanying consolidated statements of operations, of member's capital and of cash flows for the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the 2011 financial statements have been restated to correct an error. Our opinion is not qualified with respect to this matter.

/s/ PricewaterhouseCoopers LLP

Houston, Texas

March 31, 2013, except with respect to our opinion on the consolidated financial statements insofar as it relates to the Restated Financial Statements as described in Note 2, as to which the date is March 31, 2014.

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Consolidated Financial Statements

Sabine Oil & Gas LLC

Consolidated Balance Sheets

As of December 31, 2013 and 2012

Dec

Assets

Current assets:

Cash and cash equivalents \$

Accounts receivable, net

Prepaid expenses and other current assets

Derivative instruments

Other short term assets

Total current assets

Property, plant and equipment:

Oil and natural gas properties (full cost method)

Proved

Unproved

Gas gathering and processing equipment

Office furniture and fixtures

Accumulated depletion, depreciation and amortization (2)

Total property, plant and equipment, net 1

Other assets:

Derivative instruments

Deferred financing costs, net

Goodwill

Other long term assets

Total other assets

Total assets \$ 1

Liabilities and member s capital

Current liabilities:

Accounts payable trade	\$
Royalties payable	
Accrued interest payable	
Accrued exploration and development	
Accrued operating expenses and other	
Derivative instruments	
Other short term liabilities	
 Total current liabilities	
 Long term liabilities:	
Credit facility	
Term loan	
Senior notes	
Asset retirement obligation	
Derivative instruments	
Other long term liabilities	
 Total long term liabilities	1
 Commitments and contingencies	
Member s capital	
Member s capital	1
Accumulated deficit	(
 Total member s capital	
 Total liabilities and member s capital	\$ 1

The accompanying notes are an integral part of these consolidated financial statements

Table of Contents**Consolidated Financial Statements****Sabine Oil & Gas LLC****Consolidated Statements of Operations****For the Years Ended December 31, 2013, 2012 and 2011**

	For the Year 2013	(i) (a)
Revenues		
Oil, natural gas liquids and natural gas	\$ 354,223	\$
Other	755	
Total revenues	354,978	
Operating expenses		
Lease operating	42,491	
Workover	2,160	
Marketing, gathering, transportation and other	17,567	
Production and ad valorem taxes	17,824	
General and administrative	27,469	
Depletion, depreciation and amortization	137,068	
Gain on bargain purchase		
Accretion	952	
Impairments	1,125	
Total operating expenses	246,656	
Other income (expenses)		
Interest expense, net of capitalized interest	(99,471)	
Gain on derivative instruments	814	
Other income (expenses)	912	
Total other income (expenses)	(97,745)	
Net income (loss) including noncontrolling interests	10,577	
Less: Net income (loss) applicable to noncontrolling interests		
Net income (loss) applicable to controlling interests	\$ 10,577	\$

The accompanying notes are an integral part of these consolidated financial statements.

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Consolidated Financial Statements

Sabine Oil & Gas LLC

Consolidated Statement of Member s Capital

For the Years ended December 31, 2013, 2012 and 2011

(in thousands)

	Member s Capital		Amounts Receivable from Member	Accumulated Deficit
	Units	Value		
Balance as of December 31, 2010 (as restated)	1,067	\$ 1,065,183	\$ (150)	\$ (820,859)
Member s contributions	203	203,000		
Amounts receivable from member			109	
Distributions noncontrolling interests				
Distributions to member for state tax withholding		(485)		
Net income applicable to controlling interests				175,066
Net income applicable to noncontrolling interests				
Balance as of December 31, 2011 (as restated)	1,270	\$ 1,267,698	\$ (41)	\$ (645,793)
Member s contributions	88	87,467		
In-kind contributions	178	178,000		
Amounts receivable from member			41	
Distributions noncontrolling interests				
Distributions to member for state tax withholding		(157)		
Sale of noncontrolling interests				
Net loss applicable to controlling interests				(686,782)
Net loss applicable to noncontrolling interests				
Balance as of December 31, 2012 (as restated)	1,536	\$ 1,533,008	\$	\$ (1,332,575)
Distributions to member		(10,000)		
Net income				10,577
Balance as of December 31, 2013	1,536	\$ 1,523,008	\$	\$ (1,321,998)

The accompanying notes are an integral part of these consolidated financial statements

Table of Contents**Consolidated Financial Statements****Sabine Oil & Gas LLC****Consolidated Statements of Cash Flows****For the Years ended December 31, 2013, 2012 and 2011**

	For the Year 2013	(i) (a)
Cash flows from operating activities:		
Net income (loss), including noncontrolling interest	\$ 10,577	\$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	137,068	
Impairments	1,125	
Loss on sale of asset		
Accretion expense	952	
Accrued interest expense	10,328	
Amortization of deferred rent	(249)	
Amortization of deferred financing costs	9,587	
(Gain) loss on derivative instruments	46,545	
Amortization of option premiums	(1,171)	
Amortization of prepaid expenses	4,787	
Gain on bargain purchase		
Non cash distribution to member		
Working capital and other changes:		
Increase in accounts receivable	(38,195)	
Increase in other assets	(7,248)	
Increase in accounts payable, royalties payable and accrued liabilities	43,092	
Net cash provided by operating activities	217,198	
Cash flows from investing activities:		
Oil and gas property additions	(360,080)	
Oil and gas property acquisitions		
Cash received from insurance proceeds	604	
Gas processing equipment additions	(4,014)	
Other asset additions	(2,075)	
Cash received from sale of assets	171,756	
Net cash used in investing activities	(193,809)	
Cash flows from financing activities:		
Borrowings under senior secured revolving credit facility	193,000	

Borrowings under second lien term loan	153,500
Debt repayments for the senior secured revolving credit facility	(348,000)
Deferred financing costs	(6,261)
Member s contributions	
Distributions noncontrolling interests	
Distributions to member	(10,000)
Net cash provided by (used in) financing activities	(17,761)
Net increase (decrease) in cash and cash equivalents	5,628
Cash and cash equivalents, beginning of period	6,193
Cash and cash equivalents, end of period	\$ 11,821

The accompanying notes are an integral part of these consolidated financial statements

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Organization**

Effective December 19, 2012, NFR Energy LLC was renamed Sabine Oil & Gas LLC (Sabine or the Company). The Company is a Delaware limited liability company in late 2006 to invest in oil and natural gas exploration opportunities within the onshore U.S. oil and natural gas basins. The Company is wholly owned by Sabine Oil & Gas Holdings II LLC, a Delaware limited liability company (Holdings II or Member). Sabine Oil & Gas Holdings II LLC is owned by Sabine Oil & Gas Holdings LLC, a Delaware limited liability company (Holdings). The Company's sole membership interest is held by Sabine Oil & Gas Holdings LLC. Currently, affiliates of First Reserve Corporation (First Reserve), own approximately 99.76% of the common equity interest in the Company. The remaining interests are owned by certain members of the Company's management and board of representatives.

The Company operates in the exploration and production segment of the energy industry and is pursuing development and production of a variety of forms including operated and non-operated working interests, joint ventures, farm-outs, and acquisitions, in both conventional and unconventional resources. Sabine is a holding company which conducts its operations through its subsidiaries, which own and operate the Company's assets.

2. Significant Accounting Policies*Basis of Presentation*

The Company presents its consolidated financial statements in accordance with U.S. generally accepted accounting principles. The accompanying consolidated financial statements include Sabine and its subsidiaries. All intercompany transactions have been eliminated.

Restatement of Previously Issued Financial Statements

The Company is restating its financial statements for the years ended December 31, 2012 and 2011 with respect to the accounting treatment of certain derivative financial transactions under Accounting Standards Codification Topic 815, Derivatives and Hedging (ASC 815). The Company determined that the documentation it had prepared to support its initial hedge designations for effectiveness in connection with its natural gas hedging program was not compliant with the technical documentation requirements to qualify for cash flow hedge accounting treatment in accordance with ASC 815, and as a result, the Company was not permitted to utilize hedge accounting treatment in the previously issued financial statements.

Under ASC 815, the fair value of hedge contracts is recognized in the Company's Consolidated Balance Sheets as an asset or liability, and the amounts received or paid under the hedge contracts are reflected in earnings during the period in which the underlying assets or liabilities to which the hedge contracts qualify for cash flow hedge accounting treatment, the fair value of the hedge contract that is effective in offsetting changes in cash flows (the effective portion) is recorded in Accumulated other comprehensive income, and the effective portion of the change in fair value does not affect net income in the period. The portion of the change in fair value of the qualified derivative instrument that is not offsetting changes in expected cash flows (the ineffective portion), as well as any amount excluded from the assessment of the effectiveness of the hedge, are recognized in earnings. If the hedge contract does not qualify for hedge accounting treatment, the change in the fair value of the hedge contract is reflected in earnings during the period as a Gain (loss) on derivatives within revenues on the Consolidated Statements of Operations. For the hedge accounting treatment used by the Company, the effective portion of the fair value of the hedge contracts was recognized in the Consolidated Balance Sheets with the offsetting gain or loss recorded initially in Accumulated other comprehensive income and later reclassified to earnings when the hedged production impacted earnings. The ineffective portion of the designated derivative instruments was recognized in earnings within Other income (expenses) on the Consolidated Statements of Operations. As a result of the determination that the documentation failed to meet the requirements necessary to utilize

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cash flow hedge accounting treatment, any gain or loss resulting from changes in fair value should have been recorded in Operations as a component of earnings. The Company previously recognized gains and losses resulting from the settlement of financial instruments as a component of revenues, and has reclassified gains of \$107.4 million in 2012 and \$72.5 million in 2011, within Other income (expenses) as a result of eliminating hedge accounting. In addition, the Company reclassified gains of \$25.1 million of gains in 2012 and 2011, respectively, from Accumulated other comprehensive income to Gain or loss from Other income (expenses). Because the derivatives did not qualify for hedge accounting, the inclusion of hedge value for cost ceiling calculation at all balance sheet dates when the ceiling test was performed was not appropriate. Thus, Sabine's financial statements were revised and resulted in restatements to increase impairment expense recognized in earlier periods and reductions to impairment expense of \$62.0 million and \$25.7 million in 2012 and 2011, respectively, as well as requiring restatements to decrease impairment expense of \$6.8 million in 2012 and 2011, respectively.

Additionally, Sabine is restating its financial statements for the year ended December 31, 2012 with respect to reversing a bargain purchase gain recognized for its December 17, 2012 acquisition of certain oil and natural gas properties in South Texas. The gain was allocated to the oil and gas properties acquired to reflect the consideration paid which was a reflection of market participation in the same period. The impact of this restatement was considered regarding the full cost ceiling calculation at December 31, 2012. The restatement resulted in an increase in impairment expense of \$14.3 million and depletion expense of \$0.2 million. Factors that gave rise to bargain purchase gain were immaterial to 2012.

Certain other reclassifications have been made to prior periods. These reclassifications include the correction of pricing of revenues of \$3.6 million in 2012 and 2011, respectively, which were previously reported as Marketing, gathering, transportation and processing revenues and reported as Oil, natural gas liquids and natural gas revenues as a reflection of realized pricing, as well a \$9.9 million reclassification of sale of assets to Impairments in 2012. These reclassifications also include a \$5.1 million correction of the classification of liabilities previously reported as Other short term liabilities and Other long term liabilities and currently reported as short term liabilities in accordance with netting requirements. These reclassifications have no impact on previously reported net income and margin and are immaterial to previously reported financial information.

The following table represents the impact of this restatement on relevant financial statement line items in Sabine's Consolidated Balance Sheet as of December 31, 2012:

	As Reported	December 31, 2011 (in millions)
Assets		
Property, plant and equipment:		
Oil and natural gas properties (full cost method)		
Proved	\$ 2,839,900	\$ 2,839,900
Accumulated depletion, depreciation and amortization	(1,851,998)	(1,851,998)
Other assets:		
Derivative instruments	6,731	6,731
Total assets	\$ 1,655,055	\$ 1,655,055
Liabilities and member's capital		
Long term liabilities:		
Other long term liabilities	\$ 5,151	\$ 5,151

Member s capital:

Accumulated deficit	(1,306,203)
Accumulated other comprehensive income	63,044

Total liabilities and member s capital	\$ 1,655,055	\$
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The following table represents the impact of this restatement on relevant financial statement line items in Sabine's Consolidated Operations:

	Year ended	
	As Reported	Adjusted
	(in thousands)	(in thousands)
Revenues		
Oil, natural gas liquids and natural gas	\$ 181,098	\$ 181,098
Gain on derivative instruments	107,374	107,374
Total revenues	288,496	288,496
Operating expenses		
Marketing, gathering, transportation and other	21,167	21,167
Depletion, depreciation and amortization	96,096	96,096
Gain on bargain purchase	(14,470)	(14,470)
Impairments	730,916	730,916
Loss on sale of assets	9,880	9,880
Total operating expenses	913,934	913,934
Other income (expenses)		
Gain (loss) on derivative instruments	(10,312)	(10,312)
Total other income (expenses)	(60,197)	(60,197)
Net loss including noncontrolling interests	(685,635)	(685,635)
Net loss applicable to controlling interests	\$ (685,618)	\$ (685,618)

	Year ended	
	As Reported	Adjusted
	(in thousands)	(in thousands)
Revenues		
Oil, natural gas liquids and natural gas	\$ 204,989	\$ 204,989
Gain on derivative instruments	72,517	72,517
Total revenues	277,637	277,637
Operating expenses		
Marketing, gathering, transportation and other	19,717	19,717
Depletion, depreciation and amortization	82,178	82,178
Impairments	29,921	29,921

Total operating expenses	94,233	
Other income (expenses)		
Gain (loss) on derivative instruments	(25,799)	
Total other income (expenses)	(65,820)	
Net income including noncontrolling interests	117,584	
Net income applicable to controlling interests	\$ 117,467	\$

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The following table represents the impact of this restatement on relevant financial statement line items in Sabine's Consolidated Statement of Member's Capital:

Sabine Oil and Gas LLC**Consolidated Statement of Member's Capital**

	Member's Capital		Amounts	Accumulated	Other
	Units	Value	Receivable from Member	Deficit	Comprehensive Income (loss)
Balance as of December 31, 2010 (as reported)	1,067	\$ 1,065,183	\$ (150)	\$ (738,052)	\$ 105,000
Adjustments to comprehensive loss:					
Net loss applicable to controlling interests				(82,807)	
Unrealized loss on derivative contracts					(105,000)
Total					
Balance as of December 31, 2010 (as restated)	1,067	\$ 1,065,183	\$ (150)	\$ (820,859)	\$ 105,000

	Member's Capital		Amounts	Accumulated	Other
	Units	Value	Receivable from Member	Deficit	Comprehensive Income (loss)
Balance as of December 31, 2011 (as reported)	1,270	\$ 1,267,698	\$ (41)	\$ (620,585)	\$ 130,000
Adjustments to comprehensive loss:					
Net loss applicable to controlling interests				(25,208)	
Unrealized loss on derivative contracts					(130,000)
Total					
Balance as of December 31, 2011 (as restated)	1,270	\$ 1,267,698	\$ (41)	\$ (645,793)	\$ 130,000

	Member's Capital		Amounts	Accumulated	Other
	Units	Value	Receivable from Member	Deficit	Comprehensive Income (loss)
Balance as of December 31, 2012 (as reported)	1,536	\$ 1,533,008	\$	\$ (1,306,203)	\$ 226,805
Adjustments to comprehensive loss:					
Net loss applicable to controlling interests				(26,372)	
Unrealized loss on derivative contracts					(226,805)
Total					
Balance as of December 31, 2012 (as restated)	1,536	\$ 1,533,008	\$	\$ (1,332,575)	\$ 226,805

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The following table represents the impact of this restatement on relevant financial statement line items in Sabine's Consolidated Cash Flows:

	Year ended	
	As Reported	As Restated (in thousands)
Cash flows from operating activities:		
Net loss, including noncontrolling interest	\$ (685,635)	\$ (685,635)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	96,096	96,096
Impairments	730,916	730,916
Loss on sale of asset	10,531	10,531
Loss on derivative instruments	7,940	7,940
Gain on bargain purchase	(14,470)	(14,470)
Net cash provided by operating activities	\$ 144,166	\$ 144,166

	Year ended	
	As Reported	As Restated (in thousands)
Cash flows from operating activities:		
Net income, including noncontrolling interest	\$ 117,584	\$ 117,584
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	82,178	82,178
Impairments	29,921	29,921
(Gain) loss on derivative instruments	23,844	23,844
Net cash provided by operating activities	\$ 159,032	\$ 159,032

Cash and Cash Equivalents

All highly liquid investments purchased with an initial maturity of three months or less are considered to be cash equivalents.

Concentration of Credit Risk

The Company's significant receivables are comprised of oil and natural gas revenue receivables. The amounts are due from a few purchasers; therefore, the collectability is dependent upon the general economic conditions of a few purchasers. The Company regularly establishes the allowance for doubtful accounts as necessary using the specific identification method. The receivables are not subject to a concentration of credit risk.

Derivative instruments subject the Company to a concentration of credit risk (see Note 8).

Inventory

Inventory, which is included in Prepaid expenses and other current assets on Sabine's Consolidated Balance Sheets, spare parts, and equipment used in Sabine's drilling operations. The inventory balance, net of impairments, was \$0.7 million at December 31, 2013 and 2012, respectively. Inventory is stated at the lower of weighted average cost or market. Under the cost method, the amount of impairment to obsolete inventory were \$1.1 million; \$1.2 million and \$1.4 million for the years ended December 31, 2013, 2012 and 2011, respectively, and are included in Impairments in the Consolidated Statements of Operations.

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Table of Contents**Oil and Natural Gas Properties and Equipment**

The Company uses the full cost method of accounting for its investment in oil and natural gas properties. Under this method, acquisition, exploration, and development costs incurred for the purpose of finding oil and natural gas reserves, including internal costs directly attributable to these activities. The Company capitalized \$6.6 million, \$2.7 million and \$3.5 million in 2013, 2012 and 2011, respectively. Costs associated with production and general corporate activities are expensed in the period incurred. The Company also includes the present value of its dismantlement, restoration and abandonment costs with the natural gas property balance (see **Asset Retirement Obligation** below). Unless a significant portion of the Company's net income (greater than 25%), proceeds from the sale of oil and natural gas properties are accounted for, as a reduction to capitalized costs, they are not recognized unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves.

Depletion of proved oil and natural gas properties is computed using the units-of-production method based upon estimated proved reserves. The costs of unproved properties are withheld from the depletion base until such time as they are either developed or abandoned. Properties are reviewed on a quarterly basis for impairment, and if impaired, are reclassified to proved properties and included in depletion calculations.

Under the full cost method of accounting, a ceiling test is performed on a quarterly basis. The full cost ceiling test is an industry standard under SEC Regulation S-X Rule 4-10. The ceiling test determines a limit on the book value of oil and natural gas properties. The carrying amount of oil and natural gas properties, net of accumulated depletion, depreciation and amortization (accumulated DD&A) on proved and unproved properties may not exceed the estimated future net cash flows from proved oil and natural gas reserves, excluding future cash outflows for asset retirement obligations that have been accrued on Sabine's Consolidated Balance Sheets, using the unweighted average first day of the month prices for the prior twelve month period ended December 31, 2013 and 2012 (adjusted for quality and basis differentials), held flat until the end of the period, discounted at 10%, plus the cost of unevaluated properties and major development projects excluded from the costs being tested. If the carrying amount exceeds this limit, the excess is charged to expense and reflected as accumulated DD&A.

For the year ended December 31, 2013 the Company did not recognize an impairment for the carrying value of proved oil and natural gas properties in excess of the ceiling limitation. For the year ended December 31, 2012 the Company recognized an impairment of \$641.1 million of proved oil and natural gas properties in excess of the ceiling limitation mostly as a result of the decline of oil and natural gas prices. For the year ended December 31, 2011 the Company did not recognize an impairment for the carrying value of proved oil and natural gas properties in excess of the ceiling limitation. The average of the unweighted first day of the month prices for the prior twelve month period ended December 31, 2013 was \$96.78 per Bbl for oil. As of December 31, 2013, the ceiling limitation exceeded the carrying value of proved oil and natural gas properties by approximately \$201 million. Sabine could have a reduction in its asset carrying value for oil and natural gas properties if the first day of the month natural oil and natural gas prices for the prior twelve month periods declines.

Gathering assets and related facilities, certain other property and equipment, and furniture and fixtures are depreciated using the straight-line method based on the estimated useful lives of the respective assets, generally ranging from 3 to 30 years. These assets are tested for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is then recognized if the carrying amount is not recoverable and exceeds fair value. No impairment charge for gas gathering and processing equipment was recorded for the year ended December 31, 2013. In 2012, Sabine recorded impairment charges for gas gathering and processing equipment of \$21.4 million in present value and

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estimated future cash flows using current volume throughput and pricing assumptions, for properties which were subsequently impaired. An impairment charge for gas gathering and processing equipment was recorded in the year ended December 31, 2011. Leasehold improvements are amortized over the shorter of their economic lives or the lease term. Repairs and maintenance costs are expensed in the period incurred.

The Company's depletion, depreciation and amortization (DD&A) expense on its oil and natural gas properties is calculated based on the estimated end reserve quantities. For the years ended December 31, 2013, 2012 and 2011, the Company recorded \$134.2 million, \$127.5 million and \$127.5 million, respectively, of depletion on oil and natural gas properties. As a rate of production, depletion was \$2.10 per Mcfe, \$1.80 per Mcfe and \$1.80 per Mcfe for the years ended December 31, 2013, 2012 and 2011, respectively.

For the years ended December 31, 2013 and 2012, the Company received insurance proceeds of \$0.6 million and \$12.7 million, respectively, netted with the replacement costs recognized in oil and natural gas properties. Insurance proceeds were received as the result of claims during drilling or completion operations in East Texas. No insurance proceeds were received for the year ended December 31, 2011.

Capitalized Interest

The Company capitalizes interest costs to oil and natural gas properties on expenditures made in connection with exploration and development activities that are not subject to current depletion. Interest is capitalized only for the period that activities are in progress to bring the properties into use. The Company capitalized \$13.0 million, \$4.3 million and \$5.9 million of interest during the years ended December 31, 2013, 2012 and 2011, respectively.

Leases

The Company accounts for leases with escalation clauses and rent holidays on a straight-line basis. The deferred rent expense and future lease commitments is reported under the caption "Other short term liabilities" on Sabine's Consolidated Balance Sheet.

Derivative Instruments and Hedging Activities

The Company uses derivative financial instruments to achieve a more predictable cash flow from its oil and natural gas production and exposure to price fluctuations. Such derivative instruments, which are placed with major financial institutions who are party to the Company's Credit Facility (see Note 5) that the Company believes are minimal credit risks, may take the form of forward contracts, options, or basis swaps.

At December 31, 2013, substantially all of Sabine's oil and natural gas derivative contracts are settled based upon reported prices on the Exchange (NYMEX). Sabine's derivative contracts are with multiple counterparties to minimize Sabine's exposure to credit risk, and Sabine has netting arrangements with all of its counterparties that provide for offsetting payables against receivables with that counterparty. The oil and natural gas reference prices, upon which the commodity derivative contracts are settled, are market indices that have a generally high degree of historical correlation with actual prices received by the Company from its production. Sabine's fixed-price swap and option agreements are used to fix the sales price for Sabine's anticipated future production. Upon settlement, the Company receives a fixed price for the hedged commodity and receives or pays Sabine's counterparty the difference defined in each instrument. The instruments are settled monthly. When the floating price exceeds the fixed price for a contract, the Company pays its counterparty. When the fixed price exceeds the floating price, Sabine's counterparty is required to make a payment to the Company.

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Sabine's derivatives instruments at December 31, 2013 included natural gas basis swaps in addition to fixed price swaps. The basis swaps are used to minimize exposure to fluctuating differentials on certain pricing indices against other pricing indices settled monthly. Upon settlement, the Company will pay a floating price on a specified index, and the counterparty will pay a specified index, either of which may include a specified differential. When the Company's specified index price is less than the counterparty will pay the Company. When the Company's specified index price is greater than the counterparty's specified index price, the counterparty will pay the Company. Additionally, the Company has bought and sold natural gas puts, bought and sold oil and natural gas calls, the counterparty has the option to purchase a set volume of the contracted commodity at a contracted price in the future. For the oil and natural gas puts, the counterparty has the option to sell a contracted volume of the commodity at a contracted date in future.

The Company records balances resulting from commodity risk management activities on the Consolidated Balance Sheet measured at fair value. Gains and losses from the change in fair value of derivative instruments and cash settlements on commodity contracts are presented within "Gain on derivative instruments" located in Other income (expenses) in the Consolidated Statements of Income.

Deferred Financing Costs

Deferred financing costs of approximately \$6.3 million and \$19.2 million were incurred during 2013 and 2012, respectively, with the Company's term loan agreement (Term Loan) and senior secured revolving credit facility (Credit Facility) associated with the Term Loan, Credit Facility and 9.75% senior unsecured notes due 2017 (the 2017 Notes) are being amortized. In connection with the 2017 Notes, respective obligations with \$9.0 million, \$3.2 million and \$2.8 million included in interest expense during 2013, 2012 and 2011. In connection with reductions in the borrowing base of Sabine's Credit Facility, the Company also expensed \$0.6 million and \$0.8 million during 2013 and 2012, respectively.

Financial Instruments

The Company's financial instruments including cash and cash equivalents, accounts receivable, and accounts payable are reported at carrying value which approximates fair value due to the short-term maturity of these instruments. The Company's Credit Facility and Term Loan are reported at carrying value which approximates fair value based on current rates applicable to similar instruments. Since considerable judgment is required to determine fair value, the estimates provided are not necessarily indicative of the amounts the Company could realize upon the purchase or sale of these instruments. The Company's derivative instruments are reported at fair value based on Level 2 fair value methodologies. The Company's derivative instruments are reported at carrying value but further compared to fair value based on Level 2 fair value methodologies (see Note 9).

Goodwill

Goodwill represents the excess of the purchase price of an asset over the estimated fair value of the assets acquired. The Company tests the amount of goodwill by testing for impairment annually and when impairment indicators arise. Goodwill totaled \$173.5 million as of December 31, 2013 and 2012. The goodwill was recognized during 2012 as a result of Sabine's December 2012 acquisitions discussed in Note 10 - Divestitures. No impairment of goodwill was recognized during 2013 and 2012.

Asset Retirement Obligations

If a reasonable estimate of the fair value of an obligation to perform site reclamation, dismantle facilities or plug and abandon wells, the Company records an Asset retirement obligation (ARO) as a liability and capitalizes the present value of the asset retirement obligation on its Consolidated Balance Sheet.

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Balance Sheets in the period in which the retirement obligation is incurred. In general, the amount of an ARO and the cost of the estimated future cost to satisfy the abandonment obligation assuming the normal operation of the asset, using current market prices and an assumed inflation factor up to the estimated settlement date, which is then discounted back to the date that the abandonment obligation is incurred, using an assumed cost of funds for Sabine. After recording these amounts, the ARO is accreted to its future estimated value using an assumed cost of funds and the additional capitalized costs are depreciated on a unit-of-production basis within the related full cost pool. The capitalized costs associated with an ARO are included in the amortization base for purposes of calculating the ceiling test.

The information below reconciles the recorded amount of Sabine's asset retirement obligations:

	For the year ended December 31, 2013
	(in thousands)
Beginning balance	\$ 13,580
Liabilities incurred	993
Liabilities disposed	(1,678)
Liabilities settled	(49)
Change in estimate	
Accretion expense	952
Ending balance	\$ 13,798

Revenue Recognition

The Company records revenues from the sales of oil, natural gas liquids and natural gas when produced, sold and collected. The Company uses the entitlement method that requires revenue recognition for the Company's net revenue interest of sales from its production of oil, natural gas liquids and natural gas sales are not recognized for deliveries in excess of the Company's net revenue interest, while natural gas sales are recognized for any under delivered volumes. Production imbalances are generally recorded at estimated future settlements of the imbalances. The Company had no material overproduction or underproduction at December 31, 2013.

Additionally, the Company owns and operates certain gathering facilities in Texas and charges fees to collect and transport oil and natural gas to common delivery points to locations along the sales stream. These gathering fees are reported in "Other revenue" on the Consolidated Statement of Operations for the years ended December 31, 2013, 2012 and 2011.

Use of Estimates

The preparation of the consolidated financial statements for the Company in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company's consolidated financial statements are based on a number of significant estimates, including oil, natural gas and natural gas liquids quantities that are the basis for the calculation of DD&A and impairment of oil, natural gas liquids and natural gas properties. The Company's estimates associated with its asset retirement obligations.

Income Taxes

The Company is a limited liability company treated as a partnership for federal and state income tax purposes with all in benefits of the Company being passed through to the Member. As

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such, no recognition of federal or state income taxes for the Company or its subsidiaries that are organized as limited liability companies is provided for in the accompanying consolidated financial statements. Any uncertain tax position taken by the Member is recognized only if it is more likely than not that the Company will be able to realize the benefits of that position.

In accordance with the operating agreement of the Company, to the extent possible without impairing the Company's ability to conduct its business and activities, and in order to permit its Member to pay taxes on the taxable income of the Company, the Company will make distributions to the Member in the amount equal to the estimated tax liability of such Member computed as if the Member were an individual marginal federal and state rate applicable to an individual resident of New York, New York, in the event that taxable income is earned by the Member. There was no taxable income and therefore no distributions to the Member in 2013, 2012 or 2011.

Recent Accounting Pronouncements

In December 2011, the FASB issued Accounting Standards Update 2011-11, "Disclosures About Offsetting Assets and Liabilities," which was clarified by Accounting Standards Update 2013-01. These updates amend the disclosure requirements on offsetting assets and liabilities to provide improved information about financial instruments and derivative instruments that have a right of offset or are subject to a netting arrangement or similar agreement. This information will enable users of a company's financial statements to evaluate the effect of netting arrangements on a company's financial position, including the effect or potential effect of rights of setoff associated with financial instruments and derivative instruments. The Company is required to apply the amendments for annual reporting periods beginning in 2013, and interim periods within those annual periods. The Company adopted the provisions of ASU 2011-11 in the quarter ended December 31, 2011. If ASU 2011-11 relates to disclosure requirements, there will be no impact on the Company's financial condition or results of operations for updated disclosure.

3. Significant Customers

During the year ended December 31, 2013, purchases by three companies exceeded 10% of the total oil, natural gas liquids and natural gas sales of the Company. Purchases by Eastex Crude Company, Enbridge Pipeline (East Texas) LP and CP Energy LLC accounted for approximately 11%, 11% and 11% of oil, natural gas liquids and natural gas sales, respectively. During the year ended December 31, 2012, purchases by three companies exceeded 10% of the total oil, natural gas liquids and natural gas sales of the Company. Purchases by Enbridge Pipeline (East Texas) LP, Eastex Crude Company, Texla Energy Management LLC and Eastex Crude Company accounted for approximately 17%, 14%, 13% and 13% of oil, natural gas liquids and natural gas sales, respectively. During the year ended December 31, 2011, purchases by three companies exceeded 10% of the total oil, natural gas liquids and natural gas sales of the Company. Purchases by Enbridge Pipeline (East Texas) LP, Texla Energy Management LLC and Eastex Crude Company accounted for approximately 18%, 15% and 13% of oil, natural gas liquids and natural gas sales, respectively.

4. Property Acquisitions and Divestitures

On December 18, 2013, the Company closed on the sale of Sabine's interests in certain oil and natural gas properties in the surrounding Oklahoma area for \$169.0 million, net of certain purchase price adjustments. The sale of the Texas Panhandle properties was accounted for as an adjustment to the full cost pool with no gain or loss recognized.

On April 30, 2013, the Company closed on the purchase of interests in approximately 5,000 net acres in South Texas for \$10.0 million. The acquisition does not qualify as a business combination under Accounting Standards Codification Topic 805, Business Combinations.

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Total costs incurred for oil and natural gas property acquisitions for 2012 were approximately \$737.1 million, net of purchase price adjustments, which \$145.1 million related to unproved property, \$420.2 million related to proved property acquisitions, and \$173.5 million related to unproved acreage. The cost of the acquisition, including costs incurred for related gathering and processing facilities was approximately \$5.7 million, net of purchase price adjustments. The most significant adjustments were made most significantly from movement in inputs used by Sabine, such as estimated type curves, recovery rates, and future rates of production, updated in addition to applying risk adjustment discount rates, as well as expected synergies from combining operations.

The results of the acquisitions described below are included in the accompanying Consolidated Statements of Operations for the periods ending at their respective close date.

On December 14, 2012, the Company closed the acquisition of certain oil and natural gas properties in the Texas Panhandle area for \$657.8 million, net of purchase price adjustments. The acquisition was funded in part by \$181.6 million of equity and the remaining balance funded from the proceeds of the Term Loan. This acquisition qualified as a business combination under GAAP. The fair value of \$340.9 million for proved property and \$145.1 million for unproved acreage, net of the ARO liability assumed in the transaction resulted in the recognition of \$173.5 million of goodwill for the excess of the consideration transferred over the fair value of the net assets acquired. Goodwill represents the future economic benefits arising from assets acquired that could not be individually identified and separately measured. The purchase price included both proved and unproved categories of reserves, expectation for timing and amount of production, operating costs, projections of future rates of production, expected recovery rates and risk adjusted discount rates.

The following table summarizes the consideration paid and the amounts of the assets acquired and liabilities assumed as of December 14, 2012 (in millions):

Recognized amounts of identifiable assets acquired and liabilities assumed:

Proved properties

Unproved properties

Goodwill

Asset retirement obligation

Consideration, net of accrued purchase price adjustments

The unaudited pro forma results presented below have been prepared to give the effect of the acquisition discussed above on the unaudited pro forma operations for the years ended December 31, 2012 and 2011 as if it had been consummated on January 1, 2011. The unaudited pro forma results do not purport to represent what Sabine's actual results of operations would have been if the acquisition had been completed on the dates shown. The results of operations for any future date or period.

	Year ended December 31, 2012		Y
	Actual	Pro Forma	
	(in thousands)		
Pro Forma (unaudited)	(as restated)		(a
Total revenues	\$ 177,446	\$ 258,362	\$
Net loss applicable to controlling interests ⁽¹⁾	\$ (686,782)	\$ (385,929)	\$

(1) Reductions in operating expenses due to pro forma ceiling test impact of \$252.1 million for 2012 have been included.

On December 17, 2012, the Company closed the acquisition of certain oil and natural gas properties in South Texas for \$ price adjustments. This acquisition qualified as a business combination pursuant to ASC 805. The Company recorded a f proved property. The

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valuation to derive the purchase price included proved and unproved categories of reserves, expectation for timing and amount of future development and operating costs, projections of future rates of production, expected recovery rates and risk adjusted discount rates.

The unaudited pro forma results presented below have been prepared to give the effect of the acquisition discussed above on the operations for the years ended December 31, 2012 and 2011 as if it had been consummated on January 1, 2011. The unaudited pro forma results purport to represent what Sabine's actual results of operations would have been if the acquisition had been completed on January 1, 2011. The results of operations for any future date or period.

	December 31, 2012	
	Actual	Pro Forma
		(in thousands)
Pro Forma (unaudited)	(as restated)	
Total revenues	\$ 177,446	\$ 181,197
Net loss applicable to controlling interests ⁽¹⁾	\$ (686,782)	\$ (648,246)

(1) Reductions in operating expenses due to pro forma ceiling test impact of \$37.8 million for 2012 have been included. Acquired properties that are considered to be business combinations are recorded at their fair value. In determining the fair value, the Company prepares estimates of oil and natural gas reserves. The Company uses estimated future prices to apply to the estimated reserves acquired and the estimated future operating and development costs to arrive at the estimates of future net revenues. For the unproved reserves, the future net revenues are discounted using a market-based weighted average cost of capital rate determined at the time of acquisition. To compensate for inherent risks of estimating and valuing reserves, proved undeveloped, probable and possible reserves, additional risk-weighting factors.

On August 31, 2012, the Company closed on the sale of its interests in Montana oil and natural gas properties for \$15.8 million, net of price adjustments. The sale of the Montana oil and natural gas properties was accounted for as an adjustment to the full cost pool value recognized. Concurrently with the sale of the Montana oil and natural gas properties, the Company closed on the sale of its interests in Montana gathering entities Lodge Creek Pipelines, LLC and Willow Creek Gathering, LLC for a combined \$1.2 million, net of price adjustments.

On May 22, 2012, the Company closed on the sale of its interests in Utah oil and natural gas properties for \$18.2 million, net of price adjustments. The sale of the Utah oil and natural gas properties was accounted for as an adjustment to the full cost pool value.

Total costs incurred for 2011 were approximately \$396.4 million (excluding related asset retirement costs), of which approximately \$100 million related to unproved properties, \$365.1 million related to proved property acquisitions, and no goodwill acquired.

On November 14, 2011, the Company closed on the acquisition of certain oil and natural gas properties in East Texas for \$18.4 million, net of price adjustments. This acquisition qualified as a business combination pursuant to ASC 805. The Company recorded a full cost pool value of \$18.4 million for a proved property and \$5.3 million for unproved acreage, which resulted in a bargain purchase gain of \$18.4 million that was recorded in the period's earnings. The valuation to derive the purchase price included both proved and unproved categories of reserves, the amount of future development and operating costs, projections of future rates of production, expected recovery rates and risk adjusted discount rates, considering a depressed natural gas market. The gain was a result of fair market value in excess of the discounted purchase price of the developed and undeveloped reserves and unproved acreage.

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The following table summarizes the consideration paid and the amounts of the assets acquired and liabilities assumed as

Recognized amounts of identifiable assets acquired and liabilities assumed:

Proved developed properties

Unproved leasehold properties

Bargain purchase gain

Cash, net of accrued purchase price adjustments

The unaudited pro forma results presented below have been prepared to give the effect of the acquisition discussed above on operations for the year ended December 31, 2011 as if it had been consummated on January 1, 2010. The unaudited pro forma results represent what Sabine's actual results of operations would have been if the acquisition had been completed on such date and operations for any future date or period.

	Year Ended December 31, 2011
	Actual
	(in thousands)
Pro Forma (unaudited)	(as restated)
Total revenues	\$ 201,552
Net income applicable to controlling interests ⁽¹⁾	\$ 75,518

(1) Bargain purchase gain of \$99.5 million, recognized in operating expenses, has been excluded from actual results as presented above. On August 18, 2011, the Company closed on the acquisition of certain oil and natural gas properties in East Texas for \$14.8 million, net of purchase price adjustments. This acquisition qualified as a business combination pursuant to ASC 805. The Company recorded a fair value of \$14.8 million for a proved property and \$14.8 million for unproved acreage, which resulted in a bargain purchase gain of \$54.5 million that was recorded in the period's earnings. The valuation to derive the purchase price included both proved and unproved categories of reserves, the amount of future development and operating costs, projections of future rates of production, expected recovery rates and the fair value of the developed and undeveloped reserves and unproved acreage, as well as an upward shift in the forward price curve at the time of the acquisition.

The following table summarizes the consideration paid and the amounts of the assets acquired and liabilities assumed as

Recognized amounts of identifiable assets acquired and liabilities assumed:

Proved properties

Unproved properties

Bargain purchase gain

Cash, net of accrued purchase price adjustments

The unaudited pro forma results presented below have been prepared to give the effect of the acquisition discussed above on operations for the year ended December 31, 2011 as if it had been

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consummated on January 1, 2010. The unaudited pro forma results do not purport to represent what Sabine's actual results would have been if the acquisition had been completed on such date or to project Sabine's results of operations for any future date or period.

Pro Forma (unaudited)	Year Ended December 31, 2011 Actual (in thousands) (as restated)
Total revenues	\$ 201,552
Net income applicable to controlling interests ⁽¹⁾	\$ 75,518

(1) Bargain purchase gain of \$99.5 million, recognized in operating expenses, has been excluded from actual results as presented above. On January 31, 2011 and February 8, 2011, the Company entered into agreements to purchase working interests in developed acreage in East Texas for \$60.7 million and \$11.2 million, respectively, for a total adjusted purchase price of \$71.8 million, which was accounted for as a combination pursuant to ASC 805. The Company recorded a fair value of \$87.4 million for developed acreage, which includes a premium of \$26.7 million that was recorded in the current period's earnings. The valuation to derive the purchase price included an estimate of expectation for timing and amount of future development and operating costs, projections of future rates of production, and an adjusted discount rates considering a depressed natural gas market. The gain was a result of fair market value in excess of book value for both proved developed and undeveloped reserves and unproved acreage, as well as a result of an upward shift in the price of closing and receipt of updated production data for the recent producing wells that improved the well economics.

The following table summarizes the consideration paid and the amounts of the assets acquired and liabilities assumed as of the acquisition date:

Recognized amounts of identifiable assets acquired and liabilities assumed:

Proved developed properties
 Unproved leasehold properties
 Asset retirement obligation
 Bargain purchase gain

Cash, net of accrued purchase price adjustments

The unaudited pro forma results presented below have been prepared to give the effect of the acquisitions discussed above on the Company's operations for the year ended December 31, 2011 as if it had been consummated on January 1, 2010. The unaudited pro forma results do not represent what Sabine's actual results of operations would have been if these acquisitions had been completed on such date or to project operations for any future date or period.

Year Ended December 31, 2011

Pro Forma (unaudited)	Actual (in thousands) (as restated)
Total revenues	\$ 201,552
Net income applicable to controlling interests ⁽¹⁾	\$ 75,518

(1) Bargain purchase gain of \$99.5 million, recognized in operating expenses for 2011, has been excluded from actual

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The Company incurred \$371.5 million and \$56.1 million in development costs, for 2013 and 2012, respectively. The Company also incurred leasehold acquisition costs of \$4.6 million and \$43.1 million in 2013 and 2012, respectively.

The costs of unproved properties are excluded from amortization until the properties are evaluated. Sabine reviews all of its unproved properties quarterly to determine whether or not and to what extent proved reserves have been assigned to the properties and other costs. Unevaluated properties are grouped by major prospect area where individual property costs are not significant. In addition, costs of unproved leasehold and transfer to evaluated properties leasehold that can be associated with proved reserves, leasehold costs of unproved leasehold that is not a part of Sabine's development strategy and will be abandoned.

The table below sets forth the cost of unproved properties excluded from the amortization base as of December 31, 2013 and 2012. The associated costs were incurred:

	2013	2012
Leasehold acquisition costs	\$ 20.3	\$ 87.7
Development costs ⁽¹⁾	46.3	5.3
Capitalized interest	5.3	1.8
Total	\$ 71.9	\$ 89.5

- (1) Development costs excluded from the amortized base in accordance with full cost accounting rules. Substantially all of the development costs excluded from the amortization base as of December 31, 2013 relate to projects that will be completed in the first half of 2014. The determination of proved reserves or impairment will occur. The leasehold acquisition costs were incurred for leasehold that is not a part of Sabine's development strategy and will be abandoned or will expire over approximately ten years.

5. Long-Term Debt

Senior Notes

On February 12, 2010, Sabine and its subsidiary Sabine Oil & Gas Finance Corporation, formerly NFR Energy Finance Corporation, issued \$100 million in 9.75% senior unsecured notes due 2017 (the "2017 Notes") in a private placement to qualified institutional buyers and to persons outside the United States in compliance with Regulation S of the Securities Act of 1933 and to persons outside the United States in compliance with Regulation S of the Securities Act of 1933. The 2017 Notes bear interest at a rate of 9.75% per annum, payable semi-annually on February 15 and August 15 each year commencing on February 15, 2011. The 2017 Notes were issued at 98.73% of par. In conjunction with the issuance of the 2017 Notes, the Company recorded a discount of \$1.27 million, which will be amortized over the remaining life of the 2017 Notes utilizing the simple interest method. The remaining unamortized discount was \$0.5 million at December 31, 2013 and 2012, respectively. The 2017 Notes were issued under and are governed by an indenture, dated February 12, 2010, between the Company, Sabine Oil & Gas Finance Corporation, the Bank of New York Mellon Trust Company, N.A. as trustee, and the subsidiaries named therein as guarantors.

All of Sabine's restricted subsidiaries that guarantee its senior secured revolving Credit Facility (other than Sabine Oil & Gas Finance Corporation) also guaranteed the 2017 Notes on a senior unsecured basis.

On April 14, 2010, Sabine and Sabine Oil & Gas Finance Corporation issued an additional \$150 million in senior notes and additional notes were issued at 98.75% of par and bear interest at a rate of 9.75% per annum, payable semi-annually on August 15 of each year commencing August 15, 2010. The additional notes were issued under the same indenture as the 2017 Notes is

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The Company recorded a discount of \$1.9 million to be amortized over the remaining life of the 2017 Notes utilizing the remaining unamortized discount was \$0.8 million and \$1.1 million at December 31, 2013 and 2012, respectively.

Sabine may redeem the 2017 Notes, in whole or in part, at any time on or after February 15, 2014, at a redemption price (principal amount) set forth in the following table plus accrued and unpaid interest, if any, to the applicable redemption date of a twelve-month period beginning on February 15 of the years indicated below:

Year	Percentage
2014	100%
2015	100%
2016	100%

The indenture governing the 2017 Notes contains covenants that, among other things, limit Sabine's ability and the ability of its subsidiaries to incur additional indebtedness unless the ratio of Sabine's adjusted consolidated EBITDA to its adjusted consolidated interest expense for four fiscal quarters will be at least 2.0 to 1.0 (subject to exceptions for borrowings within certain limits under Sabine's Credit Facility); repurchase or redeem equity interests; limit dividends or other payments by restricted subsidiaries that are not guarantors of the 2017 Notes; subsidiaries; make certain investments; incur liens; enter into certain types of transactions with its affiliates; and sell assets or into other companies. However, if the 2017 Notes have an investment grade rating from Standard & Poor's Ratings Global Services, Inc., and no default or event of default exists under the indenture, Sabine will not be subject to certain of the foregoing covenants.

Senior Secured Revolving Credit Facility

On November 30, 2007, the Company entered into a senior secured revolving credit facility (the "Credit Facility") with a syndicate of lenders. Pursuant to redeterminations, the Company has amended and restated the Credit Facility. The most recent redetermination effective December 18, 2013, increased the borrowing base from \$550 million to \$675 million. Effective December 18, 2013, the borrowing base was reduced from \$675 million to \$620 million due to the sale of certain oil and natural gas properties in the Texas Panhandle and surrounding Oklahoma area. The next redetermination is due to be in April 2014.

As of December 31, 2013, commitments under the Credit Facility were \$750 million, the borrowing base was \$620 million, the amount borrowed totaled \$250 million and Sabine was able to incur approximately \$370 million of additional secured indebtedness under the Credit Facility's maturity date is April 7, 2016.

Subsequent to the period ended December 31, 2013, through March 31, 2014, the Company has borrowed \$130 million under the Credit Facility. As of March 31, 2014 after giving effect to the net amount of borrowings and repayments, the borrowing base under the Credit Facility was \$620 million, the outstanding amount totaled \$355 million and Sabine had approximately \$265 million of secured indebtedness available under the Credit Facility.

Borrowings made under the Credit Facility are guaranteed by first priority perfected liens and security interests on substantially all of the assets of the Company and its wholly-owned domestic subsidiaries.

Interest on borrowings under the Credit Facility accrues at variable interest rates at either a Eurodollar rate or an alternative base rate. The Eurodollar rate is calculated as London Interbank Offered Rate (LIBOR) plus an applicable margin that varies from 1.00% (for periods in which Sabine has utilized less than 30% of the borrowing base) to 2.75% (for periods in which Sabine has utilized equal to or greater than 30% of the borrowing base). The ABR is calculated as the greater of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus 0.50%, or (c) Eurodollar rate for such day is not a business day, the immediately preceding business day.

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preceding business day) plus 1.5%. The Company elects the basis of the interest rate at the time of each borrowing. In addition, the Company is required to pay a commitment fee of 0.50% under the Credit Facility (quarterly in arrears) for the amount that the aggregate commitments under the Credit Facility exceed the amount of borrowings outstanding under the Credit Facility.

Under the Credit Facility, the Company may request letters of credit, provided that the borrowing base is not exceeded and the letter of credit is issued within 90 days of issuance of the letter of credit. There were no outstanding letters of credit on December 31, 2013 or 2012.

The Credit Facility requires the Company to comply with certain financial covenants to maintain (a) a current ratio, defined as current assets (including the unused amount of the total commitments under the Credit Facility, but excluding noncash assets and Derivatives and Hedging, to consolidated current liabilities (excluding noncash obligations under ASC 815 and the current amount of borrowings under the Credit Facility, determined at the end of each quarter), of not less than 1.0 to 1.0; (b) an interest coverage ratio at the end of each quarter, defined as EBITDA (as such terms are defined in the Credit Facility) for the period of four fiscal quarters then ending to interest expense, of not less than 2.5 to 1.0.

In addition, the Credit Facility contains covenants that restrict, among other things, the Company's ability to incur other indebtedness; sell, lease, convey, or otherwise dispose of its assets; merge with other entities; pay dividends; enter into hedging agreements; and make certain investments.

In December 2012, Ramshorn Investment Holdings, LLC (Ramshorn), a subsidiary of Nabors Industries, Inc. (Nabors), entered into a distribution agreement with First Reserve in Sabine to affiliates of First Reserve, excluding a deferred payment of \$10 million due on or before June 30, 2013. The distribution agreement provides for the payment of the senior equity right in Sabine until paid in full and guaranteed by First Reserve. The deferred payment was settled by Sabina's distribution in June 2013.

At December 31, 2013 and 2012, Sabine was in compliance with its financial debt covenants under the Credit Facility.

Term Loan Agreement

The Company entered into a \$500 million term loan agreement (Term Loan) on December 14, 2012 with a maturity date of January 23, 2013, the syndication was completed with an additional funding of \$150 million bringing the outstanding balance to \$650 million as of December 31, 2013. Proceeds from the Term Loan were used to acquire oil and natural gas properties in December 2012 and to pay down the Credit Facility in the first quarter of 2013.

Borrowings made under the Term Loan are subordinate to the liens and security interests securing the Credit Facility.

Interest on borrowings under the Term Loan accrues at variable interest rates at either a Eurodollar rate or an alternate base rate. As of the close of the syndicate in January 2013, the Eurodollar rate is calculated as London Interbank Offered Rate (LIBOR) plus an applicable margin of 7.50%. The Company elects the basis of the interest rate at the time of each borrowing. The weighted average interest rate on this indebtedness for the years ended December 31, 2013 and 2012 was 8.8% and 10.0%, respectively.

6. Member's Capital
Common Units

The Company is authorized to issue one class of units to be designated as Common Units. The Units are not represented by physical certificates. Common Units are issued at a price equal to \$1,000 per unit.

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In December 2012, Ramshorn, a subsidiary of Nabors, sold its entire membership interest in Sabine to affiliates of First Reserve. The payment of \$10 million due on or before June 30, 2013. The deferred payment was deemed a senior equity right in the Company guaranteed by First Reserve. The deferred payment was settled by Sabine and recognized as an equity distribution in June 2013.

Incentive Units

In addition to common units, Holdings established an incentive plan which provides for incentive units which have been granted to directors, officers and employees. The incentive units have no voting rights and participate only upon liquidation events and certain financial thresholds. No compensation expense related to the incentive units has been recognized by the Company as the event is not considered probable, and thus the value of the incentive, if any, cannot be determined.

7. Statement of Cash Flows

During the year ended December 31, 2013, the Company's noncash investing and financing activities consisted of the following:

Recognition of an asset retirement obligation for the plugging and abandonment costs related to the Company valued at \$1.0 million.

Working capital related to capital expenditures as of December 31, 2013 was \$90.3 million.

During the year ended December 31, 2012, the Company's noncash investing and financing activities consisted of the following:

Recognition of an asset retirement obligation for the plugging and abandonment costs related to the Company valued at \$1.9 million.

Working capital related to capital expenditures as of December 31, 2012 was \$25.9 million.

In-kind contribution of assets for an equity interest in the Company of \$178.0 million.

During the year ended December 31, 2011, the Company's noncash investing and financing activities consisted of the following:

Recognition of an asset retirement obligation for the plugging and abandonment costs related to the Company valued at \$5.7 million.

Recognition of bargain purchase gains of \$99.5 million related to the recognition of the fair market value in the Company for proved developed and undeveloped reserves and undeveloped acreage.

Working capital related to capital expenditures as of December 31, 2011 was \$56.2 million.

Sabine paid \$89.7 million, \$47.1 million and \$41.1 million for interest during 2013, 2012 and 2011, respectively.

8. Derivative Financial Instruments

The Company is exposed to risks associated with unfavorable changes in the market price of natural gas as a result of the production and uses derivative instruments to hedge or reduce its exposure to certain of these risks. For these derivative instruments, the Company did not elect hedge accounting for accounting purposes or did not qualify for hedge accounting treatment and, accordingly, the Company records the mark-to-market valuation of these derivative instruments in the Consolidated Statements of Operations.

All of Sabine's derivative instruments serve as economic hedges and are recorded at fair value with gains and losses recorded in the Consolidated Statements of Operations. These marked-to-market adjustments will produce a degree of

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earnings volatility that can be significant from period to period, but such adjustments will have no cash flow impact relative to earnings. The impact to cash flow occurs upon settlement of the underlying contract.

Throughout the year ended December 31, 2013, the Company has executed derivative contracts as market conditions allow to hedge Sabine's anticipated future cash flows from oil and natural gas producing activities. These include both oil and natural gas swap agreements covering certain portions of Sabine's anticipated 2013, 2014, and 2015 production volumes. Additionally, the Company has entered into contracts including purchased and written oil and natural gas call agreements, as well as purchased and written oil and natural gas put agreements covering certain portions of Sabine's anticipated 2014 oil and natural gas production. No material premiums were recognized on these agreements. None of the fixed-price swap or option contracts executed during 2013 were designated for hedge accounting. Changes in fair value recognized currently in earnings. See the table below for specific volume, timing, and pricing details regarding the Company's trade positions.

In December 2012, the Company entered into certain oil and natural gas swap contracts covering a portion of anticipated 2013 production. These contracts were not designated as cash flow hedges at the time of their execution, with all mark to market changes in fair value recognized currently in earnings. See the table below for specific volume, timing, and pricing details regarding Sabine's trade positions.

Additionally, during 2012 and in prior years, the Company entered into certain option contracts on oil and natural gas. These include purchased oil and natural gas puts, written oil and natural gas calls, and written oil and natural gas puts for periods from 2014 through 2016, for which no premiums were recognized. The net unamortized premium included in short term and long term derivative liabilities is \$7.2 million and \$6.5 million as of December 31, 2013. See the table below for specific volume, timing, and pricing details regarding Sabine's derivative positions.

The following swaps and options were outstanding with associated notional volumes and contracted swap, floor, and ceiling prices as of December 31, 2013:

Natural Gas				
Settlement Period	Derivative Instrument	Notional Amount (Mmbtu)	Swap	Weighted Sub
2014	Swap	19,722,000	\$ 4.06	
2014	Swap with sub floor	3,128,000	\$ 3.99	\$
2014	Three-way collar	4,554,000		\$
2014	Three-way collar	3,096,000		\$
2014	Three-way collar	18,775,000		\$
2015	Swap	18,250,000	\$ 4.09	
2015	Sold Call	21,900,000		
2016	Sold Call	21,960,000		

Oil				
Settlement Period	Derivative Instrument	Notional Amount (Bbl)	Swap	Weighted Sub
2014	Swap	1,264,725	\$ 92.25	
2014	Swap with sub floor	122,275	\$ 89.13	\$
2014	Sold Call	73,000		
2015	Swap	365,000	\$ 89.50	

2015	Sold Call	200,750
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The Company recorded a short term and a long term derivative asset of \$7.8 million and \$4.3 million, respectively, and a long term derivative liability of \$11.6 million and \$11.3 million, respectively, related to the fair value of the derivative instruments as of December 31, 2013.

	For the 2013
Gain on commodity derivative instruments	\$ 814
Sabine received \$46.2 million, \$104.9 million and \$70.6 million on settlements of derivatives in 2013, 2012 and 2011, respectively.	

Sabine's derivative contracts are executed with counterparties under certain master netting agreements that allow Sabine to net its derivative assets and liabilities due to, the counterparties. The table below presents the carrying value of Sabine's derivative assets and liabilities as of December 31, 2013 and December 31, 2012, and the impact of such netting agreements on Sabine's Consolidated Balance Sheets as of December 31, 2013 and December 31, 2012.

	Derivative Assets December 31, 2013	
Current assets	Derivative Instruments	\$ 15,859
Current liabilities ⁽¹⁾	Derivative Instruments	2,826
Total current asset fair value		18,685
Other assets	Derivative Instruments	6,488
Long term liabilities ⁽¹⁾	Derivative Instruments	223
Total long term asset fair value		6,711
Less: Counterparty set-off		(13,258)
Total derivative asset net fair value		\$ 12,138

	Derivative Liabilities December 31, 2013	
Current liabilities	Derivative Instruments	\$ (14,451)
Current assets ⁽¹⁾	Derivative Instruments	(8,052)
Total current liability fair value		(22,503)
Long term liabilities	Derivative Instruments	(11,496)
Other assets ⁽¹⁾	Derivative Instruments	(2,156)

Total long term liability fair value	(13,652)
Less: Counterparty set-off	13,258
Total derivative liability net fair value	\$ (22,897)

(1) Impact of counterparty right of set-off for derivative instruments subject to certain master netting agreements. At December 31, 2013, and December 31, 2012, none of Sabine's outstanding derivatives contained credit-risk related c result in a material adverse impact to Sabine upon any change in its credit ratings.

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As discussed in Note 8, the Company utilizes derivative instruments to hedge against the variability in cash flows associated with its anticipated future natural gas production. The Company generally hedges a substantial, but varying, portion of anticipated production for the next 12 to 60 months. These derivatives are carried at fair value on the Consolidated Balance Sheets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily available, corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active market transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. This category consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable at the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. Industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value of money, and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all inputs used in the models are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by market transactions executed in the marketplace. Instruments in this category generally include non-exchange-traded derivatives, swaps, basis swaps, options, and collars.

Level 3 Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs are measured using developed methodologies that result in management's best estimate of fair value.

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The following table sets forth, by level, within the fair value hierarchy, the Company's financial assets and liabilities that as of December 31, 2013 and 2012. Financial assets and liabilities are classified in their entirety based on the lowest level of the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	Recurring	
	Level 1	Level 2
As of December 31, 2013		
Derivative Assets	\$	\$ 12.0
Derivative Liabilities		(22.0)
Total	\$	\$ (10.0)
As of December 31, 2012		
Derivative Assets	\$	\$ 56.0
Derivative Liabilities		(21.0)
Total	\$	\$ 34.0

Derivatives listed above include commodity swaps, basis swaps, put and call options that are carried at fair value. The fair value of the Company's derivatives is determined based on the Consolidated Balance Sheets associated with the Company's derivatives resulted from Level 2 fair value methodologies. The Company values the assets and liabilities based on observable market data for similar instruments. The amounts above include the fair value of the Company's derivatives and liabilities with counterparties with which the right of offset exists.

The observable data includes the forward curve for commodity prices and interest rates based on quoted markets prices and related to changes in commodity prices, as well as the impact of Sabine's non-performance risk of the counterparties with which swap values.

The Company measures fair value of its long term debt based on a Level 2 methodology using quoted market prices with the effect of the Company's credit risk. The carrying value of the Company's Credit Facility and Term Loan approximate fair value based on applicable to similar instruments. The following table outlines the fair value of Sabine's 2017 Notes as of December 31, 2013.

	December 31, 2013	D
	(in thousand)	
2017 Senior Notes		
Carrying Value	\$ 348,040	\$
Fair Value	\$ 327,698	\$

Sabine utilizes fair value on a non-recurring basis to perform impairment tests as required on Sabine's inventory, property and intangible assets. No impairment charge for gas gathering and processing equipment was recorded in the year ended December 31, 2012 and 2011, Sabine recognized \$21.4 million and \$2.8 million, respectively, of impairment charges related to the write-down of carrying value of certain sizes of casing inventory. For the years ended December 31, 2013, 2012 and 2011, Sabine recognized \$1.1 million, \$1.2 million and \$1.1 million, respectively, of impairment charges related to the write-down of carrying value of certain sizes of casing inventory. Assets

business combinations are recorded at their fair value as of the date of acquisition (Note 4). The inputs used to determine the fair value are based upon internally developed cash flow models and would generally be classified as Level 3. Additionally, Sabine used the fair value at inception value of Sabine's asset retirement obligations.

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The inputs used to determine such fair value are primarily based upon costs incurred historically for similar work, as well as quotes from third parties for costs that would be incurred to restore leased property to the contractually stipulated condition, and would be classified as Level 3.

10. Commitments and Contingencies

From time to time, the Company may be a plaintiff or defendant in a pending or threatened legal proceeding arising in the ordinary course of business. All known liabilities are accrued when probable and reasonably estimable based on the Company's best estimate of the amount and impact of currently pending legal proceedings cannot be predicted with certainty, the Company's management and legal counsel believe that the resolution of these proceedings through settlement or adverse judgment will not have a material adverse effect on the Company's operating results, financial position or cash flows.

Holdings has entered into a Committed Oilfield Services Agreement (the "Services Agreement") with Nabors, which guarantees the Company revenues of no less than 20% and 75% of the Company's gross spend on hydraulic fracturing services and drilling and completion services through December 13, 2016. If at any yearly anniversary of the execution of the Services Agreement, Sabine has failed to pay Nabors for the previous 12-month period and Nabors has complied with its service obligations under the Services Agreement, Holdings must pay Nabors an amount equal to the revenue shortfall multiplied by 40%, which would likely result in Holdings requesting that Nabors perform its obligations. For the annual period ended December 31, 2013, the Company recognized a shortfall and penalty amount due to the services agreement of \$1.7 million which is included in "Accrued operating expenses and other liabilities" on the Consolidated Balance Sheet. Other income (expense) on the Consolidated Statements of Operations as of December 31, 2013 and was paid in January 2014.

As part of Sabine's ongoing operations, since inception Sabine has contracted with affiliates of Nabors to secure drilling and completion services and natural gas well activity Sabine has undertaken. Amounts paid to affiliates of Nabors under these agreements totaled \$87.3 million for the years ended December 31, 2013, 2012 and 2011, respectively, and the Company recognized a liability of \$8.5 million and \$3.6 million, respectively, for these services which are included in "payable trade and accrued exploration and development" balances on Sabine's Consolidated Balance Sheets as of December 31, 2013 and 2012 of \$8.5 million and \$3.6 million, respectively, for these services which are included in "payable trade and accrued exploration and development" balances on Sabine's Consolidated Balance Sheets.

As of December 31, 2013 total future commitments relating to Sabine's secured rig and servicing contracts were \$68.9 million, which does not include non-contracted services or any estimated shortfalls required by the Nabors Services Agreement.

The Company leases approximately 73,000 square feet of office space in downtown Houston, Texas, under a lease, which expires on January 1, 2014 to terminate on April 30, 2016. The average rent for this space over the life of the lease is approximately \$5.4 million. As of December 31, 2013, total future commitments are \$5.4 million.

The Company leases approximately 11,000 square feet of office space in downtown Denver, Colorado. The lease terminates on December 31, 2013. The Company has the option to extend its lease term for an additional 60 months. This lease is sub leased out with proceeds from the sub lease. As of December 31, 2013 total future commitments are \$0.2 million.

Rent expense was approximately \$1.8 million, \$1.4 million and \$1.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The Company leases various office and production equipment. As of December 31, 2013, total future commitments are \$0.2 million. Sabine's operating leases continue with a month to month lease term after initial contractual obligations have expired.

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As is customary in the oil and natural gas industry, the Company may at times have commitments in place to reserve or lease oil and gas wells. If the Company does not pay such commitments, the acreage positions or wells may be lost.

A summary of Sabine's contractual obligations as of December 31, 2013 is provided in the following table:

	2014	2015	Payments due by period		
			2016	2017	2018
	For the Year Ending December 31, 2013				
	(in millions)				
Senior Secured revolving credit facility ⁽¹⁾	\$	\$	\$ 250.0	\$	\$
Second Lien term loan ⁽¹⁾					6.0
2017 Senior Notes	34.1	34.1	34.1	366.8	
Drilling rig commitments ⁽²⁾	19.3	28.5	20.1	1.0	
Office and equipment leases	3.1	2.5	0.9		
Other	0.9	0.3	0.1		
Total	\$ 57.4	\$ 65.4	\$ 305.2	\$ 367.8	\$ 6.0

- (1) Includes outstanding principal amounts at December 31, 2013. This table does not include future commitment fees on these facilities because they are floating rate instruments and Sabine cannot determine with accuracy the timing of future repayments or future interest rates to be charged.
- (2) At December 31, 2013, Sabine had three drilling rigs under contract which expires in 2016. Any other rig performance obligations on a well-by-well basis and therefore can be released without penalty at the conclusion of drilling on the current well. Performance obligations have not been included in the table above. The values in the table represent the gross amounts that Sabine would be obligated to pay. However, Sabine will record in its financials its proportionate share based on its working interest.

11. Employee Benefit Plans

The Company co-sponsors a 401(k) tax deferred savings plan (the "Plan") and makes it available to employees. The Plan and the Company may make discretionary matching contributions of up to 6% of each participating employee's compensation. Contributions made by the Company totaled approximately \$972,000, \$905,000 and \$845,000 during the years ended December 31, 2012, 2011, and 2010, respectively.

12. Subsequent Events

Management has evaluated subsequent events through March 31, 2014, which represents the date the consolidated financial statements were available to be issued.

On March 25, 2014, the Company completed the acquisition of certain oil and natural gas properties in North Texas for an amount of \$100 million. This acquisition qualifies as a business combination; however, no further disclosure is feasible as of the date of this report as the Company is in the process of determining fair value.

13. Selected Quarterly Financial Data (Unaudited)

	First (As Restated)	Second (As Restated)	2013 Third (As Restated) (in thousands)
Total oil, natural gas liquids and natural gas	\$ 67,523	\$ 81,356	\$ 96,007
Income from operations	\$ 17,317	\$ 24,934	\$ 32,737
Net income (loss) applicable to controlling interests	\$ (25,575)	\$ 28,291	\$ 6,546

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	First (As Restated)	Second (As Restated)	2012 Third (As Restated) (in thousands)
Total oil, natural gas liquids and natural gas	\$ 48,897	\$ 38,580	\$ 41,590
Loss from operations	\$ (88,129)	\$ (307,975)	\$ (233,930)
Net loss applicable to controlling interests	\$ (61,454)	\$ (326,616)	\$ (258,390)

The Company is restating its financial statements for each of the fiscal quarters ended March 31, 2013 and 2012, June 30, 2013 and 2012 with respect to the accounting and disclosures for certain derivative financial transactions under Codification Topic 815, Derivatives and Hedging (ASC 815). The Company determined that the formal documentation of initial hedge designations for effectiveness in connection with the Company's oil hedging program was not compliant with the requirements to qualify for cash flow hedge accounting treatment in accordance with ASC 815, and as a result, the Company is restating its hedge accounting treatment in the preparation of its financial statements. The restatements eliminate hedge accounting treatment in 2013 and 2012 and reflect other immaterial adjustments to oil and natural gas sales.

Under ASC 815, the fair value of hedge contracts is recognized in the Company's Consolidated Balance Sheets as an asset or liability and the amounts received or paid under the hedge contracts are reflected in earnings during the period in which the underlying hedge contracts qualify for cash flow hedge accounting treatment, the fair value of the hedge contract that is effective in offsetting cash flows (the effective portion) is recorded in Accumulated other comprehensive income, and the effective portion of the change in fair value of the qualified derivative instrument does not affect net income in the period. The portion of the change in fair value of the qualified derivative instrument that was not effective in offsetting changes in expected cash flows (the ineffective portion), as well as any amount excluded from the assessment of the effectiveness of the instruments, are recognized in earnings. If the hedge contract does not qualify for hedge accounting treatment, the change in fair value of the contract is reflected in earnings during the period as a Gain (loss) on derivatives. Under the cash flow hedge accounting method, the effective portion of the fair value of the hedge contracts was recognized in the Consolidated Balance Sheets with the change in fair value initially in Accumulated other comprehensive income and later reclassified through earnings when the hedged product is sold. The ineffective portion of the designated derivative instruments was recognized in Gain on derivative instruments within Other income (expenses) in the Consolidated Statements of Operations. As a result of the determination that the designation documentation failed to meet the requirements to utilize cash flow hedge accounting treatment, any gain or loss resulting from changes in fair value should have been recognized in the Consolidated Statements of Operations as a component of earnings. The Company previously recognized gains and losses resulting from changes in fair value of designated derivative financial instruments as a component of Revenues, and has reclassified gains in 2012 and in 2011 to Other income (expenses) within Other income (expenses) as a result of eliminating hedge accounting.

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The following tables present the restated condensed Consolidated Balance Sheets as of March 31, 2013 and 2012, June 30, 2013 and 2012, the restated condensed Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012, June 30, 2013 and 2012 and September 30, 2013 and 2012 and the condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012, six months ended June 30, 2013 and 2012 and nine months ended September 30, 2013 and 2012.

Sabine Oil and Gas LLC**Consolidated Balance Sheets****(Unaudited)**

	March 31, 2013			June 30, 2013			
	As Reported	Adjustments (in thousands)	As Restated	As Reported	Adjustments (in thousands)	As Restated	As Reported
Assets							
Derivative instruments	\$ 29,403	\$ (1,292)	\$ 28,111	\$ 37,802	\$ (2,599)	\$ 35,203	\$ 29,403
Property, plant and equipment:							
Oil and natural gas properties (full cost method) Proved	2,907,592	(14,470)	2,893,122	3,027,316	(14,470)	3,012,846	3,154,486
Accumulated depletion, depreciation and amortization	(1,892,001)	(61,114)	(1,953,115)	(1,924,809)	(59,933)	(1,984,742)	(1,962,000)
Other assets:							
Derivative instruments	3,901	(3,788)	113	8,276	(2,481)	5,795	6,000
Total assets	\$ 1,686,206	\$ (80,664)	\$ 1,605,542	\$ 1,778,925	\$ (79,483)	\$ 1,699,442	\$ 1,858,486
Liabilities and member s capital							
Current liabilities:							
Other short term liabilities	\$ 143	\$	\$ 143	\$ 2,707	\$ (2,599)	\$ 108	\$ 3,306
Long term liabilities:							
Other long term liabilities	5,124	(5,080)	44	2,499	(2,481)	18	1,018
Member s capital:							
Member s capital	1,533,008		1,533,008	1,533,008	(10,000)	1,523,008	1,533,008
Accumulated deficit	(1,316,493)	(41,657)	(1,358,150)	(1,295,200)	(34,659)	(1,329,859)	(1,283,549)
Accumulated other comprehensive income	33,927	(33,927)		29,744	(29,744)		22,188
Total controlling interests member s	250,442	(75,584)	174,858	267,552	(74,403)	193,149	272,647

capital

Total member s capital	250,442	(75,584)	174,858	267,552	(74,403)	193,149	272,
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Total liabilities and member s capital	\$ 1,686,206	\$ (80,664)	\$ 1,605,542	\$ 1,778,925	\$ (79,483)	\$ 1,699,442	\$ 1,858,
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	March 31, 2012			June 30, 2012			As Reported
	As Reported	Adjustments (in thousands)	As Restated	As Reported	Adjustments (in thousands)	As Restated	
Assets							
Property, plant and equipment:							
Accumulated depletion, depreciation and amortization	\$ (1,200,366)	\$ (100,203)	\$ (1,300,569)	\$ (1,513,780)	\$ (108,801)	\$ (1,622,581)	\$ (1,763,200)
Other assets:							
Derivative instruments	39,114		39,114	30,121	(5,080)	25,041	13,300
Total assets	\$ 1,565,078	\$ (100,203)	\$ 1,464,875	\$ 1,213,088	\$ (113,881)	\$ 1,099,207	\$ 921,200
Liabilities and member s capital							
Long term liabilities:							
Other long term liabilities	\$ 721	\$	\$ 721	\$ 5,667	\$ (5,080)	\$ 587	\$ 5,500
Member s capital:							
Accumulated deficit	(750,736)	43,487	(707,249)	(1,034,326)	463	(1,033,863)	(1,270,500)
Accumulated other comprehensive income	143,690	(143,690)		109,264	(109,264)		77,300
Total liabilities and member s capital	\$ 1,565,078	\$ (100,203)	\$ 1,464,875	\$ 1,213,088	\$ (113,881)	\$ 1,099,207	\$ 921,200

Table of Contents**Sabine Oil and Gas LLC****Consolidated Statements of Operations****(Unaudited)**

	Three months ended March 31, 2013			Three months ended June 30, 2013			Re
	As Reported	Adjustments (in thousands)	As Restated	As Reported	Adjustments (in thousands)	As Restated	
Revenues							
Oil, natural gas and natural gas liquids	\$ 68,283	\$ (760)	\$ 67,523	\$ 81,356	\$	\$ 81,356	\$
Gain on derivative instruments	15,004	(15,004)		5,205	(5,205)		
Total revenues	83,460	(15,764)	67,696	86,762	(5,205)	81,557	9
Operating expenses							
Marketing, gathering, transportation and other	5,237	(760)	4,477	3,744		3,744	
Depletion, depreciation and amortization	27,285	(1,113)	26,172	32,893	(1,181)	31,712	3
Impairments	12,719	(12,719)		4		4	
Total operating expenses	64,971	(14,592)	50,379	57,804	(1,181)	56,623	0
Other income (expenses)							
Gain (loss) on derivative instruments	(5,472)	(14,113)	(19,585)	27,284	1,022	28,306	
Other income (expense)	11		11	(9,971)	10,000	29	
Total other income (expenses)	(28,779)	(14,113)	(42,892)	(7,665)	11,022	3,357	(
Net income (loss) including noncontrolling interests	(10,290)	(15,285)	(25,575)	21,293	6,998	28,291	
Net income (loss) applicable to controlling interests	\$ (10,290)	\$ (15,285)	\$ (25,575)	\$ 21,293	\$ 6,998	\$ 28,291	\$

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	Three months ended March 31, 2012			Three months ended June 30, 2012			As Reported
	As Reported	Adjustments (in thousands)	As Restated	As Reported	Adjustments (in thousands)	As Restated	
Revenues							
Oil, natural gas liquids and natural gas	\$ 49,816	\$ (919)	\$ 48,897	\$ 38,580	\$	\$ 38,580	\$ 4
Gain on derivative instruments	26,405	(26,405)		31,669	(31,669)		2
Total revenues	76,132	(27,324)	48,808	70,237	(31,669)	38,568	6
Operating expenses							
Marketing, gathering, transportation and other	5,530	(919)	4,611	4,177		4,177	
Depletion, depreciation and amortization	27,028	(1,548)	25,480	24,267	(955)	23,312	2
Impairments	140,603	(54,296)	86,307	291,698	9,553	301,251	23
Loss on sale of assets							
Total operating expenses	193,700	(56,763)	136,937	337,945	8,598	346,543	28
Other income (expenses)							
Gain (loss) on derivative instruments	(640)	39,258	38,618	(4,488)	(2,758)	(7,246)	(
Total other income (expenses)							
	(12,610)	39,258	26,648	(15,886)	(2,758)	(18,644)	(19
Net loss including noncontrolling interests	(130,178)	68,697	(61,481)	(283,594)	(43,025)	(326,619)	(236
Net loss applicable to controlling interests	\$ (130,151)	\$ 68,697	\$ (61,454)	\$ (283,591)	\$ (43,025)	\$ (326,616)	\$ (236

Table of Contents**Sabine Oil and Gas LLC****Consolidated Statements of Cash Flows****(Unaudited)**

	Three months ended March 31, 2013			Six months ended June 30, 2013			Rep
	As Reported	Adjustments (in thousands)	As Restated	As Reported	Adjustments (in thousands)	As Restated	
Cash flows from operating activities:							
Net income (loss), including noncontrolling interest	\$ (10,290)	\$ (15,285)	\$ (25,575)	\$ 11,003	\$ (8,287)	\$ 2,716	\$ 2
Adjustments to reconcile net income to net cash provided by operating activities:							
Depletion, depreciation and amortization	27,285	(1,113)	26,172	60,177	(2,294)	57,883	9
Impairments	12,719	(12,719)		12,723	(12,719)	4	1
(Gain) loss on derivative instruments	5,574	29,117	34,691	(18,731)	33,300	14,569	(1
Net cash provided by operating activities	\$ 22,197	\$	\$ 22,197	\$ 83,386	\$ 10,000	\$ 93,386	\$ 13
Cash flows from financing activities:							
Distributions to member	\$	\$	\$	\$	\$ (10,000)	\$ (10,000)	\$
Net cash provided by (used in) financing activities	\$ 49,753	\$	\$ 49,753	\$ 52,364	\$ (10,000)	\$ 42,364	\$ 10

	Three months ended March 31, 2012			Six months ended June 30, 2012			Rep
	As Reported	Adjustments (in thousands)	As Restated	As Reported	Adjustments (in thousands)	As Restated	
Cash flows from operating activities:							
Net loss, including noncontrolling interest	\$ (130,178)	\$ 68,697	\$ (61,481)	\$ (413,772)	\$ 25,672	\$ (388,100)	\$ (64
Adjustments to reconcile net income to net cash provided by operating activities:							
	27,028	(1,548)	25,480	51,296	(2,503)	48,793	7

Depletion, depreciation and
amortization

	Three months ended March 31, 2013			Six months ended June 30, 2013			Rep
	As	Adjustments	As	As	Adjustments	As	
	Reported		Restated	Reported		Restated	
	(in thousands)			(in thousands)			
Impairments	140,603	(54,296)	86,307	432,301	(44,743)	387,558	66
Loss on sale of asset	439		439	438		438	1
Loss on derivative instruments	49	(12,853)	(12,804)	(1,098)	21,574	20,476	1
Net cash provided by operating activities	\$ 31,629	\$	\$ 31,629	\$ 79,392	\$	\$ 79,392	\$ 10

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Table of Contents**SUPPLEMENTAL INFORMATION ON OIL AND NATURAL GAS PRODUCING ACTIVITIES****(UNAUDITED)**

The following supplemental information regarding Sabine's oil and natural gas producing activities is presented in accordance with Section 932-235-50 of the ASC.

Costs Incurred

The costs incurred in oil and natural gas acquisitions, exploration and development activities were as follows:

	For the Year Ended 2013	(in thousands)
Property acquisition costs, proved	\$	
Property acquisition costs, unproved	51,184	
Exploration and extension well costs	4,553	
Development costs	371,525	
Asset retirement costs	993	
Total Costs	\$ 428,255	

(1) The Company revised this previously reported unaudited financial information to exclude the proceeds from divestitures and to remove the effects of bargain purchase gains as restated and to conform to current period presentation.

Capitalized Costs

The capitalized costs in oil and natural gas properties were as follows:

	For the Year Ended 2013	(in thousands)
Proved properties	\$ 3,204,317	\$ 2,813,140
Unproved properties	208,823	208,823
	3,413,140	3,021,963
Accumulated depletion, depreciation and amortization	(2,049,132)	(1,990,163)
Net capitalized costs	\$ 1,364,008	\$ 1,031,800

Table of Contents**SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES****(UNAUDITED)****Results of Operations**

Results of operations for oil and natural gas producing activities, which exclude processing and other activities, corporate expenses, and straight-line depreciation expense on non oil and gas assets, were as follows:

	For the Year 2013	(in (as
Revenues		
Oil, natural gas liquids and natural gas	\$ 354,223	\$
Operating costs:		
Lease operating expenses	42,491	
Workover expenses	2,160	
Marketing, gathering, transportation and other	17,567	
Production and ad valorem taxes	17,824	
Depletion, depreciation and amortization	134,213	
Impairments		
Results of operations	\$ 139,968	\$

Oil and Natural Gas Reserves and Related Financial Data

Users of this information should be aware that the process of estimating quantities of proved and proved developed reserves is a very complex, requiring significant subjective decisions in the evaluation of all available geological, engineering and economic data. The data for a given reservoir also may change substantially over time as a result of numerous factors, including additional geological and engineering data, changing production history and continual reassessment of the viability of production under varying economic conditions. Revisions to existing reserve estimates may occur from time to time.

The following tables set forth Sabine's total proved reserves and the changes in its total proved reserves. These reserve estimates are based on reports prepared by Ryder Scott L.P. (Ryder Scott) and Miller and Lents, Ltd. (Miller and Lents) independent petroleum engineers who were compiled by Sabine. In preparing their reports, Ryder Scott evaluated properties representing all of Sabine's proved reserves and Miller and Lents evaluated properties representing all of its proved reserves at December 31, 2012 and 2011. Sabine's proved reserves are onshore in the United States. There are many uncertainties inherent in estimating proved reserve quantities, and projecting future production and the timing of future development expenditures. In addition, reserve estimates of new discoveries are more imprecise than estimates based on production history. Accordingly, these estimates are subject to change as additional information becomes available. Proved quantities of natural gas, natural gas liquids and oil that geoscience and engineering data demonstrate with reasonable certainty to be producible in future years from known oil and natural gas reservoirs under existing economic conditions, operating methods and technology at the end of the respective years. Proved developed reserves are those reserves expected to be recovered through existing production and operating methods.

Proved reserves as of December 31, 2013, 2012 and 2011 were estimated using the average of the historical unweighted oil and natural gas for the prior twelve months as required under SEC rules. The average of the historical unweighted firm the prior twelve month

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periods ended December 31, 2013, 2012 and 2011 were \$3.67, \$2.76 and \$4.12, respectively, for natural gas. The average first-day-of-the-month prices for the prior twelve month periods ended December 31, 2013, 2012 and 2011 were \$96.78, respectively, for oil. The average of the historical unweighted first-day-of-the-month prices for the prior twelve months a natural gas and \$98.30 for oil, and the future prices actually received may materially differ from current prices or the price estimates impacting the amount of proved developed and proved undeveloped reserves as of December 31, 2013. With natural gas costs and operating expenses, the Company derived estimates using the current cost environment at year end, which is co

	Oil (MMbbls)	NGLS (MMbbls)
Estimated Proved Reserves		
December 31, 2010	4.8	11.2
Revisions of previous estimates	(2.8)	(5.6)
Extensions and discoveries	1.3	5.1
Production	(0.7)	(0.2)
Purchases of minerals in Place	3.3	15.5
December 31, 2011	5.9	26.0
Revisions of previous estimates	(2.2)	(12.2)
Extensions and discoveries	2.2	0.4
Production	(0.3)	(0.9)
Purchases of minerals in Place	10.5	16.2
Sales of minerals in Place	(0.1)	(0.1)
December 31, 2012	16.0	29.4
Revisions of previous estimates	0.1	
Extensions and discoveries	6.9	5.4
Production	(1.4)	(1.8)
Sales of minerals in Place	(4.7)	(8.0)
December 31, 2013	16.9	25.0
December 31, 2010		
Proved developed	4.6	1.5
Proved undeveloped	0.2	9.7
	4.8	11.2
December 31, 2011		
Proved developed	2.4	10.3
Proved undeveloped	3.5	15.7
	5.9	26.0
December 31, 2012		
Proved developed	3.8	10.2

Proved undeveloped	12.1	19.3
	15.9	29.5
December 31, 2013		
Proved developed	6.0	11.6
Proved undeveloped	10.9	13.4
	16.9	25.0

Revisions of previous estimates. Negative revisions of 720.2 Bcf in 2011 and 504.3 Bcf in 2012, were primarily the result of reclassifying probable undeveloped reserves to proved undeveloped reserves for

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proved undeveloped reserves that are not expected to be developed five years from the time the reserves were initially discovered. In addition to a significantly declining gas price from \$4.376 in 2010 to \$4.12 in 2011 to \$2.76 in 2012, certain natural gas-weighted proved undeveloped reserves investment criteria based on the unweighted arithmetic average of the first-day-of-the-month commodity prices utilized in the estimates. In addition, lower natural gas prices also delayed Sabine's initial expected development time frame for drilling and developing undeveloped natural gas locations beyond five years from the time the associated reserves were originally recorded. Also, due to development and operating costs, Sabine reduced the development program and rig count. Accordingly, these PUDs were classified as undeveloped reserves.

Extensions and discoveries. In 2011, the Company had 245.7 Bcfe of extensions and discoveries, which were primarily due to development activities in Haynesville Shale and Cotton Valley in East Texas. In 2013, the Company had 147.5 Bcfe of extensions and discoveries, which were primarily due to exploration and development activities in the Texas Panhandle and Eagle Ford in South Texas.

Purchases and sales of minerals in place. Purchases and sales of reserves in place for each of the years presented in the table above represent the acquisition and sale of oil and natural gas property interests. See Note 4 for a description of these transactions.

The proved oil and natural gas reserves utilized in the preparation of the financial statements were estimated by Ryder Scott Company, L.P. and Miller and Lents as of December 31, 2012 and 2011. These independent petroleum consultants made their estimations in accordance with the standards established by the SEC and the Financial Accounting Standards Board, which require that reserve reports be prepared under current operating conditions with no provision for price and cost escalation except by contractual agreement.

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

The following information was developed utilizing procedures prescribed by ASC 932, *Disclosures about Oil and Gas Reserves*. This information is based on estimates prepared by Sabine's petroleum engineering staff. The standardized measure of discounted future net cash flows should not be viewed as representative of the current value of Sabine's proved oil and natural gas reserves. It and the other information presented in the following tables may be useful for certain comparative purposes, but should not be solely relied upon in evaluating Sabine's reserves.

In reviewing the information that follows, Sabine believes that the following factors should be taken into account:

future costs and sales prices will probably differ from those required to be used in these calculations;

actual production rates for future periods may vary significantly from the rates assumed in the calculations;

a 10% discount rate may not be reasonable relative to risk inherent in realizing future net oil and natural gas cash flows. Under the standardized measure, future cash inflows were estimated by using the average of the historical unweighted first-day-of-the-month oil and natural gas prices for the prior twelve month periods ended December 31, 2013, 2012 and 2011. Future cash inflows do not include the effect of hedge positions. Future cash inflows were reduced by estimated future development and production costs based on year-end prices and costs. Cash flows before tax. Use of a 10% discount rate and year-end prices and costs are required by ASC 932.

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In general, management does not rely on the following information in making investment and operating decisions. Such a range of factors, including estimates of probable as well as proved reserves and varying price and cost assumptions consist of a range of possible outcomes.

The standardized measure of discounted future net cash flows from Sabine's estimated proved oil and natural gas reserves

	For the Year 2013	
		(in \$)
Future cash inflows	\$ 4,667,459	\$
Less related future:		
Production costs	(1,127,359)	
Development costs	(682,876)	
Future net cash inflows	2,857,224	
10% annual discount for estimated timing of cash flows	(1,506,352)	
Standardized measure of discounted future net cash flows	\$ 1,350,872	\$

An adjustment for future income tax expense is not included because Sabine is a limited liability company and treated as a state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the Member.

A summary of the changes in the standardized measure of discounted future net cash flows applicable to proved oil and natural gas reserves

	For the Year 2013	
		(in \$)
Beginning Balance	\$ 909,793	\$
Revisions of previous estimates		
Changes in prices and costs	186,943	
Changes in quantities	45,167	
Net change due to extensions, discoveries, and improved recovery	392,752	
Purchases of reserves		
Sales of reserves	(152,677)	
Accretion of discount	90,973	
Sales of oil and gas, net	(274,180)	
Change in estimated future development costs	22,181	
Previously estimated development costs incurred	117,377	
Changes in rate of production and other, net	12,542	
Net change	441,078	
Ending Balance	\$ 1,350,872	\$

- (1) The Company has revised this previously reported unaudited financial information.

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Consolidated Financial Statements

Sabine Oil & Gas LLC

Consolidated Balance Sheets (Unaudited)

Assets

Current assets:

Cash and cash equivalents \$

Accounts receivable, net

Prepaid expenses and other current assets

Derivative instruments

Total current assets

Property, plant and equipment:

Oil and natural gas properties (full cost method)

Proved

Unproved

Gas gathering and processing equipment

Office furniture and fixtures

Accumulated depletion, depreciation and amortization (2)

Total property, plant and equipment, net 1

Other assets:

Derivative instruments

Deferred financing costs, net

Goodwill

Other long term assets

Total other assets

Total assets \$ 1

Liabilities and member s capital

Current liabilities:

Accounts payable trade \$

Royalties payable

Accrued exploration and development

Accrued operating expenses and other

Accrued interest payable	
Derivative instruments	
Other short term liabilities	
Total current liabilities	
Long term liabilities:	
Credit facility	
Term loan	
Senior notes	
Asset retirement obligation	
Derivative instruments	
Total long term liabilities	
Commitments and contingencies	
Member s capital:	
Member s capital	1
Accumulated deficit	(
Total member s capital	
Total liabilities and member s capital	\$ 1

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Consolidated Financial Statements

Sabine Oil & Gas LLC

Consolidated Statements of Operations (Unaudited)

	Th
Revenues	
Oil, natural gas liquids and natural gas	\$
Other	
 Total revenues	
Operating expenses	
Lease operating	
Workover	
Marketing, gathering, transportation and other	
Production and ad valorem taxes	
General and administrative	
Depletion, depreciation and amortization	
Accretion	
 Total operating expenses	
Other income (expenses)	
Interest expense, net of capitalized interest	
Loss on derivative instruments	
Other income	
 Total other expenses	
 Net loss	\$

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Consolidated Financial Statements

Sabine Oil & Gas LLC

Consolidated Statement of Member s Capital (Unaudited)

(in thousands)

	Member s Capital Units	Value	Accu D
Balance as of December 31, 2013	1,536	\$ 1,523,008	\$ (1
Net loss			
Balance as of March 31, 2014	1,536	\$ 1,523,008	\$ (1

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Table of Contents**Consolidated Financial Statements****Sabine Oil & Gas LLC****Consolidated Statements of Cash Flows (Unaudited)****For the Trailing Twelve Months Ended
2014****Cash flows from operating activities:**

Net loss	\$ (1,6
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depletion, depreciation and amortization	39,9
Accretion expense	2
Accrued interest expense	(7,8
Amortization of deferred rent	(
Amortization of deferred financing costs	2,2
Loss on derivative instruments	20,9
Amortization of option premiums	(6,1
Amortization of prepaid expenses	8
Working capital and other changes:	
Increase in accounts receivable	(6,6
Increase in other assets	(1,1
Increase in accounts payable, royalties payable and accrued liabilities	11,0

Net cash provided by operating activities 51,6**Cash flows from investing activities:**

Oil and natural gas property additions	(155,0
Oil and natural gas property acquisitions	(20,0
Gas processing equipment additions	(1,9
Other asset additions	(1,2
Cash received from sale of assets	11,9

Net cash used in investing activities (166,3**Cash flows from financing activities:**

Borrowings under senior secured revolving credit facility	130,0
Borrowings under second lien term loan	
Debt repayments for the senior secured revolving credit facility	(25,0
Deferred financing costs	(1,2

Net cash provided by financing activities 103,7**Net increase (decrease) in cash and cash equivalents** (10,9

Cash and cash equivalents, beginning of period	11,8
Cash and cash equivalents, end of period	\$ 8

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Organization**

Effective December 19, 2012, NFR Energy LLC was renamed Sabine Oil & Gas LLC (Sabine or the Company). The Company is a Delaware limited liability company in late 2006 to invest in oil and natural gas exploration and production opportunities. The Company is wholly owned by Sabine Oil & Gas Holdings II LLC, a Delaware limited liability company (Holdings II). Sabine Oil & Gas Holdings II LLC is wholly owned by Sabine Oil & Gas Holdings LLC, a Delaware limited liability company (Holdings or Member). The Company's stock is owned by Holdings. Currently, affiliates of First Reserve Corporation (First Reserve), own approximately 100% of the common stock of Holdings. Certain members of the Company's management and board of representatives indirectly own interests in the Company through their ownership in Sabine Investor Holdings LLC (SIH), the controlling member of Holdings.

The Company operates in the exploration and production segment of the energy industry and is pursuing development and production of a variety of forms including operated and non-operated working interests, joint ventures, farm-outs, and acquisitions, in both conventional and unconventional resources. Sabine is a holding company which conducts its operations through its subsidiaries, which own and operate the Company's assets.

2. Significant Accounting Policies*Basis of Presentation*

The Company presents its consolidated financial statements in accordance with U.S. generally accepted accounting principles. The accompanying consolidated financial statements include Sabine and its wholly owned subsidiaries. All intercompany transactions have been eliminated.

These interim financial statements have not been audited. However, in the opinion of management, all adjustments, including adjustments necessary for a fair statement of the financial statements have been included. Results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for the entire year. In addition, as these are interim financial statements, they do not include all disclosures required for financial statements prepared in conformity with GAAP. These financial statements and notes should be read in conjunction with Sabine's audited consolidated financial statements and the notes thereto included in Sabine's Annual Report for the year ended December 31, 2012.

Restatement of Previously Issued Financial Statements

The Company is restating its financial statements for the three months ended March 31, 2013 with respect to the accounting treatment of derivative financial transactions under Accounting Standards Codification Topic 815, Derivatives and Hedging (ASC 815). The Company determined that the formal documentation it had prepared to support its initial hedge designations for effectiveness in connection with its cash flow hedge program was not compliant with the technical documentation requirements to qualify for cash flow hedge accounting treatment under ASC 815, and as a result, the Company was not permitted to utilize hedge accounting treatment in the preparation of its financial statements for the three months ended March 31, 2013. The Company has eliminated hedge accounting treatment which had been applied in 2013. In addition, the Company recorded a reclassification adjustment to increase pricing differentials of \$0.8 million in the three months ended March 31, 2013, which was previously reported as Marketing and other costs and is currently reported as Oil, natural gas liquids and natural gas revenues as a reflection of realized gains and losses.

Under ASC 815, the fair value of hedge contracts is recognized in the Company's Consolidated Balance Sheets as an asset or liability and the amounts received or paid under the hedge contracts are

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reflected in earnings during the period in which the underlying production occurs. If the hedge contracts qualify for cash treatment, the fair value of the hedge contract that is effective in offsetting changes in expected cash flows (the effective

Accumulated other comprehensive income, and the effective portion of the changes in the fair value do not affect net of the change in fair value of the qualified derivative instrument that was not effective in offsetting changes in expected portion), as well as any amount excluded from the assessment of the effectiveness of the derivative instruments, are recorded. If a hedge contract does not qualify for hedge accounting treatment, the change in the fair value of the hedge contract is reflected in

Loss on derivative instruments. Under the cash flow hedge accounting treatment used by the Company, the effective portion of the change in fair value of the hedge contracts was recognized in the Consolidated Balance Sheets with the offsetting gain or loss recorded initially in accumulated other comprehensive income and later reclassified through earnings when the hedged production impacted earnings. The ineffective portion of the change in fair value of the derivative instruments was recognized in Loss on derivative instruments within Other income (expenses) on the Consolidated Statement of Earnings. As a result of the determination that the designation documentation failed to meet the requirements necessary to utilize cash flow hedge accounting treatment, any gain or loss resulting from changes in fair value should have been recorded in the Consolidated Statement of Earnings of earnings.

The Company previously recognized gains and losses resulting from the settlement of its designated derivative financial instruments, and has reclassified gains of \$15.0 million in the three months ended March 31, 2013 to Loss on derivative instruments within Other income (expenses) as a result of eliminating hedge accounting. In addition, the Company reclassified \$29.1 million of losses in the Consolidated Statement of Earnings for the three months ended March 31, 2013 from Accumulated other comprehensive income to Loss on derivative instruments within Other income (expenses). Because the designated derivatives did not qualify for hedge accounting, the inclusion of hedge value for designated contracts in the full cost ceiling calculations at balance sheet dates when the ceiling test was performed was not appropriate. Thus, Sabine's full cost ceiling calculations were restated to increase impairment expense recognized in earlier periods and reductions to Sabine's ceiling test impairment expense for the three months ended March 31, 2013, as well as requiring restatements to decrease depletion expense by \$1.1 million for the three months ended March 31, 2013.

The following table represents the impact of this restatement on relevant financial statement line items in Sabine's Consolidated Statement of Earnings for the three months ended March 31, 2013.

	As Reported	Three months Adjusted (in millions)
Revenues		
Oil, natural gas and natural gas liquids	\$ 68,283	\$ 68,283
Gain on derivative instruments	15,004	15,004
Total revenues	83,460	83,460
Operating expenses		
Marketing, gathering, transportation and other	5,237	5,237
Depletion, depreciation and amortization	27,285	27,285
Impairments	12,719	12,719
Total operating expenses	64,971	64,971
Other income (expenses)		
Loss on derivative instruments	(5,472)	(5,472)
Total other expenses	(28,779)	(28,779)

Net loss	\$ (10,290)	\$
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The following table represents the impact of this restatement on relevant financial statement line items in Sabine's Consolidated Cash Flows:

	Three months ended	Three months ended
	As Reported	As Restated
Cash flows from operating activities:		
Net loss	\$ (10,290)	\$ (10,290)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depletion, depreciation and amortization	27,285	27,285
Impairments	12,719	12,719
Loss on derivative instruments	5,574	5,574
Net cash provided by operating activities	\$ 22,197	\$ 22,197

Cash and Cash Equivalents

All highly liquid investments purchased with an initial maturity of three months or less are considered to be cash equivalents.

Concentration of Credit Risk

The Company's significant receivables are comprised of oil and natural gas revenue receivables. The amounts are due from a few purchasers; therefore, the collectability is dependent upon the general economic circumstances of a few purchasers. The Company reviews these receivables and establishes an allowance for doubtful accounts as necessary using the specific identification method. The receivables are not considered to be concentrated.

Derivative instruments subject the Company to a concentration of credit risk (see Note 8).

Inventory

Inventory, which is included in Prepaid expenses and other current assets on Sabine's Consolidated Balance Sheets, consists of spare parts, and equipment used in Sabine's drilling operations. The inventory balance, net of impairments, was \$0.6 million at March 31, 2014 and December 31, 2013, respectively. Inventory is stated at the lower of weighted average cost or market value. There were no impairments relating to obsolete inventory during the three months ended March 31, 2014 and 2013.

Oil and Natural Gas Properties and Equipment

The Company uses the full cost method of accounting for its investment in oil and natural gas properties. Under this method, all acquisition, exploration and development costs incurred for the purpose of finding oil and natural gas reserves, including internal costs directly attributable to these activities, are capitalized. The Company capitalized \$3.3 million and \$0.8 million of internal costs during the three months ended March 31, 2014 and 2013, respectively. Costs associated with production and general corporate activities are expensed as incurred. The Company also includes the present value of its dismantlement, restoration and abandonment costs within the capitalized costs (see Asset Retirement Obligation below). Unless a significant portion of the Company's proved reserve quantities are sold, the proceeds from the sale of oil and natural gas properties are accounted for as a reduction to capitalized costs, and gains are recognized on the sale unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and natural gas properties.

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Depletion of proved oil and natural gas properties is computed using the units-of-production method based upon estimated reserves. The costs of unproved properties are withheld from the depletion base until such time as they are either developed. Unproved properties are reviewed on a quarterly basis for impairment, and if impaired, are reclassified to proved properties and included in depletion calculations.

Under the full cost method of accounting, a ceiling test is performed on a quarterly basis. The full cost ceiling test is an industry standard under SEC Regulation S-X Rule 4-10. The ceiling test determines a limit on the book value of oil and natural gas properties. The carrying amount of oil and natural gas properties, net of Accumulated depletion, depreciation and amortization (Accumulated DD&A) on the balance sheet may not exceed the estimated future net cash flows from proved oil and natural gas reserves, excluding future cash outflows for retirement obligations that have been accrued on Sabine's Consolidated Balance Sheets, using the unweighted average first day of the prior twelve month period ended March 31, 2014 and December 31, 2013 (adjusted for quality and basis differentials) plus production, discounted at 10%, plus the cost of unevaluated properties and major development projects excluded from the depletion base. If capitalized costs exceed this limit, the excess is charged to expense and reflected as accumulated DD&A.

For the three months ended March 31, 2014 and 2013, the Company did not recognize an impairment for the carrying value of oil and natural gas properties in excess of the ceiling limitation. The average of the unweighted first day of the month prices for the prior twelve month period ended March 31, 2014 was \$3.99 per Mcf for natural gas. Additionally, the average of the unweighted first day of the month prices for the prior twelve month period ended March 31, 2014 was \$98.30 per Bbl for oil. As of March 31, 2014, the ceiling limitation exceeded the carrying value of natural gas properties by approximately \$265.3 million.

The Company's depletion expense on Sabine's oil and natural gas properties is calculated each quarter utilizing period-end prices for the three months ended March 31, 2014 and 2013, the Company recorded \$39.3 million and \$25.3 million, respectively, of depletion expense on oil and natural gas properties. As a rate of production, depletion was \$2.37 per Mcfe and \$2.01 per Mcfe for the three months ended March 31, 2014 and 2013.

Gathering assets and related facilities, certain other property and equipment, and furniture and fixtures are depreciated using the straight-line method based on the estimated useful lives of the respective assets, generally ranging from 3 to 30 years. These assets are tested for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is then recognized if the carrying amount is not recoverable and exceeds fair value. No impairment charge for gas gathering and processing equipment was recorded for the three months ended March 31, 2014 and 2013. Leasehold improvements are amortized over the shorter of their economic lives or the term of the lease. Maintenance costs are expensed in the period incurred.

No insurance proceeds were received during the three months ended March 31, 2014 and 2013.

Capitalized Interest

The Company capitalizes interest costs to oil and natural gas properties on expenditures made in connection with exploration and development activities that are not subject to current depletion. Interest is capitalized only for the period that activities are in progress to bring the properties into use. The Company capitalized \$1.9 million and \$3.9 million of interest during the three months ended March 31, 2014 and 2013, respectively.

Leases

The Company accounts for leases with escalation clauses and rent holidays on a straight-line basis. The deferred rent expense and future lease commitments is reported under the caption Other short term liabilities on Sabine's Consolidated Balance Sheet.

Table of Contents*Derivative Instruments and Hedging Activities*

The Company uses derivative financial instruments to achieve a more predictable cash flow from its oil and natural gas price exposure to price fluctuations. Such derivative instruments, which are placed with major financial institutions who are participants in the Company's Credit Facility (see Note 5) that the Company believes are minimal credit risks, may take the form of forward contracts, options, or basis swaps.

At March 31, 2014, substantially all of Sabine's oil and natural gas derivative contracts are settled based upon reported (NYMEX) prices. Sabine's derivative contracts are with multiple counterparties to minimize Sabine's exposure to a single counterparty. The Company has netting arrangements with all of its counterparties that provide for offsetting payables against receivables from separate counterparties. The oil and natural gas reference prices, upon which the commodity derivative contracts are based, generally have a high degree of historical correlation with actual prices received by the Company for its oil and natural gas production. Fixed-price swap and option agreements are used to fix the sales price for its anticipated future oil and natural gas production. The Company receives a fixed price for the hedged commodity and receives or pays its counterparty a floating market price. The instruments are settled monthly. When the floating price exceeds the fixed price for a contract month, the Company pays the fixed price. When the fixed price exceeds the floating price, its counterparty is required to make a payment to the Company.

Sabine's derivatives instruments at March 31, 2014 included oil and natural gas options in addition to fixed price swaps, bought and sold natural gas puts, bought and sold oil and natural gas calls and sold oil puts. For the oil and natural gas calls, the Company buys a set volume of the contracted commodity at a contracted price on a contracted date in the future. For the oil and natural gas puts, the Company sells a contracted volume of the commodity at a contracted price on a contracted date in future.

The Company records balances resulting from commodity risk management activities on the Consolidated Balance Sheet measured at fair value. Gains and losses from the change in fair value of derivative instruments and cash settlements on such instruments are presented within "Loss on derivative instruments" located in Other income (expenses) in the Consolidated Statements of Operations.

Deferred Financing Costs

Deferred financing costs of approximately \$1.2 million and \$4.7 million were incurred during the three months ended March 31, 2014 and 2013, respectively, and include costs associated with the Company's second lien term loan agreement (Term Loan) and senior secured credit facility (Credit Facility) (see Note 5). Deferred financing costs associated with the Term Loan, Credit Facility and 9.75% senior secured notes (2017 Notes) are being amortized over the life of the respective obligations with \$2.2 million and \$2.3 million included in the Consolidated Statements of Operations for the three months ended March 31, 2014 and 2013, respectively. The Company also expensed \$0.3 million in the three months ended March 31, 2014 as a result of reductions in the borrowing base of Sabine's Credit Facility.

Financial Instruments

The Company's financial instruments including cash and cash equivalents, accounts receivable, and accounts payable are reported at carrying value and approximate fair value due to the short-term maturity of these instruments. The Company's Credit Facility and Term Loan are reported at carrying value which approximates fair value based on current rates applicable to similar instruments. Since considerable judgment is required to determine fair value, the estimates provided are not necessarily indicative of the amounts the Company could realize upon the purchase or sale of these instruments. The Company's derivative instruments are reported at fair value based on Level 2 fair value methodologies but further compared to fair value based on Level 2 fair value methodologies (see Note 9).

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Goodwill represents the excess of the purchase price of an asset over the estimated fair value of the assets acquired. The amount of goodwill is tested for impairment annually and when impairment indicators arise. Goodwill totaled \$173.5 million as of December 31, 2013. No impairment of goodwill was recognized during the three months ended March 31, 2014 and 2013.

Asset Retirement Obligation

If a reasonable estimate of the fair value of an obligation to perform site reclamation, dismantle facilities or plug and abandon wells is recorded, the Company records an Asset retirement obligation (ARO) as a liability and capitalizes the present value of the asset retirement obligation on Sabine's Consolidated Balance Sheets in the period in which the retirement obligation is incurred. In general, the amount capitalized will be equal to the estimated future cost to satisfy the abandonment obligation assuming the normal operating costs and prices that are escalated by an assumed inflation factor up to the estimated settlement date, which is then discounted back to the abandonment obligation was incurred using an assumed cost of funds for the Company. After recording these amounts, the capitalized costs are accreted to their estimated value using the same assumed cost of funds and the capitalized costs are depreciated on a unit-of-production basis over the life of the pool.

The information below reconciles the recorded amount of Sabine's asset retirement obligations:

	For the months ended March 31, (in thousands)
Beginning balance	\$ 173,500
Liabilities incurred	1,000
Liabilities settled	(1,000)
Accretion expense	1,000
Ending balance	\$ 174,500

Revenue Recognition

The Company records revenues from the sales of oil, natural gas liquids and natural gas when produced, sold and collected. The Company uses the entitlement method that requires revenue recognition for the Company's net revenue interest of sales from its production of oil, natural gas liquids and natural gas sales are not recognized for deliveries in excess of the Company's net revenue interest, while natural gas sales are recognized for any under delivered volumes. Production imbalances are generally recorded at estimated future settlements of the imbalances. The Company had no material overproduction or underproduction at March 31, 2013.

Use of Estimates

The preparation of the consolidated financial statements for the Company in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company's consolidated financial statements are based on a number of significant estimates, including acquisition value of derivative instruments, oil, natural gas liquids and natural gas reserve quantities that are the basis for the calculation of oil, natural gas liquids and natural gas properties, and timing and costs associated with its retirement obligations.

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Table of Contents*Income Taxes*

The Company is a limited liability company treated as a partnership for federal and state income tax purposes with all income, losses and tax benefits of the Company being passed through to the Member. As such, no recognition of federal or state income taxes for the Company or its subsidiaries that are organized as limited liability companies have been provided for in the accompanying consolidated financial statements.

In accordance with the operating agreement of the Company, to the extent possible without impairing the Company's ability to conduct its business and activities, and in order to permit its Member to pay taxes on the taxable income of the Company, the Company makes distributions to the Member in the amount equal to the estimated tax liability of such Member computed as if the Member were an individual marginal federal and state rate applicable to an individual resident of New York, New York, in the event that taxable income is distributed to the Member. There was no taxable income and therefore no distributions to the Member in 2014 or 2013.

Recent Accounting Pronouncements

There were no significant pronouncements adopted during 2014 or 2013 that had a material impact on Sabine's results of operations or cash flows.

3. Significant Customers

During the three months ended March 31, 2014, purchases by three companies exceeded 10% of the total oil, natural gas liquids and natural gas sales of the Company. Purchases by Enbridge Pipeline (East Texas) LP, Eastex Crude Company and Laclede Energy accounted for approximately 10%, 10% and 10% of oil, natural gas liquids and natural gas sales, respectively. During the three months ended March 31, 2013, purchases by three companies exceeded 10% of the total oil, natural gas liquids and natural gas sales of the Company. Purchases by Enbridge Pipeline (East Texas) LP, CP Energy LLC and Eastex Crude Company accounted for approximately 19%, 14%, 12% and 10% of oil, natural gas liquids and natural gas sales, respectively.

4. Property Acquisitions and Divestitures

On March 25, 2014, the Company closed the acquisition of certain oil and natural gas properties in North Texas for \$20.5 million, net of purchase price adjustments. The Company recorded a fair value of \$16.5 million for proved properties and \$3.9 million for unproved properties. A liability was assumed. The valuation to derive the purchase price included both proved and unproved categories of reserves, an estimate of the amount of future development and operating costs, projections of future rates of production, expected recovery rates, risk-adjusted present value of unevaluated leaseholds.

The following table summarizes the consideration paid and the amounts of the assets acquired and liabilities assumed as of March 25, 2014 (in millions):

Recognized amounts of identifiable assets acquired and liabilities assumed (preliminary):

Proved properties

Unproved properties

Consideration, net of accrued purchase price adjustments

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The results of the acquisition described below are included in the accompanying Consolidated Statements of Operations

	Three Months Ended March 31, 2014	
	Actual	Pro Forma
	(in thousands)	
Pro Forma (unaudited)		
Total revenues	\$ 112,717	\$ 114,334
Net loss	\$ (1,686)	\$ (616)

On December 18, 2013, the Company closed on the sale of its interests in certain oil and natural gas properties in the Texas and Oklahoma area for \$169.0 million, net of certain purchase price adjustments. The sale of the Texas Panhandle and surrounding areas accounted for as an adjustment to the full cost pool with no gain or loss recognized. Subsequent to December 31, 2013, the Company has made purchase price adjustments of approximately \$8.4 million as a result of clearing title defects and adjusting post effective dates. The Company anticipates additional adjustments through the final closing settlement which is expected to occur in the third quarter of 2014.

On April 30, 2013, the Company closed on the purchase of interests in approximately 5,000 net acres in South Texas for \$10.0 million. The acquisition does not qualify as a business combination under Accounting Standards Codification Topic 805, Business Combinations.

Acquired properties that are considered to be business combinations are recorded at their fair value. In determining the fair value of the Company prepares estimates of oil and natural gas reserves as well as an estimate of fair value of unevaluated leaseholds. The Company uses future prices to apply to the estimated reserve quantities acquired and the estimated future operating and development costs to determine future net revenues. For the fair value assigned to proved reserves, the future net revenues are discounted using a market-based discount rate determined appropriate at the time of the acquisition. To compensate for inherent risks of estimating and valuing unproved, undeveloped, probable and possible reserves are reduced by additional risk-weighting factors.

5. Long Term Debt

Senior Notes

On February 12, 2010, the Company and its subsidiary Sabine Oil & Gas Finance Corporation, formerly NFR Energy Finance Corporation, issued \$200 million in 9.75% 2017 Notes in a private placement to qualified institutional buyers in accordance with Rule 144A and to persons outside the United States in compliance with Regulation S of the Securities Act of 1933. The 2017 Notes bear interest at 9.75% per annum, payable semi-annually on February 15 and August 15 each year commencing August 15, 2010. The 2017 Notes were issued at 98.73% of par. In conjunction with the issuance of the 2017 Notes, the Company recorded a discount of \$2.5 million to be amortized over the life of the 2017 Notes utilizing the simple interest method. The remaining unamortized discount was \$1.0 million and \$1.0 million at December 31, 2013, respectively. On April 14, 2010, the Company and Sabine Oil & Gas Finance Corporation issued an additional \$200 million in senior notes at 9.75% due 2017. The additional notes were issued at 98.75% of par and bear interest at a rate of 9.75% per annum, payable on February 15 and August 15 of each year commencing August 15, 2010. The additional notes were issued under the same indenture as the notes issued on February 12, 2010. The Company recorded a discount of \$1.9 million to be amortized over the remaining life of the 2017 Notes using the simple interest method. The remaining unamortized discount was \$0.8 million at each of March 31, 2014 and December 31, 2013. The notes issued under and are governed by an indenture dated February 12, 2010 between the Company, Sabine Oil & Gas Finance Corporation, New York Mellon Trust Company, N.A. as trustee, and the Company's subsidiaries named therein as guarantors.

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All of the restricted subsidiaries that guarantee the Company's senior secured revolving Credit Facility (other than Sabine Corporation) have guaranteed the 2017 Notes on a senior unsecured basis.

The Company may redeem the 2017 Notes, in whole or in part, at any time, at a redemption price (expressed as a percentage) set forth in the following table plus accrued and unpaid interest, if any, to the applicable redemption date, if redeemed during the period beginning on February 15 of the years indicated below:

Year	Percentage
2014	100%
2015	100%
2016	100%

The indenture governing the 2017 Notes contains covenants that, among other things, limit Sabine's ability and the ability of its subsidiaries to incur additional indebtedness unless the ratio of its adjusted consolidated EBITDA to its adjusted consolidated debt (including debt of its subsidiaries) 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); limit dividends or repurchase or redeem equity interests; limit dividends or other payments by restricted subsidiaries that are not the Company or its subsidiaries; make certain investments; incur liens; enter into certain types of transactions with Sabine's affiliates; merge with or into other companies. However, if the 2017 Notes have an investment grade rating from Standard & Poor's or Moody's Investors Service, Inc., and no default or event of default exists under the indenture, Sabine will not be subject to the restrictive covenants.

Senior Secured Revolving Credit Facility

On November 30, 2007, the Company entered into a senior secured revolving credit facility with a syndicate of banks. Through subsequent redeterminations, the Company has amended and restated the Credit Facility. The most recent redetermination effective as of March 31, 2014, increased the borrowing base from \$620 million to \$700 million. The next scheduled redetermination will be in October 2014.

As of March 31, 2014, commitments under the Credit Facility were \$750 million, the borrowing base was \$620 million, the total amount of borrowings totaled \$355 million and Sabine was able to incur approximately \$265 million of additional secured indebtedness under the Credit Facility's maturity date is April 7, 2016.

Subsequent to the period ended March 31, 2014, through May 14, 2014, the Company has borrowed \$74 million. As of May 14, 2014, the amount of borrowings to the recent redetermination and the borrowings, the borrowing base under the Credit Facility was \$700 million, the outstanding amount of borrowings was \$329 million and Sabine had approximately \$271 million of secured indebtedness available under the Credit Facility.

Borrowings made under the Credit Facility are guaranteed by first priority perfected liens and security interests on substantially all of the assets of the Company and its wholly-owned domestic subsidiaries.

Interest on borrowings under the Credit Facility accrues at variable interest rates at either a Eurodollar rate or an alternative rate. The alternative rate is calculated as London Interbank Offered Rate (LIBOR) plus an applicable margin that varies from 1.00% (for periods in which Sabine has utilized less than 30% of the borrowing base) to 2.75% (for periods in which Sabine has utilized equal to or greater than 30% of the borrowing base). The ABR is calculated as the greater of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus 0.50%, or (c) Eurodollar rate for such day is not a business day, the immediately preceding business day) plus 1.5%. The Company elects the basis of the interest rate for the borrowing. In addition, Sabine pays a commitment fee of 0.50% under the Credit Facility (quarterly in arrears) for the amount of commitments that exceed borrowings under the Credit Facility. Effective April 2, 2014, the commitment fee was increased to 0.75%.

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2014, along with the increase in borrowing base, the applicable margin for the Eurodollar rate was amended and reduced. Sabine has utilized less than 30% of the borrowing base) to 2.50% (for periods in which Sabine has utilized equal to or greater than 30% of the borrowing base).

Under the Credit Facility, the Company may request letters of credit, provided that the borrowing base is not exceeded and the letter of credit is issued within 90 days of issuance of the letter of credit. There were no outstanding letters of credit on March 31, 2014 or December 31, 2013.

The Credit Facility requires the Company to comply with certain financial covenants to maintain (a) a current ratio, defined as current assets (including the unused amount of the total commitments under the Credit Facility, but excluding noncash assets and Derivatives and Hedging), to consolidated current liabilities (excluding noncash obligations under ASC 815 and the current Credit Facility, determined at the end of each quarter), of not less than 1.0 to 1.0; (b) an interest coverage ratio at the end of each quarter, defined as EBITDA (as such terms are defined in the Credit Facility) for the period of four fiscal quarters then ending to interest expense, of not less than 2.5 to 1.0.

In addition, the Credit Facility contains covenants that restrict, among other things, the Company's ability to incur other indebtedness; sell its assets; merge with other entities; pay dividends; enter into hedging agreements; and make certain investments.

At March 31, 2014 and December 31, 2013, Sabine was in compliance with its financial debt covenants under the Credit Facility.

Term Loan Agreement

The Company entered into a \$500 million term loan agreement on December 14, 2012 with a maturity date of April 7, 2017. The syndication was completed with an additional funding of \$150 million bringing the outstanding balance to \$650 million. The proceeds from the Term Loan were used to acquire oil and gas properties in December 2012 and repay borrowings under the Credit Facility in 2013.

Borrowings made under the Term Loan are subordinate to the liens and security interests securing the Credit Facility.

Interest on borrowings under the Term Loan accrues at variable interest rates at either a Eurodollar rate or an alternate basis. As of the close of the syndicate in January 2013, the Eurodollar rate is calculated as London Interbank Offered Rate (LIBOR) plus an applicable margin of 7.50%. The Company elects the basis of the interest rate at the time of each borrowing. The weighted average interest rate on this indebtedness for the three months ended March 31, 2014 and 2013 was 8.75% and 8.97%, respectively.

6. Member's Capital

Common Units

The Company is authorized to issue one class of units to be designated as Common Units. The units are not represented by physical certificates. Common Units are issued at a price equal to \$1,000 per unit.

Incentive Units

In addition to common units, Holdings established an incentive plan which provides for incentive units which have been issued to directors, officers and employees. The incentive units have no voting rights and participate only upon liquidation events and certain financial thresholds. No compensation expense related to the incentive units has been recognized by the Company as the event is not considered probable, and thus the value of the incentive, if any, cannot be determined.

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7. Statement of Cash Flows

During the three months ended March 31, 2014, the Company's noncash investing and financing activities consisted of

Recognition of an asset retirement obligation for the plugging and abandonment costs related to the Company valued at \$0.2 million.

Working capital related to capital expenditures as of March 31, 2014 was \$111.6 million.

8. Derivative Financial Instruments

The Company is exposed to risks associated with unfavorable changes in the market price of oil and natural gas as a result of production and uses derivative instruments to hedge or reduce its exposure to certain of these risks. For these derivative instruments, the Company did not elect hedge accounting for accounting purposes or did not qualify for hedge accounting treatment and, accordingly, marks to market the fair value of these derivative instruments. The Company recognizes the change in the mark-to-market valuation of these derivative instruments in the Consolidated Statements of Operations.

All of Sabine's derivative instruments serve as economic hedges and are recorded at fair value with gains and losses recognized in earnings. These marked-to-market adjustments will produce a degree of earnings volatility that can be significant from period to period but will have no cash flow impact relative to changes in market prices. The impact to cash flow occurs upon settlement of the underlying contracts.

Throughout the three months ended March 31, 2014, the Company has executed derivative contracts as market conditions warrant to economically hedge Sabine's anticipated future cash flows from oil and natural gas producing activities. These include fixed-price swap agreements covering certain portions of Sabine's anticipated 2014 and 2015 production volumes. Additionally, the Company has entered into option contracts including purchased and written oil and natural gas call agreements, as well as purchased and written oil and natural gas put agreements covering certain portions of Sabine's anticipated 2014 and 2015 oil and natural gas production. No material premiums were recognized on the option agreements. None of the fixed-price swap or option contracts executed during 2014 were designated for hedge accounting. Changes in market changes in fair value recognized currently in earnings. See the table below for specific volume, timing, and pricing of the Company's outstanding trade positions.

Additionally, prior to the three months ended March 31, 2014, the Company purchased natural gas puts, written oil and natural gas puts for periods from 2014 through 2016, for which a net premium was recognized. During the first quarter of 2014, the Company restructured certain sold call contracts for which the Company had previously recognized a premium liability related to 2014 production. In connection with this restructuring, the Company released \$4.4 million of premium liability into earnings, recognized in Loss on derivative instruments in the Statement of Operations for the period ending March 31, 2014. The net unamortized premium included in short term and long term assets is \$6.6 million and \$3.5 million, respectively, at March 31, 2014. See the table below for specific volume, timing, and pricing of the Company's derivative positions.

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The following swaps and options were outstanding with associated notional volumes and contracted swap, floor, and ceiling weighted average prices for the index specified as of March 31, 2014:

Natural Gas				
Settlement Period	Derivative Instrument	Notional Amount (Mmbtu)	Swap	Weighted Average Price
2014	Swap	15,222,000	\$ 4.05	
2014	Swap with sub floor	3,128,000	\$ 3.99	
2014	Three-way collar	18,775,000		
2015	Swap	20,075,000	\$ 4.11	
2015	Swap with sub floor	21,900,000	\$ 4.25	
2016	Sold Call	21,960,000		

Oil				
Settlement Period	Derivative Instrument	Notional Amount (Bbl)	Swap	Weighted Average Price
2014	Swap	1,007,875	\$ 92.47	
2014	Swap with sub floor	92,125	\$ 89.13	
2015	Swap	695,375	\$ 90.38	
2015	Swap with sub floor	104,025	\$ 89.50	
2015	Sold Call	200,750		

Effective April 23, 2014, the Company executed additional oil swap agreements on 797,400 Bbl of anticipated 2015 production and written put agreements on 200,750 Bbl of anticipated 2015 production and written put agreements on 235,425 Bbl of anticipated 2015 production.

The Company recorded a short term and a long term derivative asset of \$2.0 million and \$1.3 million, respectively, and a long term derivative liability of \$23.7 million and \$5.1 million, respectively, related to the fair value of the derivative instruments as of March 31, 2014.

	For the Three Months Ended March 31, 2013	2014
	(in thousands)	
Loss on derivative instruments	\$ (22,126)	\$ (1,250)

Sabine paid \$7.3 million and received \$14.8 million on settlements of derivatives in the three months ended March 31, 2014.

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Sabine's derivative contracts are executed with counterparties under certain master netting agreements that allow Sabine to net its derivative assets and liabilities due to, the counterparties. The table below presents the carrying value of Sabine's derivative assets and liabilities and the impact of such netting agreements on Sabine's Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013.

		Derivative Assets
		March 31, 2014
Current assets	Derivative Instruments	\$ 3,560
Current liabilities ⁽¹⁾	Derivative Instruments	6,880
Total current asset fair value		10,440
Other assets	Derivative Instruments	5,521
Long term liabilities ⁽¹⁾	Derivative Instruments	1,438
Total long term asset fair value		6,959
Less: Counterparty set-off		(14,084)
Total derivative asset net fair value		\$ 3,315

		Derivative Liabilities
		March 31, 2014
Current liabilities	Derivative Instruments	\$ (30,610)
Current assets ⁽¹⁾	Derivative Instruments	(1,523)
Total current liability fair value		(32,133)
Long term liabilities	Derivative Instruments	(6,567)
Other assets ⁽¹⁾	Derivative Instruments	(4,244)
Total long term liability fair value		(10,811)
Less: Counterparty set-off		14,084
Total derivative liability net fair value		\$ (28,860)

(1) Impact of counterparty right of set-off for derivative instruments subject to certain master netting agreements. At March 31, 2014, and December 31, 2013, none of Sabine's outstanding derivatives contained credit-risk related contingencies that could have had a material adverse impact to Sabine upon any change in Sabine's credit ratings.

9. Fair Value Measurements

As discussed in Note 8, the Company utilizes derivative instruments to hedge against the variability in cash flows associated with its anticipated future oil and natural gas production. The Company generally hedges a substantial, but varying, portion of its production for the next 12 to 60 months. These derivatives are carried at fair value on the Consolidated Balance Sheets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in developing their own pricing, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observed, corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs.

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The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active market transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. This category consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly reported as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. Industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value of money, market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all inputs used in the models are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by market transactions executed in the marketplace. Instruments in this category generally include non-exchange-traded derivatives, swaps, basis swaps, options, and collars.

Level 3 Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs require the use of developed methodologies that result in management's best estimate of fair value.

The following table sets forth, by level, within the fair value hierarchy, the Company's financial assets and liabilities that are measured at fair value as of March 31, 2014 and December 31, 2013. Financial assets and liabilities are classified in their entirety based on the inputs that are most significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement is based on judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy.

	Recurring	
	Level 1	Level 2
As of March 31, 2014		
Derivative Assets	\$	\$ 3.1
Derivative Liabilities		(28.1)
Total	\$	\$ (25.0)
As of December 31, 2013		
Derivative Assets	\$	\$ 12.1
Derivative Liabilities		(22.1)
Total	\$	\$ (10.0)

Derivatives listed above include commodity swaps, basis swaps, put and call options that are carried at fair value. The fair value of the Company's derivatives is determined using the Consolidated Balance Sheets associated with the Company's derivatives resulted from Level 2 fair value methodologies. The Company values the assets and liabilities based on observable market data for similar instruments. The amounts above include the interest

liabilities with counterparties with which the right of offset exists.

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The observable data includes the forward curve for commodity prices and interest rates based on quoted markets prices and related to changes in commodity prices, as well as the impact of Sabine's non-performance risk of the counterparties with swap values.

The Company measures fair value of its long term debt based on a Level 2 methodology using quoted market prices with the effect of the Company's credit risk. The carrying value of the Company's Credit Facility and Term Loan approximate fair value applicable to similar instruments. The following table outlines the fair value of Sabine's 2017 Notes as of March 31, 2014.

	March 31, 2014	
		(in thousands)
2017 Senior Notes		
Carrying Value	\$ 348,197	\$
Fair Value	\$ 329,074	\$

Sabine utilizes fair value on a non-recurring basis to perform impairment tests as required on its inventory, property, plant and intangible assets. No impairment charge for gas gathering and processing equipment was recorded in each of the three months ended March 31, 2014 and 2013. Additionally, no impairment charges related to the write-down of carrying value of certain sizes of casing inventory were recorded in the three months ended March 31, 2014 and 2013. Assets and liabilities acquired in business combinations are recorded at their fair value at the acquisition (Note 4). The inputs used to determine such fair value are primarily based upon internally developed cash flow estimates which may be classified as Level 3. Additionally, Sabine uses fair value to determine the inception value of its asset retirement obligations. The inputs used to determine such fair value are primarily based upon costs incurred historically for similar work, as well as estimates from independent cost estimates that would be incurred to restore leased property to the contractually stipulated condition, and would generally be classified as Level 3.

10. Commitments and Contingencies

From time to time, the Company may be a plaintiff or defendant in a pending or threatened legal proceeding arising in the ordinary course of business. All known liabilities are accrued when probable and reasonably estimable based on the Company's best estimate of the amount and impact of currently pending legal proceedings cannot be predicted with certainty, the Company's management and legal counsel believe the resolution of these proceedings through settlement or adverse judgment will not have a material adverse effect on the Company's results, financial position or cash flows.

Holdings has entered into a Committed Oilfield Services Agreement (the "Services Agreement") with Nabors, which guarantees revenues of no less than 20% and 75% of the Company's gross spend on hydraulic fracturing services and drilling and completion services through December 13, 2016. If at any yearly anniversary of the execution of the Services Agreement, Sabine has failed to meet its obligations for the previous 12-month period and Nabors has complied with its service obligations under the Services Agreement, Holdings shall pay Nabors an amount equal to the revenue shortfall multiplied by 40%, which would likely result in Holdings requesting that Nabors perform its obligations. For the annual period ended December 31, 2013, the Company recognized a shortfall and penalty amount due under the services agreement of \$1.7 million which is included in "Accrued operating expenses and other liabilities" on the Consolidated Statements of Operations as of December 31, 2013 and was paid in January 2014.

As part of its ongoing operations, since inception Sabine has contracted with affiliates of Nabors to secure drilling rigs and equipment for natural gas well activity Sabine has undertaken. Amounts paid to Nabors for these services are included in "Other income (expense)" on the Consolidated Statements of Operations as of December 31, 2013 and was paid in January 2014.

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affiliates of Nabors under these agreements totaled \$29.5 million and \$7.0 million for the three months ended March 31, 2014, and the Company recognized a liability on Sabine's Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013 of \$2.5 million, respectively, for these services which are reflected in Accounts payable trade and Accrued exploration and development costs on the Consolidated Balance Sheets.

As of March 31, 2014 total future commitments relating to Sabine's secured rig and servicing contracts were \$67.5 million.

11. Subsequent Events

Management has evaluated subsequent events through May 14, 2014, which represents the date the consolidated financial statements were prepared.

Agreement and Plan of Merger

On May 5, 2014, the Company entered into an Agreement and Plan of Merger with Forest Oil Corporation (Forest Oil), Forest Oil Inc., a wholly-owned subsidiary of Forest Oil (Holdco), and Forest Oil Merger Sub Inc., a wholly owned subsidiary of Forest Oil (Merger Sub). The merger agreement provides that Forest Oil and Holdings will combine under a new holding company, Holdco, in a transaction where the shareholders of Forest Oil will receive stock in Holdco. After the closing of the merger, the former Forest Oil shareholders will own 26.5% of the outstanding Holdco common stock and SIH will own approximately 73.5% of the outstanding Holdco common stock. The company will be renamed Sabine Oil & Gas Corporation concurrently with the closing of the merger agreement.

The merger will occur through multiple steps. First, Merger Sub will merge with and into Forest Oil (the Merger), with Forest Oil as a wholly owned subsidiary of Holdco. In the merger, each issued and outstanding Forest Oil common share will convert into one share (the Exchange Ratio) of a share of common stock of Holdco.

Concurrently with the merger, SIH will directly and indirectly contribute (the Contribution) to Holdco all of the outstanding shares of Forest Oil common stock in exchange for 33,013,641 shares of Holdco common stock. As a result of the Contribution, Holdings will become a wholly owned subsidiary of Holdco. After the Merger and the Contribution, the parties will effect several restructuring steps, including the merger of the Company into Holdco.

The closing of the merger is conditioned on approval of the merger agreement by holders of two-thirds of the outstanding shares of Forest Oil common stock and the effectiveness of a registration statement that will contain the proxy statement sent to Forest Oil shareholders to approve the merger during the waiting period under the Hart-Scott-Rodino Act and other customary conditions.

In connection with entering into the merger agreement, SIH entered into a related stockholder's agreement and registration rights agreement with Forest Oil and New Forest Oil, governing certain rights and obligations of SIH with respects to the shares of Holdco common stock. The stockholder's agreement and registration rights agreement will become effective upon the closing of the merger.

The foregoing summary of the merger agreement does not purport to be complete and is subject to, and qualified in its entirety by, the merger agreement, stockholder's agreement and registration rights agreement, which are filed as Exhibit 2.1, Exhibit 10.1 and Exhibit 10.2 to Forest Oil's Form 8-K filed with the SEC on May 6, 2014.

Following the May 6, 2014 announcement of the proposed merger, two putative class action lawsuits have been filed by plaintiffs in the Supreme Court of the State of New York, County of New York,

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alleging breaches of fiduciary duty by the directors of Forest Oil and aiding and abetting of those breaches of fiduciary duty with the proposed merger. The two suits, captioned Stourbridge Investments LLC v. Forest Oil Corporation, Index No. 651446/2014 and Raul v. Carroll, Index No. 651446/2014 (filed May 9, 2014), each seek to certify a plaintiff class consisting of all holders of Forest Oil stock other than the defendants and their affiliates. The defendants named in these actions include the directors of Forest Oil and certain affiliated entities that would be involved in the proposed merger. The plaintiffs in these suits allege that (1) the proposed merger is the product of an unfair process and would result in an unfair price being paid to Forest Oil shareholders, (2) the directors of Forest Oil breached their fiduciary duties to Forest Oil shareholders by entering into the merger agreement, and (3) Sabine aided and abetted the Forest Oil breaches of fiduciary duty. Specifically, plaintiffs allege that the price of Forest Oil's stock is temporarily depressed and the price to be received by Forest Oil shareholders is inadequate. Plaintiffs further allege that the merger agreement contains certain provisions that impede Forest Oil from pursuing superior potential transactions with other bidders. The lawsuits seek preliminary injunctive relief to enjoin consummation of the proposed merger or, in the alternative, rescission and/or rescissory and other damages if the merger is consummated before the lawsuits are resolved.

The time for the defendants to respond to the complaints filed in these lawsuits has not yet expired. Sabine intends to vigorously defend these lawsuits.

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GLOSSARY OF OIL AND NATURAL GAS TERMS

The terms defined in this section are used throughout this proxy statement/prospectus:

Bbl. One stock tank barrel, of 42 U.S. gallons liquid volume, used herein in reference to crude oil, condensate or NGL.

Bcf. One billion cubic feet of natural gas.

Bcfe. One billion cubic feet of natural gas equivalent with one barrel of oil converted to six thousand cubic feet of natural gas.

Basin. A large natural depression on the earth's surface in which sediments generally brought by water accumulate.

Completion. The process of treating a drilled well followed by the installation of permanent equipment for the production of hydrocarbons. In the case of a dry hole, the reporting of abandonment to the appropriate agency.

Day rate. The daily cost of renting a drilling rig and the associated costs of personnel and routine supplies (not including transportation and other services).

DD&A. Depreciation, depletion, amortization and accretion.

Delineation. The process of placing a number of wells in various parts of a reservoir to determine its boundaries and productive capacity.

Developed acreage. The number of acres that are allocated or assignable to productive wells or wells capable of producing hydrocarbons.

Development well. A well drilled within the proved area of an oil or natural gas reservoir to the depth of a stratigraphic interval.

Downspacing. Additional wells drilled between known producing wells to better exploit the reservoir.

Dry hole. A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the well do not cover the production expenses and taxes.

Exploratory well. A well drilled to find and produce natural gas or oil reserves not classified as proved, to find a new reservoir, to find a new field, or to extend a known reservoir.

Farm-in or farm-out. An agreement under which the owner of a working interest in an oil and natural gas lease assigns all or part of the working interest to another party who desires to drill on the leased acreage. Generally, the assignee is required to drill and produce to earn its interest in the acreage. The assignor usually retains a royalty or reversionary interest in the lease. The interest transferred by the assignor is a farm-in while the interest transferred by the assignor is a farm-out.

Field. An area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground.

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Finding and Development Costs. As used herein, finding and development costs are reported on a per unit basis and r completion costs divided by equivalent associated proved reserve volumes.

Formation. A layer of rock which has distinct characteristics that differs from nearby rock.

Gross acres or gross wells. The total acres or wells, as the case may be, in which a working interest is owned.

Horizontal drilling. A drilling technique used in certain formations where a well is drilled vertically to a certain depth within a specified interval.

MBbl. One thousand barrels of crude oil, condensate or NGLs.

Mcf. One thousand cubic feet of natural gas.

MMBtu. One million British thermal units.

MMcf. One million cubic feet of natural gas.

MMcfe. Million cubic feet equivalent, determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, cor

MMcfe/d. MMcfe per day.

NGLs. Natural gas liquids. Hydrocarbons found in natural gas which may be extracted as liquefied petroleum gas and

NYMEX. The New York Mercantile Exchange.

Net acres. The percentage of total acres an owner has out of a particular number of acres, or a specified tract. An own acres owns 50 net acres.

Offset operator. Any entity that has an active lease on an adjoining property for oil, natural gas or NGLs purposes.

Potential drilling locations. Total gross resource play locations that Sabine may be able to drill on its existing acreage may change depending on the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas price factors.

Productive well. A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proced exceed production expenses and taxes.

Prospect. A specific geographic area which, based on supporting geological, geophysical or other data and also preliminar reasonably anticipated prices and costs, is deemed to have potential for the discovery of commercial hydrocarbons.

Proved developed reserves. Reserves that can be expected to be recovered through existing wells with existing equipm

Proved reserves. The estimated quantities of oil, natural gas and NGLs which geological and engineering data demon be commercially recoverable in future years from known reservoirs under existing economic and operating conditions.

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Proved undeveloped reserves (PUD). Proved reserves that are expected to be recovered from new wells on undrilled locations where a relatively major expenditure is required for recompletion. Undrilled locations can be classified as having proved undeveloped reserves if a development plan has been adopted indicating that such locations are scheduled to be drilled within five years, unless specified otherwise in a longer time.

psi. Pounds per square inch.

Recompletion. The process of re-entering an existing wellbore that is either producing or not producing and completing it to establish or increase existing production.

Reserve Life. A measure of the productive life of an oil and natural gas property for a group of properties, expressed in years, by dividing proved reserve volumes at year end by production for that year.

Reservoir. A porous and permeable underground formation containing a natural accumulation of producible oil and/or natural gas and is separated from other impermeable rock or water barriers and is separate from other reservoirs.

SEC. U.S. Securities and Exchange Commission.

Spacing. The distance between wells producing from the same reservoir. Spacing is often expressed in terms of acres, but may be established by regulatory agencies.

Standardized measure. Discounted future net cash flows estimated by applying year-end prices to the estimated future production of proved reserves. Future cash inflows are reduced by estimated future production and development costs based on period-end commodity prices. Future income taxes, if applicable, are computed by applying the statutory tax rate to the excess of pre-tax cash flows over the oil and natural gas properties. Future net cash inflows after income taxes are discounted using a 10% annual discount rate.

Success Rate. The percentage of wells drilled which produce hydrocarbons in commercial quantities.

Tcfe. One trillion cubic feet of natural gas equivalents with one barrel of oil converted to six thousand cubic feet of gas.

Undeveloped acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves.

Unit. The joining of all or substantially all interests in a reservoir or field, rather than a single tract, to provide for development and production regard to separate property interests. Also, the area covered by a unitization agreement.

Wellbore. The hole drilled by the bit that is equipped for natural gas production on a completed well. Also called well.

Working interest. The right granted to the lessee of a property to explore for and to produce and own natural gas or oil. The lessor and owners bear the exploration, development, and operating costs on a cash, penalty, or carried basis.

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RISK FACTORS

In considering the merger and the other matters described in this document, you should carefully review and consider the other information contained in this document, including the annexes and information incorporated by reference into this Statement Regarding Forward-Looking Statements.

Risks Related to Sabine

Oil, natural gas and NGLs prices are volatile. A decline in oil, natural gas and NGLs prices could adversely affect Sabine's financial results, cash flow, access to capital and ability to grow.

Sabine's future financial condition, revenues, results of operations and rate of growth depend primarily upon the prices of oil, natural gas production, and the carrying value of its oil and natural gas properties is dependent upon prevailing prices for oil, natural gas and NGLs prices historically have been volatile, and are likely to continue to be volatile in the future, especially given current geopolitical conditions. The NYMEX natural gas prices during 2013 ranged from a high of \$4.52 to a low of \$3.08 per MMBtu. Oil prices during 2013 ranged from a high of \$110.53 to a low of \$86.68 per Bbl. The trailing twelve months unweighted average of the first-day-of-the-month price for natural gas has increased from \$3.67 per MMBtu as of December 2013 to \$4.07 per MMBtu as of May 2014. The trailing twelve months unweighted average of the first-day-of-the-month price for oil has increased from \$96.78 per Bbl as of May 2014. This price volatility also affects the amount of cash flow available for capital expenditures and may require Sabine to raise additional capital.

Prices for oil, natural gas and NGLs may fluctuate widely in response to relatively minor changes in the supply of and demand for oil, natural gas and NGLs, market uncertainty and a variety of additional factors that are beyond Sabine's control, such as:

- the regional, domestic and foreign supply of oil and natural gas;
- uncertainty in capital and commodities markets;
- the price of foreign imports;
- the ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain oil production quotas;
- overall domestic and global economic conditions;
- political and economic conditions in oil and natural gas producing countries, including the Middle East, Africa and Russia;
- the level of consumer product demand;
- weather conditions;

technological advances affecting energy consumption;

domestic and foreign governmental regulations and taxes;

proximity and capacity of oil and natural gas pipelines and other transportation facilities;

the price and availability of competitors' supplies of oil and natural gas and alternative fuels;

variations between product prices at sales points and applicable index prices; and

the continued threat of terrorism and the impact of military and other action, including U.S. military operations.

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Declines in oil, natural gas and NGLs prices would not only reduce Sabine's revenue, but could reduce the amount of oil produced economically and, as a result, could have a material adverse effect on Sabine's financial condition, results of operations, liquidity or ability to finance planned capital expenditures. A substantial or extended decline in commodity prices may materially and adversely affect Sabine's future business, financial operations, liquidity or ability to finance planned capital expenditures.

Estimates of reserves and future net cash flows are not precise. The actual quantities of Sabine's reserves and future net cash flows are likely to be lower than estimated.

Numerous uncertainties exist in estimating quantities of reserves and future net cash flows therefrom. Sabine's estimates of reserves and future net cash flows are based on various assumptions, which may ultimately prove to be inaccurate. Petroleum engineering is a science that involves the accumulations of oil or natural gas that cannot be measured in an exact manner. Estimates of economically recoverable quantities of future net cash flows depend upon a number of variable factors and assumptions, including the following:

historical production from the area compared with production from other producing areas;

the quality, quantity and interpretation of available relevant data;

the assumed effects of regulations by governmental agencies;

assumptions concerning future commodity prices; and

assumptions concerning future operating costs, severance, ad valorem and excise taxes, development costs, and other costs.

Because all reserve estimates are to some degree subjective, each of the following items, or other items not identified below, may differ from those assumed in estimating reserves:

the quantities of oil and natural gas that are ultimately recovered;

the production and operating costs incurred;

the amount and timing of future development expenditures; and

future commodity prices.

Furthermore, different reserve engineers may make different estimates of reserves and cash flows based on the same data. Actual revenues and expenditures with respect to reserves will likely be different from estimates and the differences may be material.

The estimated discounted future net cash flows from Sabine's proved reserves included in this proxy statement are based on the rules in effect on the date of computation, while actual future prices and costs may be materially higher or lower. Actual results may be affected by other factors, including:

the amount and timing of actual production;

levels of future capital spending;

increases or decreases in the supply of or demand for oil and natural gas; and

changes in governmental regulations or taxation.

Accordingly, estimates included herein of future net cash flows may be materially different from the future net cash flows that may be realized. In addition, the ten percent discount factor mandated by the rules and regulations of the SEC to be used in calculating discounted future net cash flows may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with S

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natural gas industry in general. Therefore, the estimates of discounted future net cash flows included in this proxy statement are not necessarily accurate estimates of the current market value of Sabine's proved reserves.

Sabine's business requires substantial capital and Sabine may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a loss of properties and a decline in Sabine's oil and natural gas reserves and production.

The oil and natural gas industry is capital intensive. During the years ended December 31, 2013 and 2012, Sabine incurred approximately \$131 million and \$131 million in capital expenditures (excluding acquisitions and divestitures), respectively, and Sabine's full year capital expenditures for 2014 is expected to total approximately \$625 million (excluding acquisitions and divestitures). Sabine expects to continue to incur capital expenditures for the acquisition, development and production of oil and natural gas reserves. The actual amount and timing of capital expenditures may differ materially from its estimates as a result of, among other things, commodity prices, actual drilling and production, drilling rigs and other services and equipment, and regulatory, technological and competitive developments.

To date, Sabine has financed capital expenditures primarily with capital contributions by its equity sponsors, proceeds from operations and net proceeds from the sale of its 9.75% senior unsecured notes due 2017 (2017 Notes). Sabine has financed its capital expenditures through, among other things, cash flow from operations, borrowings under its existing reserve based revolving credit facility (Sabine Credit Facility) until the merger is completed, and, thereafter, a new reserve based revolving credit facility (the New Revolving Credit Facility) that will replace each of Sabine's and Forest's existing revolving credit facilities, the issuance of debt or equity securities, and cash flow from operations and access to capital are subject to a number of variables, including:

- Sabine's proved reserves;
- the level of oil and natural gas Sabine is able to produce from existing wells;
- the prices at which Sabine is able to sell oil, natural gas and NGLs;
- the costs of developing and producing its oil and natural gas reserves;
- Sabine's ability to acquire, locate and produce new reserves;
- global credit and securities markets; and

the ability and willingness of lenders and investors to provide capital and the cost of that capital. If Sabine's cash flows or the borrowing base under the Sabine Credit Facility or the New Revolving Credit Facility decrease, declines in natural gas and NGLs prices, operating difficulties, declines in reserves or for any other reason, Sabine may be required to obtain financing to fund its operations and capital expenditures. Sabine's second lien term loan agreement (the Term Loan Facility) (together with the Term Loan Facility, Sabine's Credit Facilities) and the indenture governing the 2017 Note Offering (the 2017 Note Offering Indenture) and, if the merger is completed, the Forest indentures will restrict, its ability to obtain certain kinds of new financing. Sabine may not be able to obtain debt or equity financing on terms favorable to it, or at all. If Sabine is unable to secure sufficient capital, Sabine may be required to curtail operations, which could lead to a possible loss of properties and an adverse impact on its operations.

reserves, production, revenues and results of operations.

Drilling for and producing oil and natural gas are risky activities with many uncertainties that could adversely affect condition and results of operations.

Sabine's drilling activities are subject to many risks, including the risk that Sabine will not discover commercially produced oil and natural gas can be unprofitable, not only from dry holes,

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but from productive wells that do not produce sufficient revenues to return a profit. Sabine's decisions to purchase, explore, develop, or operate prospects or properties will depend in part on its evaluation of data obtained through geophysical and geological analyses, engineering studies, the results of which are often inconclusive or subject to varying interpretations. Sabine's cost of drilling and operating wells is often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can be uneconomical or less economic than forecasted. Further, many factors may curtail, delay or cancel drilling, including the

delays imposed by or resulting from compliance with regulatory and contractual requirements;

pressure or irregularities in geological formations;

shortages of or delays in obtaining equipment and qualified personnel or other services or in obtaining water rights or other activities;

equipment failures or accidents;

adverse weather conditions;

reductions in oil, natural gas and NGL prices;

surface access restrictions;

loss of title or other title related issues;

pipe or cement failures or casing collapses;

compliance with environmental and other government requirements;

environmental hazards, such as natural gas leaks, groundwater contamination resulting from improper well construction, pipeline and tank ruptures, encountering naturally occurring radioactive materials, and unauthorized discharge of drilling and completion fluids, toxic gases or other pollutants into the surface or subsurface environment;

fires, blowouts, surface craterings and explosions;

uncontrollable flows of oils, natural gas, formation water, or well fluids;

oil, natural gas or NGLs gathering, transportation and processing availability restrictions or limitations; and

limitations in the market for oil and natural gas.

The occurrence of certain of these events could also affect third parties, including persons living near Sabine's operation of its contractors, leading to injuries or death or property damage. As a result, Sabine faces the possibility of liabilities from such events that could adversely affect its business, financial condition and results of operations.

Unless Sabine replaces its oil and natural gas reserves, Sabine's reserves and production will decline, which would adversely affect its financial condition and results of operations.

Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon a number of other factors. The rate of decline will change if production from existing wells declines in a different manner than Sabine's production under other circumstances. Thus, Sabine's future oil and natural gas reserves and production and, therefore, its cash flow will be highly dependent upon its success in efficiently developing and exploiting its current properties and economically finding and developing recoverable reserves. Sabine may not be able to develop, find or acquire additional reserves to replace its current and future production. If Sabine is unable to replace its current and future production, the value of its reserves will decrease, and Sabine's results of operations would be adversely affected.

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Sabine cannot be certain that the insurance coverage maintained by it will be adequate to cover all losses that may be incurred from its oil and natural gas producing activities.

Sabine maintains an insurance program designed to provide coverage for Sabine's property and casualty exposures. Sabine provides coverage types, limits and deductibles commensurate with companies of comparable size and with similar risk. The insurance program includes the following coverage:

Commercial general liability covering:

bodily injury and property damage;

advertising injury and personal injury;

production and completed operations;

medical expenses; and

underground resources and equipment property damage;

Business automobile covering:

liability on all autos, including owned, hired and non-owned vehicles;

Claims made pollution liability covering:

sudden and accidental and gradual seepage pollution events; and

on-site cleanup;

Workers' compensation and employer's liability covering statutory coverage in all states in which Sabine operates.

Umbrella and excess liability;

Property and equipment;

Crime; and

Control of covering:

cost of well control;

pollution clean-up and debris removal;

restoration and redrill; and

care, custody and control.

As is common in the oil and natural gas industry, Sabine does not insure fully against all risks associated with its business. Insurance coverage is not available or because Sabine believes the premium costs are prohibitive. A loss not fully covered by insurance could have a material adverse effect on Sabine's financial position and results of operations. There can be no assurance that the insurance coverage that Sabine has obtained is sufficient to cover every claim made against it in the future. As hydraulic fracturing is a key component of Sabine's operations, claims made against pollution liability insurance, which provides coverage for long-term gradual seepage pollution events. A loss under this insurance and natural gas operations could have a material adverse effect on its financial position and results of operations to the extent the coverage provided under its policies is inadequate to cover any such loss.

Full cost accounting rules required Sabine to record a non-cash asset write-down for the year ended December 31, 2011, and Sabine is required to record similar non-cash asset write-downs in the future.

Sabine utilizes the full cost method of accounting for oil and natural gas exploration and development activities. Under this method, Sabine is required to perform a ceiling test each quarter. The ceiling test is

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an impairment test and generally establishes a maximum, or ceiling, of the book value of oil and natural gas properties less the tax present value (discounted at 10%) of the future net cash flows from proved reserves, including the effect of cash flow taxes. If the ceiling test is applied, calculated using the unweighted average of the historical first-day-of-the-month oil and natural gas prices for the period, the net book value of oil and natural gas properties (reduced by any related net deferred income tax liability and asset retirement obligations) cannot exceed the ceiling limitation, accounting rules require Sabine to impair or write down the book value of its oil and natural gas properties if the ceiling test is violated. The write-down of oil and natural gas properties is not reversible at a later date.

Costs associated with unevaluated properties are not initially subject to the ceiling test limitation. Rather, Sabine assesses the carrying value of unevaluated property on a quarterly basis for possible impairment or reduction in value based upon its intentions with respect to the properties, the remaining lease term, geological and geophysical evaluations, drilling results, the assignment of proved reserves, and the viability of development if proved reserves are assigned. These factors are significantly influenced by Sabine's expectations of future oil prices, development costs, and access to capital at acceptable cost. During any period in which these factors indicate an impairment, drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool, subject to amortization and the ceiling test limitation. Accordingly, a significant change in these factors, many of which are beyond Sabine's control, can shift a significant amount of cost from unevaluated properties into the full cost pool that is subject to amortization and the ceiling test limitation.

As of December 31, 2013, the unweighted average of the historical first-day-of-the-month natural gas and oil prices for the period was \$96.78 per Bbl of oil and \$3.67 per MMBtu for natural gas and the ceiling limitation exceeded the carrying value of proved reserves by approximately \$201.1 million. Sabine previously recorded a non-cash impairment charge of \$641.8 million for the year ended December 31, 2012.

The risk that Sabine will be required to write down the carrying value of its oil and natural gas properties increases when oil prices are low or volatile. Natural gas prices declined significantly in late 2011 and early 2012 to the lowest level in recent years and have recently increased. The trailing twelve months unweighted average of the first-day-of-the-month price for natural gas was \$3.67 per MMBtu as of December 2013 to \$4.07 as of May 2014.

Poor general economic, business or industry conditions may adversely affect Sabine's results of operations, liquidity and capital resources

During the last several years, economic uncertainty for the global economy has arisen due to concerns relating to the global mortgage and real estate markets in the United States, high levels of unemployment in the United States, increased levels of government debt, energy costs, geopolitical issues and the availability and cost of credit. Concerns about global economic conditions could have a negative impact on global financial markets and commodity prices. If the economic recovery in the United States or abroad slows down, the price of petroleum products could diminish or stagnate, which could affect the price at which Sabine can sell its production and its customers' ability to continue operations.

Further, Sabine's ability to access the capital markets or borrow money may be restricted or more expensive at a time when it needs capital, which could have an adverse impact on its flexibility to react to changing economic and business conditions and its ability to fund operations and capital expenditures in the future. Economic circumstances could have an impact on Sabine's lenders or customers, its obligations to them, and on the liquidity of its operating partners, resulting in delays in operations or their failure to make required payments. Adverse economic conditions could have an impact on commodities derivatives transactions if Sabine's counterparties are unable to perform their obligations or go into bankruptcy.

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protection. The ultimate outcome and impact of current economic conditions cannot be predicted and may have a material effect on the future results of operations, liquidity and financial condition.

The results of Sabine's horizontal drilling activities are subject to drilling and completion technique risks, and actual results may differ from expectations for reserves or production. As a result, Sabine may incur material impairment of the carrying value of its undeveloped acreage if drilling results are unsuccessful.

During the year ended December 31, 2013 in the Eagle Ford Shale in South Texas and the Granite Wash in North Texas, Sabine drilled and completed 18 and eight wells, respectively. Risks that Sabine faces while horizontally drilling include, but are not limited to, not reaching the desired drilling zone, staying in the desired drilling zone while drilling horizontally through the formation, running into casing or other well bore and being able to run tools and other equipment consistently through the horizontal well bore. Risks that Sabine faces while horizontally drilling include, but are not limited to, being able to fracture stimulate the planned number of stages, being able to clean out the well bore during completion operations and successfully cleaning out the well bore after completion of the final fracture. Ultimately, the success of these horizontal drilling and completion techniques can only be evaluated over time as more well profiles are established over a sufficiently long time period. If Sabine's horizontal drilling results are less than anticipated, these areas may not be as attractive as it anticipates. The carrying value of Sabine's unevaluated properties could become impaired based on Sabine's depletion rate per Mcfe if there were no corresponding additions to recoverable reserves, and the value of its undeveloped acreage in the future.

Sabine's business depends on transportation by truck for its oil and condensate production, and its natural gas production, and its gathering facilities that are owned by third parties.

Sabine transports a significant portion of its oil and condensate production by truck, which is more expensive and less efficient than pipeline, and can be less reliable than transportation via pipeline in circumstances when availability of trucks is constrained. Sabine's production depends in part on the availability, proximity and capacity of pipeline systems and processing facilities owned by third parties. State regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, and the construction or destruction of pipelines and general economic conditions could adversely affect Sabine's ability to produce, gather and transport its production.

The disruption of third-party facilities due to maintenance or weather could negatively affect Sabine's ability to market its production. Sabine has no control over when or if such facilities are restored or what prices will be charged in such situations. A total shut-in of production could affect Sabine due to a lack of cash flows, and if a substantial portion of the production is hedged at lower than market prices, a total shut-in would have to be paid from borrowings absent sufficient cash flows.

Sabine's operations are substantially dependent on the availability of water. Restrictions on Sabine's ability to obtain water could affect its financial condition, results of operations and cash flows.

Water is an essential component of deep shale oil and natural gas production during both the drilling and hydraulic fracturing processes. Sabine has been able to purchase water from local landowners for use in its operations. Most of the areas in which Sabine operates have conditions which may affect its ability to obtain water. If Sabine is unable to obtain water to use in its operations from local landowners, it may be unable to economically produce its reserves, which could have an adverse effect on its financial condition, results of operations and cash flows.

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Sabine is subject to complex federal, state, local and other laws and regulations that could adversely affect the cost, manner and timing of its business.

Companies that explore for and develop, produce and sell oil and natural gas in the United States are subject to extensive regulations, including complex tax, environmental, health and safety laws and the corresponding regulations, and are required to obtain permits and approvals from federal, state and local agencies. If these permits are not issued or unfavorable restrictions or conditions are placed on drilling activities, Sabine may not be able to conduct its operations as planned. Sabine may be required to make large expenditures to comply with governmental regulations. Matters subject to regulation may include:

water use, discharge and disposal permits for drilling operations;

drilling bonds;

drilling permits;

reports concerning operations;

air quality, noise levels and related permits;

spacing of wells;

rights-of-way and easements;

unitization and pooling of properties;

gathering, transportation and marketing of oil and natural gas;

taxation; and

waste transport and disposal permits and requirements.

Failure to comply with these laws may result in the suspension or termination of Sabine's operations and subject it to liabilities and criminal penalties. Compliance costs can be significant. Moreover, these laws or the enforcement thereof could change and increase the costs of doing business. Any such liabilities, penalties, suspensions, terminations or regulatory changes could adversely affect Sabine's business, financial condition and results of operations.

Numerous governmental agencies, such as the U.S. Environmental Protection Agency (EPA), issue regulations to implement health and safety laws and regulations, which often require difficult and costly compliance measures. Failure to comply with these laws may also result in the suspension or termination of Sabine's operations and subject it to administrative, civil and criminal penalties, as well as assessment of natural resource damages, as well as injunctions limiting or prohibiting its activities. Under certain environmental regulations, Sabine could be held liable for personal injuries, property damage (including site clean-up and restoration costs) and other damages. Laws and regulations may impose strict as well as joint and several liabilities for environmental contamination, which could be the result of the conduct of others or for its own actions that were in compliance with all applicable laws at the time such actions were taken. Sabine could be held liable for environmental contamination at its currently or formerly owned, leased or operated properties as well as at disposal facilities (such as treatment or disposal facilities). Environmental and other governmental laws and regulations also increase the costs of operating and abandoning oil and natural gas wells. Moreover, public interest in environmental protection has increased in recent years, and organizations have opposed, with some success, certain drilling projects. Environmental laws and regulations have been becoming more stringent in the years, and the imposition of more stringent requirements could have a material adverse effect on Sabine's financial condition and operations.

In addition, Sabine's activities are subject to the regulation by oil and natural gas-producing states relating to conservation and correlative rights. These regulations affect Sabine's operations and

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limit the quantity of oil and natural gas it may produce and sell. A major risk inherent in Sabine's drilling plans is the need to obtain regulatory approvals from state and local authorities. Delays in obtaining regulatory approvals or drilling permits, the failure to obtain a drilling permit with excessive conditions or costs could have a material adverse effect on Sabine's ability to explore on or develop oil and natural gas reserves. Environmental concerns, including the protection of certain species as well as public perception, can materially affect the ability to secure construction permits. Seasonal restrictions may limit Sabine's ability to operate in protected areas and can intensify competition for drilling rig supplies and qualified personnel, which may lead to periodic shortages when drilling is allowed. These constraints and the associated costs could delay Sabine's operations and materially increase its operating and capital costs. Permanent restrictions imposed by state or local authorities could prohibit drilling in certain areas or require the implementation of expensive mitigation measures. The designation of certain species in areas where Sabine operates as threatened or endangered could cause it to incur increased costs arising from special requirements. Such restrictions could result in limitations on its exploration, development and production activities that could have an adverse impact on its ability to produce its reserves. Once operational, enforcement measures can include significant civil penalties for regulatory violations. In appropriate circumstances, an administrative agency can request a cease and desist order to terminate operations.

Additionally, the oil and natural gas regulatory environment could change in ways that might substantially increase the cost of compliance with the requirements of these laws and regulations and, consequently, adversely affect Sabine's profitability. Failure to comply with these laws and regulations could be a competitive disadvantage to larger companies in its industry that can spread these additional costs over a greater number of wells in the area.

Federal and state legislation and regulatory initiatives relating to hydraulic fracturing could result in increased costs, restrictions or delays.

Hydraulic fracturing is an essential and common practice in the oil and natural gas industry used to stimulate production from dense subsurface rock formations. Hydraulic fracturing involves using water, sand, and certain chemicals to fracture the rock formation to allow flow of hydrocarbons into the wellbore. Sabine routinely applies hydraulic-fracturing techniques in its oil and natural gas programs. While hydraulic fracturing has historically been regulated by state oil and natural-gas commissions, the EPA has asserted authority over certain hydraulic-fracturing activities under the Safe Drinking Water Act involving the use of diesel fuels. In February 2014, the EPA issued guidance addressing the performance of such activities using diesel fuels. Also, in May 2014, the EPA issued Proposed Rulemaking regarding its intent to develop and issue regulations under the Toxic Substances Control Act to require public disclosure of information regarding the chemicals used in hydraulic fracturing. Moreover, in August 2012, the EPA published final rules requiring, among other things, with respect to certain categories of natural gas wells undergoing hydraulic fracturing or re-fracturing, to reduce volatile organic compound emissions by methods such as routing flow back emissions to a gathering line or capturing and burning them in a combustion device after October 15, 2012 and the use of reduced emission completions or "green completions," with respect to new wells by January 1, 2015. More recently, on May 24, 2013, the federal Bureau of Land Management published a supplemental notice of proposed rulemaking governing hydraulic fracturing on federal and Indian lands that replaces a prior draft of proposed rulemaking issued by the BLM. The revised proposed rule would continue to require public disclosure of chemicals used in hydraulic fracturing on federal and Indian lands, require wells used in fracturing operations meet appropriate construction standards, and development of appropriate plans for managing water returns to the surface.

In addition, Congress from time to time has considered the adoption of legislation to provide for federal regulation of hydraulic fracturing, including disclosure of the chemicals used in the hydraulic fracturing process. Certain states, including Texas, have adopted, and others are considering, adopting, regulations that could impose more stringent permitting, public disclosure, and well construction requirements on hydraulic fracturing operations or otherwise seek to ban fracturing activities altogether. For example in May 2013, the TRC

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adopted new rules governing well casing, cementing and other standards for ensuring that hydraulic fracturing operation water resources. In addition to state laws, local land use restrictions, such as city ordinances, may restrict or prohibit the general and/or hydraulic fracturing in particular. In the event state, local, or municipal legal restrictions are adopted in conducting, or in the future plans to conduct operations, it may incur additional costs to comply with such requirements experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps even be wells.

There are also certain governmental reviews either underway or being proposed that focus on environmental aspects of h The White House Council on Environmental Quality is coordinating an administration-wide review of hydraulic-fracturing commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater, with drawing conclusions about the potential impacts of hydraulic fracturing on drinking water resources expected to be available respectively. Moreover, the EPA has announced that it will develop effluent limitations for the treatment and discharge of hydraulic fracturing activities by 2014. Other governmental agencies, including the U.S. Department of Energy and the U have evaluated or are evaluating various other aspects of hydraulic fracturing. These ongoing or proposed studies, dependent efforts and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the federal other regulatory mechanisms.

Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition to oil and natural using hydraulic fracturing techniques. Additional legislation or regulation could also lead to operational delays or increased production of oil and natural gas, including from the developing shale plays, or could make it more difficult to perform hydraulic adoption of any federal, state or local laws or the implementation of regulations regarding hydraulic fracturing could potentially completion of new oil and natural gas wells, increased compliance costs and time, any of which could adversely affect S

Regulation related to global warming and climate change could have an adverse effect on Sabine's operations and d

In December 2009, the EPA published its findings that emissions of greenhouse gases (GHGs) present an endangerment environment because emissions of such gases are, according to the EPA, contributing to the warming of the earth's atmosphere changes. Based on these findings, the EPA adopted regulations under existing provisions of the Clean Air Act that establish Deterioration and Title V permit reviews for GHG emissions from certain large stationary sources. Facilities required to Deterioration permits for their GHG emissions must meet best available control technology standards that will be established cases, by the EPA on a case-by-case basis. The EPA has also adopted rules requiring the monitoring and reporting of GHG sources in the United States, including, among others, certain oil and natural gas production facilities on an annual basis. Sabine's operations. In addition, as noted above, in August 2012, the EPA established new source performance standards (VOCs) and sulfur dioxide and an air toxic standard for oil and natural gas production, transmission, and storage. The standards for natural gas wells that are hydraulically fractured, or refractured, as well as requirements for several other sources other equipment, and limits methane emissions from these sources in an effort to reduce GHG emissions.

While Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant legislation to reduce GHG emissions at the federal level in recent years. In the absence of such federal climate legislation efforts have emerged that are aimed at tracking and/or reducing GHG emissions by means of cap and trade programs that of GHG emissions, such as electric power plants, to acquire and surrender emission allowances in

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return for emitting those GHGs. If Congress undertakes comprehensive tax reform in the coming year, it is possible that a carbon tax, which could impose additional direct costs on operations and reduce demand for refined products. In any event, the Obama Administration recently announced its Climate Action Plan, which, among other things, directs federal agencies to develop a strategy for reducing greenhouse gas emissions, including emissions from the oil and natural gas industry. As part of the Climate Action Plan, the Obama Administration intends to adopt additional regulations to reduce emissions of GHGs and to encourage greater use of low carbon technologies. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions from the oil and natural gas business, any such future laws and regulations that require reporting of GHGs or otherwise limit emissions of GHGs from the oil and natural gas operations could require Sabine to incur costs to monitor and report on GHG emissions or reduce emissions of GHGs as a result of such requirements also could adversely affect demand for the oil and natural gas that Sabine produces. Finally, it should be noted that the Administration has concluded that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have and may continue to have such as increased frequency and severity of storms, droughts and floods and other climatic events. If any such effects were to have an adverse effect on Sabine's business, financial condition and results of operations.

The majority of Sabine's operations are located in Texas, making operations vulnerable to risks associated with operations in major geographic areas.

Sabine's operations are focused primarily in East Texas, South Texas and North Texas, which means its current production and future opportunities are geographically concentrated in these areas. Because Sabine's operations are not as diversified geographically, the success of its operations and its profitability may be disproportionately exposed to the effect of any regional events, including changes in the price of oil, natural gas and NGLs produced from the wells in these areas, natural disasters, restrictive governmental regulations, operational constraints, curtailment of production or interruption of transportation, and any resulting delays or interruptions of production and drilling of new wells.

Sabine relies on independent experts and technical or operational service providers over whom it may have limited control.

Sabine uses independent contractors to provide it with technical assistance and services. Sabine relies upon the owners and operators of the equipment, and upon providers of field services, to drill and develop its prospects to production. In addition, Sabine relies upon third parties to explore or analyze its prospects to determine a method in which the prospects may be developed in a cost-effective manner. Without control over the activities and business practices of these providers, any inability on its part to maintain satisfactory control or their failure to provide quality services could materially and adversely affect its business, results of operations and financial performance.

Sabine's use of 2-D and 3-D seismic data is subject to interpretation and may not accurately identify the presence of hydrocarbons, which could adversely affect the results of its drilling operations.

Even when properly used and interpreted, 2-D and 3-D seismic data and visualization techniques are only tools used to identify potential subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are, in fact, present. In addition, the use of 3-D seismic and other advanced technologies requires greater predrilling expenditures than traditional 2-D seismic. Sabine could incur losses as a result of such expenditures. As a result, Sabine's drilling activities may not be successful.

Conservation measures and technological advances could reduce demand for oil and natural gas.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, a more fuel economy and energy generation devices could reduce demand

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for oil and natural gas. The impact of the changing demand for oil and natural gas services and products may have a material effect on our business, financial condition, results of operations and cash flows.

Properties that Sabine buys may not produce as projected and Sabine may be unable to determine the reserve potential with the properties or obtain protection from sellers against them.

One of Sabine's growth strategies is to capitalize on opportunistic acquisitions of oil and natural gas reserves. However, properties are inherently incomplete, because it generally is not feasible to review in detail every individual property involved. Ordinarily, Sabine will focus its review efforts on the higher value properties and will sample the remaining properties for value. Sabine also performs only a cursory review of title to these properties at the time it acquires interests in them, particularly if it does not acquire the properties immediately. However, even a detailed review of records and properties may not necessarily reveal existing or potential problems that would permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and potential. Inspections are not performed on every well, and environmental problems, such as ground water contamination, are not necessarily observed or investigated. Even when problems are identified, Sabine often assumes certain environmental and other risks and liabilities associated with the properties.

Approximately 40% of Sabine's core net leasehold acreage was undeveloped, and that acreage may not ultimately be commercially productive, which could cause Sabine to lose rights under its leases as well as have a material adverse effect on its reserves and future production and, therefore, its future cash flow and income.

As of December 31, 2013, approximately 40% of Sabine's core net leasehold acreage was undeveloped, or acreage on which drilling has not started or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether proved reserves exist. In addition, substantially all of Sabine's oil and natural gas leases require it to drill wells that are commercially productive. If it is unsuccessful in drilling such wells, it could lose its rights under such leases. Sabine's future oil and natural gas reserves and its future cash flow and income are highly dependent on successfully developing its undeveloped leasehold acreage.

Approximately 44% of Sabine's total estimated proved reserves at December 31, 2013 were proved undeveloped reserves.

Recovery of proved undeveloped reserves requires significant capital expenditures and successful drilling operations. The timing of the development of Sabine's reserve engineer reports assumes that substantial capital expenditures are required to develop such reserves. Although the costs attributable to Sabine's oil and natural gas reserves have been prepared in accordance with industry standards, it cannot be guaranteed that the estimates are accurate, that development will occur as scheduled or that the results of such development will be as estimated.

Market conditions or operational impediments may hinder Sabine's access to oil and natural gas markets or delay its production.

Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder Sabine's access to oil and natural gas markets or delay its production. The availability of a ready market for Sabine's oil and natural gas production depends on the demand for and supply of oil and natural gas and the proximity of Sabine's reserves to pipelines and terminal facilities. Sabine's production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned or operated by third parties. Sabine's failure to obtain such services on acceptable terms could materially harm its business. Sabine may be unable to produce for a lack of a market or because of inadequacy or unavailability of natural gas pipeline, gathering system capacity or processing facilities. If such an event occurs, Sabine would be unable to realize revenue from those wells until production arrangements were made to deliver the production to a market.

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Sabine's hedging activities could result in financial losses or could reduce its income.

To achieve a more predictable cash flow and to reduce its exposure to adverse fluctuations in commodity prices, Sabine has entered into hedging arrangements for a portion of its natural gas production and may in the future enter into such arrangements for portions of its oil production. These hedging arrangements expose Sabine to the risk of financial loss in some circumstances, including when:

production is less than expected;

the counterparty to the hedging contract defaults on its contractual obligations; or

there is a change in the expected differential between the underlying price in the hedging agreement and actual market prices. In addition, these types of hedging arrangements limit the benefit Sabine would receive from increases in the prices for natural gas. These hedging arrangements also expose Sabine to cash margin requirements.

Sabine's counterparties are typically financial institutions who are lenders under its Credit Facilities. The risk that a counterparty's obligations is heightened by the recent financial sector crisis and other losses incurred by many banks and other financial institutions or their affiliates. These losses may affect the ability of the counterparties to meet their obligations to Sabine. If a counterparty would reduce Sabine's revenues from hedges at a time when it is also receiving a lower price for its oil and natural gas sales, Sabine's payments. As a result, Sabine's operations, liquidity and financial condition could be materially, adversely affected.

Sabine's commodity price risk management activities could have the effect of reducing its net income. At December 31, 2013, the net liability represented by Sabine's commodity price risk management contracts was \$10.8 million. Sabine may continue to incur similar losses in the future from its commodity price risk management activities to the extent market prices increase or decrease and its contracts remain in place.

Sabine is exposed to credit risks of its hedging counterparties, third parties participating in its wells and its customers.

Sabine's principal exposures to credit risk are through receivables resulting from commodity derivatives instruments (\$15.8 million at December 31, 2013), joint interest receivables (\$15.8 million at December 31, 2013) and the sale of its oil, natural gas and NGLs production receivables at December 31, 2013), which Sabine markets to energy marketing companies and refineries. Joint interest receivables are from entities who own partial interest in the wells Sabine operates. These entities participate in Sabine's wells primarily based on acreage which Sabine wishes to drill. Sabine can do very little to choose who participates in its wells. Sabine is also subject to credit risk on its oil, natural gas and NGLs receivables with several significant customers. Sabine does not require most of its customers to provide insurance or failure of Sabine's significant customers to meet their obligations to Sabine or their insolvency or liquidation may adversely affect the results.

Sabine depends on a limited number of key personnel who would be difficult to replace.

Many key responsibilities within Sabine's business have been assigned to a small number of employees. The loss of any of these employees, management or other key employees could negatively impact its ability to execute its strategy. Further, Sabine does not have life insurance policies on any of its employees. As a result, Sabine is not insured against any losses resulting from the death of any of these employees.

Table of Contents***Competition in the oil and natural gas industry is intense, which may adversely affect Sabine's ability to succeed.***

The oil and natural gas industry is intensely competitive, and Sabine competes with other companies that have greater resources. These companies not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum products on a regional, national or worldwide basis. These companies may be able to pay more for productive oil and natural gas properties or define, evaluate, bid for and purchase a greater number of properties and prospects than Sabine's financial or human resources. These companies may have a greater ability to continue exploration activities during periods of low oil and natural gas market prices. Competitors may be able to absorb the burden of present and future federal, state, local and other laws and regulations more effectively than Sabine, which would adversely affect Sabine's competitive position.

Sabine's ability to acquire additional properties and to discover reserves in the future will be dependent upon its ability to identify and acquire properties and to consummate transactions in a highly competitive environment. In addition, because Sabine has fewer financial resources than many companies in its industry, it may be at a disadvantage in bidding for exploratory prospects and producing oil and natural gas.

Sabine has limited control over activities on properties it does not operate, which could reduce its production and revenues.

A portion of Sabine's business activities is conducted through joint operating agreements under which Sabine owns part of the properties. If Sabine does not operate the properties in which it owns an interest, Sabine does not have control over normal operations, expenditures or future development of underlying properties. The failure of an operator of Sabine's wells to adequately operate or a breach of the applicable agreements could reduce its production and revenues. The success and timing of Sabine's activities on properties operated by others, therefore, depends upon a number of factors outside of its control, including the availability of capital expenditures, expertise and financial resources, inclusion of other participants in drilling wells and use of technology. Because Sabine has a majority interest in most wells that it does not operate, Sabine may not be in a position to remove the operator in the event of a breach.

The inability of one or more of Sabine's customers to meet their obligations may adversely affect Sabine's financial condition.

Sabine derives a significant portion of its revenues from a few customers. For the year ended December 31, 2013, eight customers accounted for approximately 75% of Sabine's total revenues. If these customers fail to timely pay for Sabine's production or they cease operations and Sabine is unable to secure alternative purchasers for its production on a timely basis, Sabine's financial condition and revenues may be materially adversely affected.

The recent adoption of derivatives legislation by the U.S. Congress could have an adverse effect on Sabine's ability to hedge its risks, which could reduce the effect of commodity price, interest rate and other risks associated with Sabine's business.

Historically, Sabine has entered into a number of commodity derivative contracts in order to hedge a portion of its oil and natural gas production in the future. In the future, Sabine may enter into derivative contracts to hedge a portion of its exposure to fluctuations in interest rates. On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which created the Commodity Futures Trading Commission (the "CFTC") to promulgate rules and regulations implementing the new legislation. While the CFTC has finalized certain regulations, others remain to be finalized or implemented and it is not possible at this time to predict what effect the Dodd-Frank Act will have on Sabine's business.

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In October 2011, the CFTC issued regulations to set position limits for certain futures and option contracts in the major energy markets and their economic equivalents. The initial position limits rule was vacated by the United States District Court for the District of Columbia in September 2012. However, in November 2013, the CFTC proposed new rules that would place limits on positions in energy futures and swaps contracts for or linked to certain physical commodities, subject to exceptions for certain bona fide hedging transactions. As the limit rules are not yet final, the impact of those provisions on Sabine is uncertain at this time.

The CFTC has designated certain interest rate swaps and credit default swaps for mandatory clearing and the associated connection with covered derivative activities, to comply with clearing and trade-execution requirements or take steps to meet those requirements. Although Sabine expects to qualify for the end-user exception from the mandatory clearing requirements for energy derivatives, commercial risks, the application of the mandatory clearing and trade execution requirements to other market participants could change the cost and availability of the swaps that Sabine uses for hedging. In addition, for uncleared swaps, the CFTC may require end-users to enter into credit support documentation and/or post initial and variation margin. Posting of collateral may reduce cash available to Sabine for capital expenditures, therefore reducing Sabine's ability to execute hedges to reduce risk. As the proposed margin rules are not yet final, and therefore the impact of those provisions to Sabine is uncertain at this time.

The Dodd-Frank Act also may require the counterparties to Sabine's derivative instruments to spin off some of their derivative activities to an entity, which may not be as creditworthy as the current counterparty.

The full impact of the Dodd-Frank Act and related regulatory requirements upon Sabine's business will not be known until the regulations are implemented and the market for derivatives contracts has adjusted. The Dodd-Frank Act and any new regulations could reduce the volume of derivative contracts, materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against price volatility, reduce Sabine's ability to monetize or restructure its existing derivative contracts or increase its exposure to less creditworthy counterparties. As a result of the Dodd-Frank Act and regulations implementing the Dodd-Frank Act, the market for derivatives may become more volatile and its cash flows may be less predictable, which could adversely affect Sabine's ability to plan for the future.

Finally, the Dodd-Frank Act was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators believe will reduce trading in derivatives and commodity instruments related to oil and natural gas. Sabine's revenues could therefore be adversely affected if the Dodd-Frank Act and implementing regulations is to lower commodity prices.

Any of these consequences could have a material adverse effect on Sabine, its financial condition and the results of its operations.

Sabine's business and financial results may be adversely affected if proposed tax reforms are enacted or similar initiatives are enacted as part of the U.S. government's efforts to reduce budget deficits.

The Obama administration's budget proposals for fiscal year 2015 contain numerous proposed tax changes, and from time to time the administration has introduced that would enact many of these proposed changes. The proposed budget and legislation would repeal many tax provisions that are currently available to U.S. oil and natural gas companies. Among others, the provisions include: elimination of the allowance for depletion on drilling and development costs in the year incurred; repeal of the percentage depletion deduction for oil and natural gas production; repeal of the manufacturing tax deduction for oil and natural gas companies; and increase in the geological and geophysical amortization deduction for producers. It is unclear whether any of these or similar changes will be enacted and, if enacted, how soon any such changes will be enacted. The passage of legislation containing some or all of these provisions or

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any other similar change in U.S. federal income tax law could eliminate or postpone certain tax deductions that are currently available with respect to oil and natural gas exploration and development, and any such change could have a material adverse effect on the financial condition and results of operations.

Restrictions in Sabine's existing and future debt agreements could limit its growth and its ability to respond to changing market conditions.

Sabine's existing Credit Facilities contain, and the New Revolving Credit Facility and if the merger is completed, the Forest Credit Facility will contain, a number of significant covenants in addition to covenants restricting the incurrence of certain kinds of additional debt. The Forest Credit Facility requires, and it is anticipated that the New Revolving Credit Facility will require, Sabine, among other things, to maintain certain financial ratios. These restrictions also limit Sabine's ability to obtain future financings to withstand a future downturn in Sabine's business, in general, or to otherwise conduct necessary corporate activities. Sabine may also be prevented from taking advantage of business opportunities because of the limitations that the restrictive covenants under the indenture governing its 2017 Notes, its existing Credit Facilities, the Forest Credit Facility, and the Forest indentures impose on it. In addition, complying with these covenants may also cause Sabine's performance to be unfavorable to holders of its common stock and may make it more difficult for Sabine to successfully execute its business strategy compared to companies that are not subject to such restrictions.

The Sabine Credit Facility limits the amounts it can borrow up to the lesser of the committed amount and a borrowing base determined by its lenders, in their sole discretion, determine based upon, among other factors, projected revenues from the oil and natural gas properties owned or operated by Sabine under such facility. The borrowing base is redetermined twice each year. In addition, the administrative agent, at the direction of the lenders, 2/3% of the commitments, can elect to cause a borrowing base redetermination for any reason two times between each scheduled redetermination. An increase in the borrowing base requires the consent of the lenders holding 100% of the commitments. Outstanding borrowings under the borrowing base must be repaid immediately except in the case of a deficiency caused by a redetermination or adjustment, in which case Sabine may cure the deficiency by prepaying such deficiency within 90 days following the receipt of a new borrowing base notice, Sabine may not have the financial resources in the future to make mandatory principal prepayments required under the Sabine Credit Facility.

The New Revolving Credit Facility is expected to contain similar terms in respect of the determination of the borrowing base. If outstanding borrowings are in excess of the borrowing base as a result of a redetermination or adjustment, it is expected that Sabine will cure the deficiency by electing one or a combination of the following methods within 10 days after being notified of such deficiency: (i) eliminate such deficiency within 30 days of such election, (ii) prepay such deficiency in six equal consecutive monthly installments (within 30 days after Sabine receives notice of such deficiency) and, in connection therewith, dedicate a sufficient amount of monies to such prepayments or (iii) provide new reserve and engineering reports on properties not evaluated previously, the value of which will be sufficient to eliminate the deficiency within 30 days of such election. Sabine may not have the financial resources in the future to make such mandatory principal prepayments required under the New Revolving Credit Facility.

Sabine's Term Loan Facility, its indentures and the Forest indentures contain certain restrictions regarding Sabine's ability to create or incur liens, contain certain other covenants, including restrictions on Sabine's ability to create or incur liens, make dividends and other distributions, sell assets, engage in transactions with affiliates or merge or consolidate, in each case subject to certain carve-outs and exceptions. For more information regarding the Credit Facilities, please see Management's Discussion and Analysis of Financial Condition and Results of Operations, "Financing By Financing Activities" in Annex A of this document.

A breach of any covenant in Sabine's Credit Facilities, indentures or other agreements governing any other indebtedness of Sabine, including, if the merger is completed, the Forest indentures, would result in a default under such agreement after the expiration of the cure period, if not cured.

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waived, could result in acceleration of the debt outstanding under the agreement and a default with respect to, and an acceleration of the debt outstanding under other debt agreements. The accelerated debt would become immediately due and payable. If that occurs, Sabine would be required to make all of the required payments or borrow sufficient funds to refinance such debt. Even if new financing were available, it might not be on terms that are acceptable to Sabine. If Sabine is unable to repay the accelerated amounts, its creditors could proceed against its assets to secure such debt. If Sabine's debt is in default for any reason, its business, financial condition and results of operations could be adversely affected.

Loss of Sabine's information and computer systems could adversely affect its business.

Sabine is heavily dependent on its information systems and computer based programs, including its well operations information systems, data processing and accounting data. If any of such programs or systems were to fail or create erroneous information in its information systems network infrastructure, possible consequences include Sabine's loss of communication links, inability to find, produce, or disseminate information, and inability to automatically process commercial transactions or engage in similar automated or computerized business operations. Such a consequence could have a material adverse effect on Sabine's business.

A terrorist attack or armed conflict could harm Sabine's business.

Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or other countries may adversely affect the United States and global economies and could prevent Sabine from meeting its financial and other obligations. If any of these events occur, economic instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on oil and natural gas prices and services and causing a reduction in its revenues. Oil and natural gas related facilities could be direct targets of terrorist attacks. Sabine's operations could be adversely affected if infrastructure integral to its customers' operations is destroyed or damaged. Costs for insurance could increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

Sabine's operations are subject to the risk of cyber-attacks that could have a material adverse effect on its consolidated financial condition.

Sabine's information technology systems are subject to possible breaches and other threats that could cause it harm. If Sabine's defenses against cyber security risks prove not to be sufficient, Sabine could be adversely affected by the loss or damage of intellectual property, confidential information, or client data, interruption of business operations, or additional costs to prevent, respond to, or mitigate cyber security risks. Such a consequence could have a material adverse effect on Sabine's business, consolidated results of operations, and consolidated financial condition.

As a privately held entity, Sabine is not required to comply with the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act of 2002. If Sabine executed a transaction that required such compliance, the related requirements could increase its costs and distract management, and it may be unable to comply with these requirements in a timely or cost-effective manner.

As a public company Sabine would need to comply with new laws, regulations and requirements, certain corporate governance requirements, the Sarbanes-Oxley Act of 2002, related regulations of the SEC, including compliance with the reporting requirements of the Exchange Act, the requirements of the NYSE, or the NYSE, with which Sabine is not required to comply as a private company. Complying with these requirements will occupy a significant amount of time of Sabine's board of directors and management and may significantly increase its costs and expenses relating to but not limited to the following:

institute a more comprehensive compliance function;

design, establish, evaluate and maintain a system of internal controls over financial reporting in compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;

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comply with rules promulgated by the NYSE;

prepare and distribute periodic public reports in compliance with its obligations under the federal securities

establish new internal policies, such as those relating to disclosure controls and procedures and insider trading

involve and retain to a greater degree outside counsel and accountants in the above activities; and

establish an investor relations function.

In connection with certain audits and reviews of Sabine's financial statements, Sabine's independent registered public accountants reported misstatements to management. Certain of such misstatements were deemed to be the result of internal control deficiencies, which constituted material weaknesses in Sabine's internal control over financial reporting. If one or more material weaknesses recur or are not remediated, Sabine may not be able to maintain effective control over financial reporting, Sabine's ability to accurately report its financial results could be

Sabine restated its financial statements for the years ended December 31, 2012 and 2011 with respect to the accounting of derivative financial transactions in both the 2012 and 2011 periods and with respect to reversing a bargain purchase gain of certain oil and natural gas properties in 2012. Sabine concluded that these restatements constituted material weaknesses in its financial reporting. A material weakness is a control deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of Sabine's annual or interim financial statements will not be prevented or detected on a timely basis.

Sabine's efforts to develop and maintain internal controls may not be successful, and Sabine may be unable to maintain its financial processes and reporting in the future. Further, Sabine's remediation efforts may not enable it to remedy or avoid significant deficiencies in the future. Any failure to remediate deficiencies and to develop or maintain effective controls, in Sabine's implementation or improvement of their internal controls over financial reporting could result in material misstatements or detected on a timely basis.

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SABINE OIL & GAS LLC

Estimated

Future Reserves and Income

Attributable to Certain

Leasehold and Royalty Interests

SEC Parameters

As of

December 31, 2013

\s\ Jennifer Fitzgerald
Jennifer A. Fitzgerald, P.E.
TBPE License No. 100572
Senior Vice President

RYDER SCOTT COMPANY, L.P.

TBPE Firm Registration No. F-1580

RYDER SCOTT COMPANY PETROLEUM CONSULTANTS

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TBPE REGISTERED ENGINEERING FIRM F-1580
 1100 LOUISIANA STREET SUITE 4600 HOUSTON, TEXAS 77002-5294
 January 24, 2014

Sabine Oil & Gas LLC

1415 Louisiana, Suite 1600

Houston, Texas 77002

Gentlemen:

At your request, Ryder Scott Company, L.P. (Ryder Scott) has prepared an estimate of the proved reserves, future production and future net income of certain leasehold and royalty interests of Sabine Oil & Gas LLC (Sabine) as of December 31, 2013. The subject properties are located in Texas. The reserves and income data were estimated based on the definitions and disclosure guidelines of the United States Securities and Exchange Commission (SEC) contained in Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule, published in the Federal Register (SEC regulations). Our third party study, completed on January 20, 2014 and presented herein, was prepared in accordance with the disclosure requirements set forth in the SEC regulations. The properties evaluated by Ryder Scott represent 100 percent of the hydrocarbon reserves and 100 percent of the total net proved gas reserves of Sabine as of December 31, 2013.

The estimated reserves and future net income amounts presented in this report, as of December 31, 2013, are related to historical hydrocarbon prices used in the preparation of this report are based on the average prices during the 12-month period prior to the period covered in this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month of the period, unless prices were defined by contractual arrangements, as required by the SEC regulations. Actual future prices may differ from the prices required by SEC regulations; therefore, volumes of reserves actually recovered and the amounts of income actually received may differ significantly from the estimated quantities presented in this report. The results of this study are summarized below.

SEC PARAMETERS

Estimated Net Reserves and Income Data

Certain Leasehold and Royalty Interests of

Sabine Oil & Gas LLC

As of December 31, 2013

		Producing	Developed Non-Producing	Proved Undeveloped
<u>Net Remaining Reserves</u>				
Oil/Condensate	Barrels	5,545,661	447,267	10,000,000
Plant Products	Barrels	11,017,554	565,277	13,000,000
Gas	MMCF	348,332	12,312	

Income Data (M\$)

Future Gross Revenue	\$ 2,092,260	\$ 101,698	\$ 2
Deductions	631,305	35,923	
Future Net Income (FNI)	\$ 1,460,955	\$ 65,775	\$ 1
Discounted FNI @ 10%	\$ 770,969	\$ 34,705	\$

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Sabine Oil & Gas LLC

January 24, 2014

SUITE 600, 1015 4TH STREET, S.W. CALGARY, ALBERTA T2R 1J4
 621 17TH STREET, SUITE 1550 DENVER, COLORADO 80293-1501

TEL (403) 262-2799
 TEL (303) 623-9147

Liquid hydrocarbons are expressed in standard 42 gallon barrels. All gas volumes are reported on an as sold basis expressed in million cubic feet (MMCF) at the official temperature and pressure bases of the areas in which the gas reserves are located. In this report, total income data are expressed as thousands of U.S. dollars (M\$).

The estimates of the reserves, future production, and income attributable to properties in this report were prepared using the Aries System Petroleum Economic Evaluation Software, a copyrighted program of Halliburton. The program was used and audited by Scott has found this program to be generally acceptable, but notes that certain summaries and calculations may vary due to rounding. The total income may not match the sum of the properties being summarized. Furthermore, one line economic summaries may vary slightly from the total income projections of the same properties, also due to rounding. The rounding differences are not material.

The future gross revenue is after the deduction of production taxes. The deductions incorporate the normal direct costs of production, taxes, recompletion costs, development costs, and certain abandonment costs net of salvage. The future net income is before federal income taxes and general administrative overhead, and has not been adjusted for outstanding loans that may exist. The adjustment for cash on hand or undistributed income. Liquid hydrocarbon reserves account for approximately 54 percent of total future gross revenue and 46 percent of total future gross revenue from proved reserves.

The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded annually. The future net income was discounted at four other discount rates which were also compounded monthly. These results are shown in summary below.

Discount Rate Percent	Discounted Future Net Income As of December 31, 2014	Total Proved
5	\$	1,8
8	\$	1,5
9	\$	1,4
12	\$	1,2

The results shown above are presented for your information and should not be construed as our estimate of fair market value.

Reserves Included in This Report

The proved reserves included herein conform to the definition as set forth in the Securities and Exchange Commission's 1980 Securities Act, as amended, and its abridged version of the SEC reserves definitions from 210.4-10(a) entitled "Petroleum Reserves Definitions" is included herein.

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The various proved reserve status categories are defined under the attachment entitled "Petroleum Reserves Status Definition" report. The proved developed non-producing reserves included herein consist of the behind pipe category.

No attempt was made to quantify or otherwise account for any accumulated gas production imbalances that may exist. The reserves presented herein do not include volumes of gas consumed in operations as reserves.

Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible from the application of development projects to known accumulations. All reserve estimates involve an assessment of the uncertainty that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date of the estimate. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves, and may be further sub-classified as probable and possible reserves, with progressively increasing uncertainty in their recoverability. At Sabine's request, this report addresses only the proved reserves on the properties evaluated herein.

Proved oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward. The proved reserves included herein were estimated using deterministic methods. The SEC has defined reasonable certainty for proved reserves, when based on deterministic methods, as a high degree of certainty that the quantities will be recovered.

Proved reserve estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change. For proved reserves, the SEC states that as changes due to increased availability of geoscience (geological, geophysical, and economic data are made to the estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more constant than to decrease. Moreover, estimates of proved reserves may be revised as a result of future operations, effective changes in governmental regulations or geopolitical or economic risks. Therefore, the proved reserves included in this report are estimates only and not exact quantities, and if recovered, the revenues therefrom, and the actual costs related thereto, could be more or less than the estimated quantities.

Sabine's operations may be subject to various levels of governmental controls and regulations. These controls and regulations may be limited to, matters relating to land tenure and leasing, the legal rights to produce hydrocarbons, drilling and production regulations, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax and are subject to change. Changes in governmental regulations and policies may cause volumes of proved reserves actually recovered and amounts of revenues received to differ significantly from the estimated quantities.

The estimates of proved reserves presented herein were based upon a detailed study of the properties in which Sabine Oil & Gas LLC has not made any field examination of the properties. No consideration was given in this report to potential environmental liabilities or were any costs included for potential liabilities to restore and clean up damages, if any, caused by past operating practices.

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Estimates of Reserves

The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantity of oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the requirements set forth by the Securities and Exchange Commission's Regulations Part 210.4-10(a). The process of estimating the quantities of reserves relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into three categories: (1) performance-based methods; (2) volumetric-based methods; and (3) analogy. These methods may be used singularly or in combination by the evaluator in the process of estimating the quantities of reserves. Reserve evaluators must select the method or combination of methods based on professional judgment is most appropriate given the nature and amount of reliable geoscience and engineering data available, the established or anticipated performance characteristics of the reservoir being evaluated, and the stage of development of the property.

In many cases, the analysis of the available geoscience and engineering data and the subsequent interpretation of this data can result in a range of possible outcomes in an estimate, irrespective of the method selected by the evaluator. When a range in the quantity of reserves is indicated, the evaluator must determine the uncertainty associated with the incremental quantities of the reserves. If the reserve quantities are estimated using a deterministic incremental approach, the uncertainty for each discrete incremental quantity of the reserves is addressed by the evaluator. Therefore, it is the categorization of reserve quantities as proved, probable and/or possible that addresses the uncertainty of the estimated quantities reported. For proved reserves, uncertainty is defined by the SEC as reasonable certainty wherein the reserves are much more likely than not to be achieved. The SEC states that probable reserves are those additional reserves that are more likely than proved reserves but which, together with proved reserves, are as likely as not to be recovered. The SEC states that possible reserves are additional reserves that are less certain to be recovered than probable reserves and the total quantities ultimately recovered are less than the probability of exceeding proved plus probable plus possible reserves. All quantities of reserves within the same reserve category are defined as noted above.

Estimates of reserves quantities and their associated reserve categories may be revised in the future as additional geoscience and engineering data become available. Furthermore, estimates of reserves quantities and their associated reserve categories may also be revised due to changes in economic conditions, results of future operations, effects of regulation by governmental agencies or geopolitical or economic events herein.

The proved reserves for the properties included herein were estimated by performance methods, the volumetric method, or a combination of methods. Approximately 90 percent of the proved producing reserves attributable to producing wells and/or reservoirs were estimated by performance methods or a combination of methods. These performance methods include, but may not be limited to, decline curve analysis, material balance methods, and extrapolations of historical production and pressure data available through December 2013 in those cases where such data are definitive. The data utilized in this analysis were furnished to Ryder Scott by Sabine or obtained from public data sources for the purpose thereof. The remaining 10 percent of the proved producing reserves were estimated by the volumetric method or a combination of methods. These methods were used where there were inadequate historical performance data to establish a definitive production performance data as a basis for the reserve estimates was considered to be inappropriate.

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Approximately 100 percent of the proved developed non-producing and undeveloped reserves included herein were estimated by analogy, or a combination of methods. The volumetric analysis utilized pertinent well and seismic data furnished to Ryder Scott, or have obtained from public data sources that were available through December 2013. The data utilized from the analogue data incorporated into our volumetric analysis were considered sufficient for the purpose thereof.

To estimate economically recoverable proved oil and gas reserves and related future net cash flows, we consider many factors including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data together with economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates. Under the provisions of 210.4-10(a)(22)(v) and (26), proved reserves must be anticipated to be economically producible from a given date forward under conditions including the prices and costs at which economic producibility from a reservoir is to be determined. While it is recognized that the future prices received for the sale of production and the operating costs and other costs relating to such production may differ from those under existing economic conditions, such changes were, in accordance with rules adopted by the SEC, omitted from our evaluation.

Sabine has informed us that they have furnished us all of the material accounts, records, geological and engineering data and information required for this investigation. In preparing our forecast of future proved production and income, we have relied upon data furnished by Sabine with respect to property interests owned, production and well tests from examined wells, normal direct costs of operating the wells, such as transportation and/or processing fees, ad valorem and production taxes, recompletion and development costs, abandonment costs, product prices based on the SEC regulations, adjustments or differentials to product prices, geological structural and isochronal analyses, and pressure measurements. Ryder Scott reviewed such factual data for its reasonableness; however, we have not performed a verification of the data furnished by Sabine. We consider the factual data used in this report appropriate and sufficient for our estimates of reserves and future net revenues herein.

In summary, we consider the assumptions, data, methods and analytical procedures used in this report appropriate for the purposes intended. We used all such methods and procedures that we consider necessary and appropriate to prepare the estimates of reserves herein. The reserves included herein were determined in conformance with the United States Securities and Exchange Commission (SEC) Mandatory Disclosure Reporting; Final Rule, including all references to Regulation S-X and Regulation S-K, referred to herein collectively as the SEC Reporting Regulations. In our opinion, the proved reserves presented in this report comply with the definitions, guidelines and disclosure requirements of the SEC Reporting Regulations.

Future Production Rates

For wells currently on production, our forecasts of future production rates are based on historical performance data. If no historical data has been established, future production rates were held constant, or adjusted for the effects of curtailment where appropriate, if curtailment of produce was anticipated. An estimated rate of decline was then applied to depletion of the reserves. If a decline trend has been established, it was used as the basis for estimating future production rates.

Test data and other related information were used to estimate the anticipated initial production rates for those wells or locations not currently producing. For reserves not yet on production, sales were estimated to commence at an anticipated date furnished by Sabine. Wells not currently producing may start producing earlier or later than anticipated in our estimates due to unforeseen factors such as

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timing to initiate production. Such factors may include delays due to weather, the availability of rigs, the sequence of drilling, recompleting wells and/or constraints set by regulatory bodies.

The future production rates from wells currently on production or wells or locations that are not currently producing may be affected because of changes including, but not limited to, reservoir performance, operating conditions related to surface facilities, pipeline capacity and/or operating conditions, producing market demand and/or allowables or other constraints set by regulatory bodies.

Hydrocarbon Prices

The hydrocarbon prices used herein are based on SEC price parameters using the average prices during the 12-month period covered in this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month within such period, unless prices were defined by contractual arrangements. For hydrocarbon products sold under contracts with fixed and determinable escalations, exclusive of inflation adjustments, were used until expiration of the contract. Upon expiration, prices were adjusted to the 12-month unweighted arithmetic average as previously described.

Sabine furnished us with the above mentioned average prices in effect on December 31, 2013. These initial SEC hydrocarbon prices were determined using the 12-month average first-day-of-the-month benchmark prices appropriate to the geographic area where the hydrocarbon products are produced. The benchmark prices are prior to the adjustments for differentials as described herein. The table below summarizes the benchmark prices used for the geographic area included in the report. In certain geographic areas, the price reference and benchmark prices may vary due to contractual arrangements.

The product prices that were actually used to determine the future gross revenue for each property reflect adjustments to the benchmark prices for gravity, quality, local conditions, and/or distance from market, referred to herein as differentials. The differentials used were estimated by us based on information furnished by Sabine.

In addition, the table below summarizes the net volume weighted benchmark prices adjusted for differentials and referred to as realized prices. The average realized prices shown in the table below were determined from the total future gross revenue divided by total net reserves for the geographic area and presented in accordance with SEC disclosure requirements for each of the periods in this report.

Geographic Area	Product	Price Reference	Average Benchmark Prices
North America United States	Oil/Condensate	WTI Cushing	\$ 96.78/B
	NGLs	Mont Belvieu Propane	\$ 41.23/B
	Gas	Henry Hub	\$ 3.67/MMBT

The effects of derivative instruments designated as price hedges of oil and gas quantities are not reflected in our individual

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Costs

Operating costs for the leases and wells in this report were furnished by Sabine and are based on the operating expense report, but include only those costs directly applicable to the leases or wells. The operating costs include a portion of general and administrative expenses for the leases and wells. The operating costs furnished by Sabine were reviewed by us for their reasonableness using information furnished to us for this purpose. No deduction was made for loan repayments, interest expenses, or exploration and development prepayments related to the leases or wells.

Development costs were furnished to us by Sabine and are based on authorizations for expenditure for the proposed work programs and projects. The development costs furnished to us were accepted as factual data and reviewed by us for their reasonableness. We did not conduct an independent verification of these costs. The estimated net cost of abandonment after salvage was included in the development costs. Abandonment costs net of salvage were significant. The estimates of the net abandonment costs furnished by Sabine were reviewed by us for their reasonableness, but we did not conduct an independent verification.

The proved developed non-producing and undeveloped reserves in this report have been incorporated herein in accordance with the estimates of these reserves as of December 31, 2013. The implementation of Sabine's development plans as presented to us and incorporated herein were subject to the approval process adopted by Sabine's management. As the result of our inquiries during the course of preparing this report, we determined that the development activities included herein have been subjected to and received the internal approvals required by Sabine at the local, regional and/or corporate level. In addition to the internal approvals as noted, certain development activities may require regulatory AFE processes, Joint Operating Agreement (JOA) requirements or other administrative approvals external to Sabine. As noted, we advised us that they are not aware of any legal, regulatory, political or economic obstacles that would significantly alter their plans.

Current costs used by Sabine were held constant throughout the life of the properties.

Standards of Independence and Professional Qualification

Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum consulting services for over seventy-five years. Ryder Scott is employee-owned and maintains offices in Houston, Texas; Denver, Colorado; and other locations. We have over eighty engineers and geoscientists on our permanent staff. By virtue of the size of our firm and the large number of clients we provide services, no single client or job represents a material portion of our annual revenue. We do not serve as officers or directors of any privately-owned or publicly-traded oil and gas company and are separate and independent from the operating and investing activities of our clients. This allows us to bring the highest level of independence and objectivity to each engagement for our services.

Ryder Scott actively participates in industry-related professional societies and organizes an annual public forum focused on regulatory evaluations and SEC regulations. Many of our staff have authored or co-authored technical papers on the subject of reservoir engineering. We encourage our staff to maintain and enhance their professional skills by actively participating in ongoing continuing education.

Prior to becoming an officer of the Company, Ryder Scott requires that staff engineers and geoscientists have received professional certification in the form of a registered or certified professional engineer's license or

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a registered or certified professional geoscientist's license, or the equivalent thereof, from an appropriate governmental self-regulating professional organization.

We are independent petroleum engineers with respect to Sabine. Neither we nor any of our employees have any interest in Sabine, and neither the employment to do this work nor the compensation is contingent on our estimates of reserves for the properties.

The results of this study, presented herein, are based on technical analysis conducted by teams of geoscientists and engineers. The professional qualifications of the undersigned, the technical person primarily responsible for overseeing the evaluation of the properties discussed in this report, are included as an attachment to this letter.

Terms of Usage

The results of our third party study, presented in report form herein, were prepared in accordance with the disclosure requirements of the applicable regulations.

We have provided Sabine with a digital version of the original signed copy of this report letter. In the event there are any other versions included in presentations made by Sabine and the original signed report letter, the original signed report letter shall prevail over the digital version.

The data and work papers used in the preparation of this report are available for examination by authorized parties in our office and can be of further service.

Very truly yours,

RYDER SCOTT COMPANY
TBPE Firm Registration No.

\\ Jennifer Fitzgerald

Jennifer A. Fitzgerald, P.E.
TBPE License No. 100572
Senior Vice President

JAF (FWZ)/pl

RYDER SCOTT COMPANY PETROLEUM CONSULTANTS

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Professional Qualifications of Primary Technical Person

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers of Ryder Scott Company, L.P. Jennifer A. Fitzgerald was the primary technical person responsible for overseeing the estimate of the reserves and income prepared by Ryder Scott presented herein.

Mrs. Fitzgerald, an employee of Ryder Scott Company L.P. (Ryder Scott) since 2006, is a Senior Vice President responsible for supervising staff and consulting engineers of the company in ongoing reservoir evaluation studies worldwide. Before joining Ryder Scott, Mrs. Fitzgerald served in a number of engineering positions with ExxonMobil. For more information regarding Mrs. Fitzgerald's specific experience, please refer to the Ryder Scott Company website at www.ryderscott.com/Experience/Employees.

Mrs. Fitzgerald earned a Bachelor of Science degree in Chemical Engineering from University of Illinois Urbana-Champaign and is a Professional Engineer in the State of Texas. She is also a member of the Society of Petroleum Evaluation Engineers and the Society of Petroleum Engineers. She currently serves on the Board of Directors for the Society of Petroleum Evaluation Engineers.

In addition to gaining experience and competency through prior work experience, the Texas Board of Professional Engineering requires fifteen hours of continuing education annually, including at least one hour in the area of professional ethics, which Mrs. Fitzgerald completed in 2013. In 2013 continuing education hours, Mrs. Fitzgerald attended 8 hours of formalized training including the 2013 RSC Reserves Conference, professional society presentations specifically relating to the definitions and disclosure guidelines contained in the United States Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register. Mrs. Fitzgerald attended an additional 8 hours of formalized external training during 2013 covering such topics as geoscience and petroleum economics evaluation methods, procedures and software and ethics for consultants. She also participated in the 2013 RSC Reserves Conference and the 2013 National Oil and Gas Reserves Conference held by AICPA/PDI relating to the disclosure guidelines contained in the United States Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register. Mrs. Fitzgerald also previously attended the one-day training presented by Dr. John Lee specific to the new SEC regulations.

Based on her educational background, professional training and more than 12 years of practical experience in the estimation of oil and gas reserves, Mrs. Fitzgerald has attained the professional qualifications as a Reserves Estimator and Reserves Auditor set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers on February 19, 2007.

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PETROLEUM RESERVES DEFINITION

Examples of unconventional petroleum accumulations include coalbed or coalseam methane (CBM/CSM), basin-centered natural bitumen and oil shale deposits. These unconventional accumulations may require specialized extraction technology prior to sale.

Reserves do not include quantities of petroleum being held in inventory.

Because of the differences in uncertainty, caution should be exercised when aggregating quantities of petroleum from different

RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(26) defines reserves as follows:

Reserves. Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible from a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or other hydrocarbons, and all permits and financing required to implement the project.

Note to paragraph (a)(26): Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing faults that have not been penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a productive reservoir (*i.e.*, absence of reservoir, structurally low reservoir, or negative test results). Such areas do not constitute hydrocarbon resources (*i.e.*, potentially recoverable resources from undiscovered accumulations).

PROVED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(22) defines proved oil and gas reserves as follows:

Proved oil and gas reserves. Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, under existing operating methods, and government regulations prior to the time at which contracts providing the right to operate in the reservoir indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the analysis. The method used must be appropriate for the characteristics of the reservoir. The hydrocarbons to be extracted must have commenced or the operator must be reasonably certain that it will commence the primary operations necessary to extract the hydrocarbons.

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and

(B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbon contact unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with the reservoir.

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PETROLEUM RESERVES DEFINITION

PROVED RESERVES (SEC DEFINITIONS) CONTINUED

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, waterfloods) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir in which an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the economic producibility of the project or program; and engineering analysis on which the project or program was based; and

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price is the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements or other reliable data based upon future conditions.

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PETROLEUM RESERVES STATUS DEFINITIONS AND GUIDELINES

As Adapted From:

RULE 4-10(a) of REGULATION S-X PART 210

UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

and

PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)

Sponsored and Approved by:

SOCIETY OF PETROLEUM ENGINEERS (SPE)

WORLD PETROLEUM COUNCIL (WPC)

AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)

SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

Reserves status categories define the development and producing status of wells and reservoirs. Reference should be made to SEC Regulations, Regulation S-X Part 210, Rule 4-10(a) and the SPE-PRMS as the following reserves status definitions are based on the original documents (direct passages excerpted from the aforementioned SEC and SPE-PRMS documents are denoted in italics).

DEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(6) defines developed oil and gas reserves as follows:

Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is less than the cost of a new well; and

(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is expected to be profitable over the life of a well.

Developed Producing (SPE-PRMS Definitions)

While not a requirement for disclosure under the SEC regulations, developed oil and gas reserves may be further sub-classified as contained in the SPE-PRMS as Producing or Non-Producing.

Developed Producing Reserves

Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the reserves estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

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PETROLEUM RESERVES DEFINITION

Developed Non-Producing

Developed Non-Producing Reserves include shut-in and behind-pipe reserves.

Shut-In

Shut-in Reserves are expected to be recovered from:

- (1) completion intervals which are open at the time of the estimate, but which have not started producing;*
- (2) wells which were shut-in for market conditions or pipeline connections; or*
- (3) wells not capable of production for mechanical reasons.*

Behind-Pipe

Behind-pipe Reserves are expected to be recovered from zones in existing wells, which will require additional completion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

UNDEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(31) defines undeveloped oil and gas reserves as follows:

Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably expected to be drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at the time the reserves are estimated.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted in which it is intended that the locations will be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an applicable improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology established at the time the reserves are estimated.

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**AMENDED AND RESTATED
AGREEMENT AND PLAN OF MERGER
BY AND AMONG
SABINE INVESTOR HOLDINGS LLC,
SABINE OIL & GAS HOLDINGS LLC,
SABINE OIL & GAS HOLDINGS II LLC,
SABINE OIL & GAS LLC,
FOREST OIL CORPORATION,
AND
FR XI ONSHORE AIV, LLC**

Dated as of May 5, 2014

Amended and Restated as of July 9, 2014

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AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER

This **AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER** is dated as of May 5, 2014 (the Original Agreement), as amended and restated as of July 9, 2014 (the Amended Execution Date), by and among Sabine Investor Holdings LLC, a Delaware limited liability company (Sabine Investor Holdings), Sabine Oil & Gas Holdings LLC, a Delaware limited liability company (Sabine Oil & Gas Holdings), Sabine Oil & Gas Holdings II LLC, a Delaware limited liability company (SOGH II), Sabine Oil & Gas LLC, a Delaware limited liability company (Sabine Oil & Gas LLC), together with Sabine Investor Holdings, Sabine Holdings and SOGH II, the Sabine Parties, Forest Oil Corporation, a Delaware corporation (Forest), FR XI Onshore AIV, LLC, a Delaware limited liability company (AIV Holdings). Capitalized terms used and not otherwise defined herein shall have the meanings set forth in Article IX.

RECITALS

WHEREAS, the Sabine Parties, Forest, New Forest Oil Inc. (New Forest), a Delaware corporation, and Forest Oil Merger Sub LLC, a Delaware corporation, entered into that certain Agreement and Plan of Merger (the Original Agreement), dated as of the Original Agreement Date, which, Sabine Investor Holdings and Forest agreed to combine their businesses under New Forest;

WHEREAS, the Sabine Parties, AIV Holdings and Forest desire to amend and restate the Original Agreement in the form of this Agreement, among other things, amend the approval required by Forest stockholders to approve the Transactions;

WHEREAS, each of Sabine Investor Holdings and AIV Holdings desires, following the satisfaction or waiver of the conditions set forth in this Agreement, to effect a contribution upon the terms and subject to the conditions set forth in this Agreement, whereby (i) Sabine Investor Holdings shall contribute all of its limited liability company interests in Sabine Holdings (the Contributed LLC Interests) to Forest (such contribution of the LLC Interests shall constitute the LLC Interest Contribution) and (ii) AIV Holdings shall contribute all of the issued and outstanding stock in FR NFR PI, Inc., a Delaware corporation, and all of the issued and outstanding stock in FR NFR PI, Inc., a Delaware corporation (FR NFR PI, Inc., to be merged with Forest, Inc., the Contributed Corporations, and all shares in the Contributed Corporations so contributed, the Contributed Stock Interests, the contribution of the Contributed Stock Interests, the Stock Contribution, and together with the LLC Interest Contribution, the contribution of the LLC Interests and the Stock Contribution, the Contribution, to Forest, the Contribution becoming a wholly owned subsidiary of Forest and the Contributed Corporations becoming direct wholly owned subsidiaries of Forest;

WHEREAS, each of Forest and AIV Holdings desires, following the Contribution, to merge the Contributed Corporations with and into Forest as the surviving entity in the mergers (the Contributed Corporations Mergers);

WHEREAS, each of Forest and Sabine Investor Holdings desires, following the Contributed Corporations Mergers, to merge SOGH II and Sabine O&G with and into Forest, with Forest as the surviving entity in each merger (together, the Sabine O&G Mergers, the Contribution and the Contributed Corporations Mergers, the Transactions);

WHEREAS, the board of directors of Sabine Investor Holdings has irrevocably approved this Agreement and the transactions contemplated hereby, including the LLC Interest Contribution;

WHEREAS, the sole member of AIV Holdings has irrevocably approved this Agreement and the transactions contemplated hereby, including the Stock Contribution;

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WHEREAS, (a) the board of directors of Sabine O&G has determined the Transactions and the other transactions contemplated by this Agreement to be in the best interests of Sabine O&G and its sole member and has unanimously approved this Agreement and the transactions contemplated by this Agreement, including the Sabine Mergers and the other Transactions, and (b) SOGH II, as the sole member of Sabine O&G, has approved this Agreement and approved the Transactions contemplated hereby, including the Sabine Mergers;

WHEREAS, the members of Sabine Holdings (a) have determined the Transactions and the other transactions contemplated by this Agreement to be in the best interests of Sabine Holdings and each of its members and have unanimously approved this Agreement and the transactions contemplated by this Agreement, including the Sabine Mergers and the other Transactions, and (b) have determined, on behalf of Sabine Holdings, as the sole member of SOGH II, that the Transactions and the other transactions contemplated by this Agreement are in the best interests of Sabine Holdings and its member and have unanimously approved and adopted this Agreement and approved the transactions contemplated by this Agreement, including the Sabine Mergers and the other Transactions;

WHEREAS, the board of directors of Forest (the Forest Board) has determined that the Transactions and the other transactions contemplated by this Agreement are in the best interests of Forest and its stockholders and (a) has approved and declared advisable this Agreement and the transactions contemplated by this Agreement and (b) has determined to recommend that the Forest stockholders approve the issuance of the Shares for the Consideration and the transactions contemplated by this Agreement;

WHEREAS, immediately prior to the execution and delivery of this Agreement, and as a condition and inducement to the execution and delivery of this Agreement, Sabine Investor Holdings, AIV Holdings and Forest have executed an Amended and Restated Registration Rights Agreement (the Registration Rights Agreement) and an Amended and Restated Stockholders Agreement (the Stockholders Agreement) effective at the Closing;

WHEREAS, substantially concurrently with the execution of this Agreement, the Forest Board is adopting the stockholders agreement attached hereto as Exhibit E (the Rights Plan) and declaring a dividend distribution of the junior preferred stock of Forest (the Forest Junior Preferred Stock) related thereto;

WHEREAS, for U.S. federal income tax purposes, the parties intend that (a) the LLC Interest Contribution, the Stock Contribution, the Contributed Corporations Mergers, taken together, qualifies as a transaction described in Section 351(a) of the Internal Revenue Code (the Code), (b) either (x) each of the Contributed Corporations Mergers, taken together with the Stock Contribution, qualifies as a transaction described in the meaning of Section 368(a) of the Code or (y) (i) the Stock Contribution, taken together with the LLC Interest Contribution, qualifies as a transaction described in Section 351(a) of the Code and (ii) the Contributed Corporations Mergers qualify as transactions described in the meaning of Section 368(a) of the Code, (c) each of the Sabine Mergers be treated as a transaction that is disregarded, and (d) this Agreement constitute a plan of reorganization within the meaning of the Code and the Treasury Regulation § 1.368-2(g);

WHEREAS, each of the parties intends to make certain representations, warranties, covenants and agreements in connection with the execution and delivery of this Agreement;

WHEREAS, the parties intend that (a) all references in this Agreement to the date hereof or the date of this Agreement shall be deemed to be references to the Execution Date, and (b) the date on which the representations, warranties and covenants made by any party to this Agreement shall be deemed to be made as of such dates as they were in the Original Agreement, in each case unless otherwise expressly indicated in this Agreement (including in Sections 3.2 and 4.2).

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As a result of the Contributed Corporations Mergers, the separate existence of each of the Contributed Corporations shall cease and the surviving corporation after the Contributed Corporations Mergers (Forest Surviving Corporation).

(ii) As soon as practicable on the Closing Date, the parties shall cause the Contributed Corporations Mergers to be consummated by filing of the Contributed Corporations Mergers (the Certificates of Contributed Corporations Mergers) with the Secretary of State of Delaware and the Department of State of the State of New York, in such form as required by, and executed in accordance with the provisions of, the DGCL and the NYBCL. The Contributed Corporations Mergers shall become effective as specified in Section 1.1(c)(i), following the time at which the Certificates of Contributed Corporations Mergers are filed with the Secretary of State of the State of Delaware or the Department of State of the State of New York or at such subsequent time as Sabine Investor Holdings and Forest shall agree and as shall be specified in the Certificates of Contributed Corporations Mergers (the date and time each of the Contributed Corporations Mergers becomes effective is the Contributed Corporations Merger Effective Time).

(iii) At the Contributed Corporations Merger Effective Time, the effect of the Contributed Corporations Merger shall be as provided in the applicable provisions of the DGCL and the NYBCL. Without limiting the generality of the foregoing, at the Contributed Corporations Merger Effective Time, all the property, rights, privileges, powers and franchises of the Contributed Corporations and Forest shall vest in Forest Surviving Corporation, and all debts, liabilities and duties of the Contributed Corporations and Forest shall become the debts, liabilities and duties of Forest Surviving Corporation. Upon the consummation of the Contributed Corporations Mergers, Forest shall be the sole member of the Sabine Holdings.

(c) The Sabine Mergers.

(i) On the Closing Date, following the Contributed Corporations Mergers, Sabine Holdings, SOGH II and Sabine O&G shall cease to exist and the surviving corporation after the Sabine Mergers (Sabine-Forest Surviving Corporation).

(ii) As soon as practicable on the Closing Date, the parties shall cause the Sabine Mergers to be consummated by filing of the Certificates of Sabine Mergers (the Certificates of Sabine Mergers) with the Secretary of State of the State of Delaware and the Department of State of the State of New York, in such form as required by, and executed in accordance with the relevant provisions of, the DGCL and NYBCL. The Sabine Mergers shall become effective as specified in Section 1.1(c)(i), following the time at which the Certificates of Sabine Mergers are filed with the Secretary of State of the State of Delaware or the Department of State of the State of New York or at such subsequent time as Sabine Holdings and Forest shall agree and as shall be specified in the Certificates of Sabine Mergers (the date and time the Sabine Mergers become effective is the Sabine Mergers Effective Time).

(iii) At the Sabine Mergers Effective Time, the effect of the Sabine Mergers shall be as provided in the applicable provisions of the DGCL and the NYBCL. Without limiting the generality of the foregoing, at the Sabine Mergers Effective Time, all the property, rights, privileges, powers and franchises of Sabine Holdings, SOGH II and Sabine O&G shall vest in Sabine-Forest Surviving Corporation, and all debts, liabilities and duties of Sabine Holdings, SOGH II and Sabine O&G shall become the debts, liabilities and duties of Sabine-Forest Surviving Corporation.

1.2 Closing. The closing of the Transactions (the Closing) shall take place at 9:00 a.m. Houston time on the second Business Day after the date of the execution of the Closing Agreement, subject to the waiver of the conditions (excluding conditions that, by their nature are to be satisfied by actions taken at the Closing, but including the waiver of those conditions as of the Closing) set forth in Article VII, at the offices of Vinson & Elkins LLP, 1001 Fannin Street, Atlanta, Georgia 30303.

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Houston, Texas 77002, unless another time, date or place is agreed to in writing by Sabine Investor Holdings and Forest. Period has not ended on or prior to such date, then the Closing shall occur on the later of (i) the Business Day immediately following the end of the Marketing Period (or such earlier date within the Marketing Period specified by Sabine Investor Holdings on at least two Business Days prior to the Closing) and (ii) the date the Closing would have been scheduled to occur pursuant to this paragraph if no effect were given to this paragraph. In either case (i) and (ii), to the satisfaction or waiver of all of the conditions set forth in Article VII as of the date determined pursuant to the conditions that, by their nature are to be satisfied by actions taken at the Closing, but subject to the satisfaction or waiver of all other conditions (including the Closing). The date upon which the Closing actually occurs is referred to herein as the Closing Date.

1.3 *Organizational and Governing Documents.* Forest shall take all requisite action to (a) cause the bylaws of Forest (the "Bylaws") as of and after the Effective Time (until thereafter amended as provided therein or by applicable Law) to be in the form attached to this Agreement as Exhibit D, except for such changes approved by Forest and Sabine Investor Holdings (such approval not to be unreasonably withheld), (b) to cause the certificate of incorporation of Forest in effect as of and after the Effective Time to be amended to include the amendments set forth in the form of certificate of amendment attached to this Agreement as Exhibit A-1, with the Series A Voting Ratio provided in accordance with Schedule 1, (c) if the Authorized Share Amendment Approval is obtained at the Forest Stockholder Meeting, to cause the certificate of incorporation of Forest in effect as of and after the Effective Time to be amended to include the amendments set forth in the form of certificate of amendment attached to this Agreement as Exhibit A-2 and (d) if the Name Change Amendment Approval is obtained at the Forest Stockholder Meeting, to cause the certificate of incorporation of Forest in effect as of and after the Effective Time to be amended to include the amendments set forth in the form of certificate of amendment attached to this Agreement as Exhibit A-3.

1.4 *Directors and Officers.* Prior to the Closing, (a) Forest shall take all action necessary to accept the Forest Director Resignations and to cause the Forest Board to ten directors, and elect eight persons designated by Sabine Investor Holdings (the "Sabine Nominees") as of the Effective Time, with each such person to hold office in accordance with the certificate of incorporation of Forest in effect as of and after the Effective Time, (b) except as otherwise determined by Sabine Investor Holdings prior to the Closing, appoint the persons who are the officers of Forest immediately prior to the Effective Time as officers holding the same offices of Forest effective as of the Effective Time, and (c) cause the certificate of incorporation of Forest in effect as of and after the Effective Time to be amended to include the amendments set forth in accordance with the certificate of incorporation of Forest and the Forest Bylaws.

ARTICLE II**EFFECT OF TRANSACTIONS ON THE CAPITAL STOCK OF THE CONSTITUENT CORPORATION****2.1 *Forest Stock Options and Other Equity-Based Awards.***

(a) **Forest Stock Options.** Each Forest Stock Option that is outstanding immediately prior to the Effective Time shall, as of the Effective Time, be automatically and without any action on the part of the holder thereof, be cancelled and converted into the right to receive cash payments, equal to the product obtained by multiplying (i) the total number of shares of Forest Common Stock subject 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 paid and withheld under any provision of state, local or foreign Tax Law with respect to the making of such payment. Forest shall cause the holders of Forest Stock Options the cash payments described in this Section 2.1(a) on or as soon as reasonably practicable, in any event within ten (10) Business Days following the Closing Date. For the avoidance of doubt, each Forest Stock Option shall be cancelled at the Closing Date at the exercise price per share of Forest Common Stock.

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per share of Forest Common Stock applicable to such Forest Stock Option equals or exceeds the Forest Stock Measurement pursuant to this [Section 2.1\(a\)](#) for no consideration.

(b) **Forest Performance Unit Awards**. Each Forest Performance Unit Award that is outstanding immediately prior to the Effective Time shall automatically and without any action on the part of the holder thereof, become fully vested as of the Effective Time and be settled following the Effective Time in shares of stock or in cash in accordance with the terms of the award agreement for such Forest Performance Unit Award concluding the performance period as of the Closing Date for purposes of measuring achievement of performance conditions.

(c) **Forest Phantom Unit Awards**. Each Forest Phantom Unit Award that is outstanding immediately prior to the Effective Time shall automatically and without any action on the part of the holder thereof, become fully vested as of the Effective Time and be settled following the Effective Time in accordance with the terms of the award agreement for such Forest Phantom Unit Award.

(d) **Forest Restricted Shares**. Each Forest Restricted Share that is outstanding immediately prior to the Effective Time shall automatically and without any action on the part of the holder thereof, become fully vested and the restrictions with respect to such shares shall terminate as of the Effective Time.

(e) Prior to the Effective Time, the Forest Board (or, if appropriate, any committee thereof administering the Forest Stock Incentive Plan) shall effect the foregoing provisions of this [Section 2.1](#).

2.2 Reservation of Shares; Registration. If the 2014 LTIP Proposal Approval is obtained, then Forest shall take all corporate action necessary to (i) submit a supplemental listing application to the NYSE and (ii) file a Registration Statement on Form S-8 with the SEC covering the Forest Common Stock that may be granted to employees, consultants, and directors of Forest under the Forest Oil Corporation Incentive Plan.

2.3 Conversion of Other Securities.

(a) Immediately following the Contribution, by virtue of the Contributed Corporations Merger and without any action on the part of the holders of any securities of the Contributed Corporations or Forest, (x) each share of common stock of the Contributed Corporations shall be cancelled and extinguished without any conversion thereof and (y) each share of Forest Common Stock issued and outstanding immediately prior to the effectiveness of the Contributed Corporations Merger shall continue as one share of common stock of Forest Surviving Corporation, which shall constitute the only outstanding shares of common stock of Forest Surviving Corporation.

(b) Immediately following the Contributed Corporations Merger, by virtue of the Sabine Mergers and without any action on the part of the holders of any securities of Sabine Holdings, SOGH II, Sabine O&G or Forest Surviving Corporation, (x) the limited liability of Sabine Holdings, SOGH II and Sabine O&G shall be cancelled and extinguished without any conversion thereof and (y) each share of Forest Common Stock issued and outstanding immediately prior to the effectiveness of the Sabine Mergers shall continue as one share of common stock of Forest Surviving Corporation, which shall constitute the only outstanding shares of common stock of Sabine-Forest Surviving Corporation.

2.4 Withholding. Forest shall be entitled to deduct and withhold from the consideration otherwise payable to any Person the amount of any taxes that amounts as it is required to deduct and withhold with respect to the making of such payment under any provision of local, state or federal law; *provided, however*, that if Forest has received the certificates and forms set forth in [Section 7.3\(d\)](#) hereof, Forest shall not be required to deduct or withhold from the consideration with respect to Taxes in connection with the delivery of the Sabine Contribution Consideration absent a change in law following the Effective Time that amounts are so deducted or withheld by Forest and

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paid over to the applicable Governmental Entity, such deducted or withheld amounts shall be treated for all purposes of tax as if they were paid to the Person in respect of which such deduction and withholding was made.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF FOREST

Except as (i) disclosed in the Forest SEC Documents filed or furnished on or after January 1, 2013 and prior to the Original Execution Date, or any disclosures included in any risk factor section of such Forest SEC Documents or any other disclosures in such Forest SEC Documents that they are predictive or forward looking and general in nature, in each case, other than any specific factual information contained in the disclosure letter delivered to the Sabine Parties on the date of the execution of this Agreement (the Forest Disclosure Letter), or items of disclosure by reference to a particular section or subsection of this Agreement (*provided* that any information so referred to in the Forest Disclosure Letter shall be deemed to apply to each other section or subsection thereof or hereof (other than Section 3.1 if its relevance is reasonably apparent), Forest hereby represents and warrants to the Sabine Parties as follows:

3.1 *Organization; Qualification.* Forest (a) is an entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all requisite corporate power and authority to own, lease and operate its properties and to carry out the business conducted, and (b) is duly qualified, registered or licensed to do business as a foreign entity and is in good standing in each jurisdiction in which property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, and no such entity so duly qualified, registered or licensed and in good standing would not reasonably be expected individually to have, and would not be expected in the aggregate to have, a Forest Material Adverse Effect. Forest has made available to the Sabine Parties true and correct copies of all organizational documents of each Forest Entity, as in effect on the Original Execution Date.

3.2 *Authority; Enforceability.*

(a) Forest has the requisite corporate power and authority to execute and deliver this Agreement and the other Transaction Agreements to which it is a party and, subject to receipt of the Forest Stockholder Approval, to consummate the transactions contemplated by this Agreement and the other Transaction Agreements to which it is a party. The execution and delivery by Forest of this Agreement and the other Transaction Agreements to which it is a party and the consummation by Forest of the transactions contemplated by this Agreement and the other Transaction Agreements to which it is a party have been, or, in the case of Transaction Agreements to be delivered after the Original Execution Date, will be, duly executed and delivered by Forest, and, except for the Forest Stockholder Approval, no other corporate proceedings on the part of Forest is necessary to consummate the transactions contemplated by this Agreement and the other Transaction Agreements to which it is a party. The Forest Board has unanimously (i) approved this Agreement and the transactions contemplated hereby, (ii) determined that this Agreement and the transactions contemplated hereby are fair to and in the best interests of Forest and its stockholders, and (iii) resolved to recommend that the holders of Forest Common Stock vote to approve the issuance of the Sabine Contribution Agreement, the Authorized Share Amendment, and the Name Change Amendment.

(b) This Agreement and the other Transaction Agreements to which Forest is a party have been, or, in the case of Transaction Agreements to be delivered after the Original Execution Date, will be, duly executed and delivered by Forest, and, assuming the due authority of the Sabine Parties, this Agreement and the other Transaction Agreements to which Forest is a party thereto constitute

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binding agreement of Forest, enforceable against Forest in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws relating to or affecting creditors' rights, as to enforceability, to legal principles of general applicability governing the availability of equitable remedies, including the doctrines of reasonableness, good faith and fair dealing (regardless of whether such enforceability is considered in a proceeding in equity or otherwise) (Creditors' Rights).

(c) The representations and warranties set forth in this Section 3.2 shall apply *mutatis mutandis* with respect to both the Original Agreement, and, with respect to the Original Agreement, shall be made as of the Original Execution Date and, with respect to the Amended Agreement, shall be made as of the Amended Execution Date; *provided, however*, that the representations and warranties set forth in this Section 3.2 shall be made as of the specific date for purposes of Section 7.2(a).

3.3 *Non-Contravention.* The execution, delivery and performance of this Agreement and the other Transaction Agreements and the consummation by Forest of the transactions contemplated by this Agreement and the Transaction Agreements does not and will not constitute a breach of any provision of the organizational documents of any Forest Entity; (b) constitute a default (or an event that would constitute a default) under, or give rise to any right of termination, cancellation, amendment or acceleration (with or without notice, or the passage of time or both) under any of the terms, conditions or provisions of any Contract to which any Forest Entity or any property or asset of any Forest Entity is bound or affected; (c) assuming compliance with the matters referred to in Section 3.2 which any Forest Entity is subject or by which any Forest Entity's properties or assets is bound; or (d) constitute (with or without the passage of time or both) an event which would result in the creation of any Encumbrance (other than Permitted Encumbrances) on any Forest Entity, except, in the cases of clauses (b), (c) and (d), for such defaults or rights of termination, cancellation, amendment or Encumbrances as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Material Adverse Effect. The Forest Entities are in material compliance with, and no event has occurred which would constitute (with or without giving of notice or the passage of time or both) a material default under or give rise to any right of termination, cancellation, amendment or Encumbrance on any Contracts evidencing indebtedness for borrowed money.

3.4 *Approvals of Governmental Entities and Third Parties.* Other than in connection with or in compliance with (i) the Securities Act, (ii) applicable state securities, and blue sky laws, (iv) the rules and regulations of the NYSE, and (v) the HSR Act, and similar laws outside of the United States, no declaration, filing or registration with, or notice to, or authorization, consent or approval of any Governmental Entity is necessary for the consummation by any Forest Entity of the transactions contemplated by this Agreement, and no such declarations, filings, registrations, notices, authorizations, consents or approvals which, if not obtained or made, would constitute (with or without individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect.

3.5 *Capitalization.*

(a) The authorized capital stock of Forest consists of 210,000,000 shares, consisting of (i) 200,000,000 shares of Forest Common Stock, par value \$0.01 per share and (ii) 10,000,000 shares of Forest Preferred Stock, par value \$0.01 per share (Forest Preferred Stock), consisting of 10,000,000 shares of Forest Senior Preferred Stock and 2,650,000 authorized shares of Forest Junior Preferred Stock. As of May 2, 2014, 199,999,999 shares of Forest Common Stock were issued and outstanding (including 2,130,479 Forest Restricted Shares), (ii) no shares of Forest Preferred Stock were issued and outstanding, (iii) no shares of Forest Common Stock were held in treasury by Forest or any of its Subsidiaries, and (iv) 10,000,000 shares of Forest Common Stock were reserved for issuance under the Forest Stock Plans, of which 428,660 shares of Forest Common Stock were reserved for issuance upon exercise of outstanding Forest Stock Options and 678,500 shares of Forest Common Stock were subject to issuance under the outstanding Forest Performance Unit

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Awards (assuming that such awards were earned at target level) and 672,957 shares of Forest Common Stock were reserved under the 1999 Employee Stock Purchase Plan (the Forest ESPP).

(b) All of the outstanding shares of Forest Common Stock are duly authorized and validly issued in accordance with the Charter of the Forest, and are fully paid and nonassessable and have not been issued in violation of any preemptive rights, rights of first refusal or other similar rights of any Person. All of the issued and outstanding Equity Interests in each Subsidiary of Forest is authorized and validly issued in accordance with the Organizational Documents of such Forest Entity and are fully paid (to the extent required under the Organizational Documents of such Forest Entity) and nonassessable (except as nonassessability may be affected by Sections 17-303, 17-607 and 17-804 of the Delaware LP Act or Sections 17-303, 17-607 and 17-804 of the DLLCA) and have not been issued in violation of any preemptive rights, rights of first refusal or other similar rights of any Person. All of the issued and outstanding Equity Interests in each Subsidiary of Forest is owned by the Persons set forth on Section 3.5(b) of the Forest Disclosure Letter, named as owning such interests free and clear of all Encumbrances other than (i) transfer restrictions imposed by federal securities laws with respect to foreign Subsidiaries of Forest, the applicable laws of such jurisdiction and (ii) any transfer restrictions contained in the Organizational Documents of the Forest Entities. Except as set forth on Section 3.5(b) of the Forest Disclosure Letter, Forest owns, directly or indirectly, all of its outstanding Equity Interests in each Subsidiary of Forest free and clear of all Encumbrances other than (A) transfer restrictions imposed by federal securities laws and (B) any transfer restrictions contained in the Organizational Documents of the Forest Entities.

(c) Except as set forth in the Organizational Documents of Forest and except as otherwise provided in Section 3.5(a), the Forest does not have any outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, call rights, subscription agreements, commitments or rights of any kind that obligate any of the Forest Entities to issue or sell securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or purchase securities in any of the Forest Entities, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

(d) No Forest Entity has any outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or the right to be exercisable for securities having the right to vote) with the holders of Equity Interests in Forest on any matter.

(e) Except with respect to the ownership of any equity or long-term debt securities between or among the Forest Entities, Forest does not own, directly or indirectly, any equity or long-term debt securities of any Person.

3.6 Compliance with Law.

(a) Except for Environmental Laws, Laws requiring the obtaining or maintenance of a Permit, Tax matters, Laws relating to securities matters, employment and labor matters, and Laws relating to regulatory and compliance matters, which are the subject of Section 3.5 of the Forest Disclosure Letter, respectively, and except as would not reasonably be expected individually to have, and would not reasonably be expected to have a material Forest Material Adverse Effect, (i) each Forest Entity is in compliance with all applicable Laws, (ii) none of the Forest Entities has received notice of any violation of any applicable Law and (iii) none of the Forest Entities has received written notice that it is under investigation by a Governmental Entity for potential non-compliance with any Law.

(b) Each Forest Entity is in compliance, in all material respects, with (i) the USA PATRIOT Act, Pub. L. 107-56 (October 26, 2001) (the USA PATRIOT Act), the USA PATRIOT Improvement and Reauthorization Act, Pub. L. 109-177 (March 9, 2006) (the USA PATRIOT Act), the Securities Exchange Practices Act of 1977, as amended (the FCPA), and (iii) the U.S. Trading with the Enemy Act, as amended, and each

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assets control regulations of the U.S. Treasury Department (31 C.F.R. Subtitle B, Chapter V, as amended) and any other order relating thereto. No Forest Entity nor, to the Knowledge of Forest, any director, officer or employee of any Forest Entity is on the list of Sanctioned Persons or Sanctioned Entities, or is subject to any sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department or a person on the list of Sanctioned Persons and Blocked Persons.

3.7 Forest SEC Reports; Financial Statements.

(a) Forest has furnished or filed all reports, schedules, forms, statements and other documents (including exhibits and other information therein) required to be furnished or filed by Forest with the SEC since January 1, 2013 (such documents being collectively referred to as "Forest SEC Documents"). Each Forest SEC Document (i) at the time filed, complied in all material respects with the requirements of the Securities Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Forest SEC Document; (ii) did not at the time it was filed (or if amended or superseded by a filing or amendment prior to the Original Execution Date or the filing or amendment) contain any untrue statement of a material fact or omit to state a material fact required to be stated to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Each of the consolidated financial statements of Forest included in the Forest SEC Documents ("Forest Financial Statements") was filed as to form in all material respects with the applicable accounting requirements and the published rules and regulations thereunder, has been prepared in accordance with GAAP, applied on a consistent basis throughout the periods presented therein, and in all material respects the consolidated financial position and operating results, equity and cash flows of Forest and its consolidated Subsidiaries for the periods ended on, the respective dates thereof, subject, however, in the case of unaudited financial statements, to normal audit procedures.

(c) None of the Forest Entities has any liability, whether accrued, contingent, absolute or otherwise, that would be required to be disclosed in the consolidated financial statements of Forest and its consolidated Subsidiaries under GAAP except for (i) liabilities set forth on the consolidated balance sheet of Forest as of December 31, 2013 or the notes thereto; (ii) liabilities that have arisen since December 31, 2013, in the ordinary course of business, which would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a material Adverse Effect.

3.8 Absence of Certain Changes. Except as expressly contemplated by this Agreement, (a) from and after December 31, 2013, the Execution Date, the Forest Entities have operated their business in all material respects only in the ordinary course of business and in accordance with industry practice and no Forest Entity has taken or agreed to take any action that, if taken during the period from the date of this Agreement to the Effective Time, would constitute a breach of clauses (ii), (iii), (iv), (v), (ix), (x), (xi), (xii), or (xiii) of Section 5.1(b); and (b) from and after the Effective Time, there has not been any event, occurrence or development which has had, or would be reasonably expected to have, a material Adverse Effect.

3.9 Title to Properties and Assets; Oil & Gas Properties.

(a) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a material Adverse Effect, each Forest Entity has title to or rights or interests in its real property and personal property (and each real property at which material operations of Forest are conducted) free and clear of all Encumbrances (such property, the "Forest Property") (subject to Permitted Encumbrances), sufficient to allow it to conduct its business as currently being conducted.

Table of Contents**(b) Oil and Gas Property.**

(i) Except for (A) property sold or otherwise disposed of in the ordinary course of business since the dates of the reserve MacNaughton (DeGolyer) relating to the Forest interests referred to therein as of December 31, 2013 (the Forest Reserve Reports or in the Forest SEC Documents as having been sold or otherwise disposed of, as of the O (C) matters that would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Material Adverse Effect, the Forest Entities have good and defensible title to all Oil and Gas Properties forming the basis for the Forest Reserve Reports and in each case as attributable to interests owned by the Forest Entities, free and clear of any Encumbrances, Production Burdens and (Y) Permitted Encumbrances. For purposes of the foregoing sentence, good and defensible title means such title without doubt to the end that a prudent person engaged in the business of purchasing and owning, developing, and operating producing oil and gas properties in the geographical areas in which they are located, with knowledge of all of the facts and their legal bearing thereon, acting in the same acting reasonably.

(ii) The factual, non-interpretive data supplied by or on behalf of the Forest Entities to DeGolyer relating to the Forest Entities' Oil and Gas Reserves in the Forest Reserve Reports and that was material to such firm's estimates of proved oil and gas reserves attributable to the Oil and Gas Reserves of the Forest Entities in connection with the preparation of the Forest Reserve Reports was, as of the time provided (or as modified by subsequent issuance of the Forest Reserve Reports), accurate in all material respects. To Forest's Knowledge, any assumptions or estimates made by the Forest Entities to DeGolyer in connection with their preparation of the Forest Reserve Reports were made in good faith and on the basis of facts and circumstances in existence and that were known to Forest at the time such assumptions or estimates were made. Forest's internal proved reserve estimates prepared as of the ended December 31, 2013 were not, taken as a whole, materially lower than the conclusions in such Forest Reserve Reports. No changes in commodity prices generally affecting the oil and gas exploration, development and production industry (including changes in commodity prices for oil and gas production, there has been no material change in respect of the matters addressed in the Forest Reserve Reports that would constitute, in the aggregate, a Forest Material Adverse Effect.

(iii) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Material Adverse Effect, (A) all proceeds from the sale of Hydrocarbons produced from the Oil and Gas Properties of the Forest Entities are being paid to them in a timely manner; and (B) as of March 31, 2014, no proceeds from the sale of Hydrocarbons produced from any Oil and Gas Properties (to the extent operated by Forest or any of its Subsidiaries) are being held in suspense (by Forest, any of its Subsidiaries, any other Person or individual) for any reason other than awaiting preparation and approval of division order title opinions. Section 3.9(b)(iii) of the Forest Disclosure Letter sets forth all the Oil and Gas Leases included in any Forest Entity's Oil and Gas Reserves scheduled to expire (in whole or in part) at any time in the twelve (12) month period immediately following the execution of the

(iv) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Material Adverse Effect, (i) each Oil and Gas Lease to which any Forest Entity is a party is valid and in full force and effect, and all similar payments (and all Production Burdens) owed to any Person or individual under (or otherwise with respect to) any such lease have been properly and timely paid. Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Material Adverse Effect, (ii) no

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have, a Forest Material Adverse Effect, all royalties, minimum royalties, overriding royalties and other Production Burden Royalties on Oil and Gas Properties owned or held by any Forest Entity have been timely and properly paid. Except as would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, no Forest Entity (and, to the Knowledge of Forest, all Oil and Gas Properties operated by any Forest Entity and operated by a third party) has violated any provision of, or taken or failed to take any act which, with or without notice, lapse of time or default under the provisions of any Oil and Gas Lease (or entitle the lessor thereunder to cancel or terminate such Oil and Gas Lease) on Oil and Gas Properties owned or held by any Forest Entity and no Forest Entity (or, to Forest's Knowledge, any third party) has received notice from any other party to any such Oil and Gas Lease (A) that any Forest Entity (or such third party operator, as the case may be) has violated or defaulted under any such Oil and Gas Lease or (B) threatening to terminate, cancel, rescind or procure judicial relief under any such Oil and Gas Lease.

(v) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, all Oil and Gas Properties operated by any Forest Entity (and, to the Knowledge of Forest, all Oil and Gas Properties operated by any Forest Entity and operated by a third party) have been operated in accordance with reasonable, prudent oil and gas field operations and in compliance with the applicable Oil and Gas Leases, Oil and Gas Contracts and applicable Laws.

(vi) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, none of the Oil and Gas Properties of the Forest Entities is subject to any preferential, purchase, preemptive or other rights which would become operative as a result of the entry into (or the consummation of) the Transactions.

(vii) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, all of the wells located on the Oil and Gas Leases or on (or otherwise associated with) any other Oil and Gas Properties of the Forest Entities have been drilled, completed and operated in accordance with all applicable Law and the terms and conditions of the Oil and Gas Leases and Oil and Gas Contracts, and all drilling and completion (and the plugging and abandonment) of all such wells and all production and other operations have been conducted in compliance with all applicable Law and the terms and conditions of the Oil and Gas Leases and Oil and Gas Contracts. No Forest Entity has elected not to participate in any operation or activity proposed with respect to Oil and Gas Properties owned or held by it (or them, as applicable) that could result in a penalty or forfeiture as a result of such operation or activity that would be material to the Forest Entities, taken as a whole and is not reflected in the Forest Reserves Reports accurately reflect in all material respects any payout balances applicable to any well included in the Oil and Gas Properties of the Forest Entity.

(viii) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, and to the Knowledge of Forest, (A) Section 3.9(b)(viii) of the Forest Disclosure Letter lists, as of March 31, 2014, all production and other imbalances and overlifts with respect to Hydrocarbon production from the Forest Entities' Oil and Gas Properties. The imbalance listed on Section 3.9(b)(viii) of the Forest Disclosure Letter constitutes all of the Forest Entities' share of ultimate balancing area pursuant to any balancing Contract.

(ix) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, with respect to the Forest Entities' Oil and Gas Properties, all currently producing wells and all tangible assets in connection with the operation thereof or otherwise primarily associated therewith

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3.12 *Material Contracts.*

(a) Section 3.12 of the Forest Disclosure Letter sets forth, as of the Original Execution Date, each of the following Contracts that Forest is a party or bound:

(i) Contracts that are of a type that would be required to be included as an exhibit to a Registration Statement on Form S-1, (4), (9) or (10) of Regulation S-K of the SEC if such a registration statement was filed by Forest on the Original Execution Date;

(ii) Contracts that contain any provision or covenant that expressly restricts in any material respect any Forest Entity or any Person from engaging in any lawful business activity or competing with any Person;

(iii) Contracts that (A) relate to the creation, incurrence, assumption, or guarantee of any indebtedness for borrowed money and (B) create a capitalized lease obligation (except, in the cases of clauses (A) and (B), any such Contract with an aggregate value in excess of \$1,000,000 and except any transactions solely among the Forest Entities);

(iv) Contracts in respect of the formation of any partnership, limited liability company agreement or joint venture or other arrangement of ownership or operation of the assets owned by any Forest Entity involving assets or obligations in excess of \$5,000,000, solely among the Forest Entities and other than any customary joint operating agreements, unit agreements, participation agreements, farm-out agreements or similar agreements affecting any interest in any Oil and Gas Property;

(v) Contracts that provide for the acquisition or sale of assets with a book value in excess of \$5,000,000 (whether by merger or otherwise) and that is material to the Forest Entities, taken as a whole;

(vi) Contracts that provide for the sale by any Forest Entity of Hydrocarbons which contains a "take-or-pay" clause or a similar sale arrangement or obligation (excluding "gas balancing" arrangements associated with customary joint operating agreements) that requires some future time without then or thereafter receiving full payment therefore;

(vii) Contracts that involve the transportation of more than 25 MMcf (or the MBtu equivalent) of Hydrocarbons per day (on a daily basis);

(viii) Contracts that provide for the sale by any Forest Entity of Hydrocarbons that has a remaining term of greater than 60 days and that the Forest Entity to terminate it without penalty on 90 days or less notice;

(ix) Contracts that provide for a call or option on production, or acreage dedication or other commitment of Hydrocarbons attributable to any Forest Entity's Oil and Gas Properties to a gathering, transportation processing, storage treatment or other operations at the wellhead, covering in excess of 10 MMcf (or in the case of liquids, in excess of 5,000 barrels of oil equivalent) of Hydrocarbons per period of one month (calculated on a yearly average basis);

(x) any Oil and Gas Lease that contains express provisions (A) establishing bonus obligations in excess of \$750,000 that are payable at lease or signing or (B) providing for a fixed term, even if there is still production in paying quantities;

(xi) any agreement pursuant to which any Forest Entity has paid amounts associated with any Production Burdens in excess of \$500,000 in the immediately preceding fiscal year or with respect to which Forest reasonably expects that it (and/or its Subsidiaries) will be required to pay any Production Burdens in any of the next three succeeding fiscal years that could, based on current projections, exceed \$500,000;

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(xii) Contracts that are joint development agreements, exploration agreements or acreage dedication agreements (excluding foregoing, customary joint operating agreements) that either (A) is material to the operation of the Forest Entities, taken reasonably be expected to require the Forest Entities to make expenditures in excess of \$5,000,000 in the aggregate during following the Original Execution Date or (C) contains an area of mutual interest or any tag along or drag along (or requiring the Forest Entities, to participate in any future transactions with respect to any assets or properties of the Forest

(xiii) acquisition Contracts that contain an earn out or other contingent payment obligations, or remaining indemnity or asset retirement obligations, plugging and abandonment obligations and other reserves of any Forest Entity set forth in the have been provided to Sabine Investor Holdings prior to the Original Execution Date) that would be reasonably expected Original Execution Date by the Forest Entities in excess of \$2,500,000;

(xiv) Contracts pursuant to which any Forest Entity has agreed to perform any contract drilling for any third party;

(xv) Contracts that relate to futures, swaps, collars, puts, calls, floors, caps, options or otherwise is intended to reduce or prices of commodities, including natural gas, natural gas liquids, crude oil and condensate;

(xvi) Contracts with respect to the license or purchase of seismic data; or

(xvii) Contracts, other than Contracts entered into in the ordinary course of business consistent with past practice, that of payment by any Forest Entity of more than \$2,500,000 and cannot be terminated by the Forest Entities on 90 days or less Forest Entities of any penalty.

(b) Each Contract required to be disclosed pursuant to Section 3.12(a) (collectively, the Forest Material Contracts) has Parties, and, except as would not reasonably be expected individually to have, and would not reasonably be expected in the Material Adverse Effect, each Forest Material Contract is, to the Knowledge of Forest, a valid and binding obligation of full force and effect and enforceable in accordance with its terms against such Forest Entity and, to the Knowledge of Forest except, in each case, as enforcement may be limited by Creditors Rights.

(c) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate Adverse Effect, to the Knowledge of Forest, none of the Forest Entities nor any other party to any Forest Material Contract the terms of any Forest Material Contract and no event has occurred that with the giving of notice or the passage of time breach or default by such Forest Entity or, to the Knowledge of Forest, any other party to any Forest Material Contract, or modification or acceleration under any Forest Material Contract.

3.13 Legal Proceedings. Other than with respect to Proceedings arising under Environmental Laws, which are the subject Tax matters, which are the subject of Section 3.15, there are no Proceedings pending or, to the Knowledge of Forest, through Forest Entities, except such Proceedings as (i) do not involve, in any individual case, a claim for monetary damages in excess of reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material no judgment, order or decree outstanding against any Forest Entity that would be reasonably likely individually to have, expected in the aggregate to have, a Forest Material Adverse Effect. To the Knowledge of Forest, no officer or director of defendant in any Proceeding in connection with his or her status as an officer or director of

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any Forest Entity. No Forest Entity nor any of their respective properties or assets is or are subject to any judgment, order, judgments, orders or decrees that would not be reasonably likely individually to have, and would not reasonably be expected to have, a Forest Material Adverse Effect.

3.14 *Permits*. Other than with respect to Permits issued pursuant to or required under Environmental Laws, which are the subject of the Forest Entities' Environmental Laws, the Forest Entities have all Permits as are necessary to use, own and operate their assets in the manner such assets are currently used by the Forest Entities, except where the failure to have such Permits would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect.

3.15 *Taxes*.

(a) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect:

(i) All Tax Returns required to be filed by or with respect to the Forest Entities have been filed and all such Tax Returns are complete and correct. All Taxes due and payable for which the Forest Entities are liable have been paid in full. Reserves for Taxes provided for in the Forest Entities' most recent financial statements included in the Forest SEC Documents are adequate, in accordance with GAAP, to cover all Taxes of the Forest Entities for periods ending on or prior to the date of such financial statements, and reserves, as adjusted for operations and transactions and the passage of time for periods beginning after the date of such financial statements, are adequate, in accordance with GAAP, to cover all Taxes of the Forest Entities through the Closing Date. There are no assessments or asserted in writing (other than claims being contested in good faith through appropriate proceedings and for which adequate reserves are maintained in accordance with GAAP) against any Forest Entities for any Taxes, and no assessment, deficiency, or adjustment has been made in writing with respect to any Taxes or Tax Returns of or with respect to the Forest Entities.

(ii) No Tax audits or other administrative or judicial proceedings are being conducted or are pending with respect to any Forest Entities.

(iii) All Taxes required to be withheld, collected or deposited by the Forest Entities have been timely withheld, collected or deposited, and to the extent required, have been paid to the relevant taxing authority.

(iv) There are no outstanding agreements or waivers extending the applicable statutory periods of limitations with respect to any Forest Entity.

(v) No Forest Entity will be required to include any item of income in, or exclude any item of deduction from, taxable income (or any portion thereof) ending after the Closing Date as a result of any: (A) change in method of accounting for Tax purposes for the period prior to the Closing Date (including by reason of Section 481 of the Code or any similar provisions of state, local or foreign Law), (B) income received prior to the Closing other than in the ordinary course of business consistent with prior periods, (C) deferred income account (within the meaning of the Treasury Regulations promulgated under Section 1502 of the Code), (D) income deferral under the Code, or (E) installment sale or open transaction entered into prior to the Closing other than in the ordinary course of business for prior periods.

(vi) No Forest Entity has any liability for Taxes of any Person (other than a Forest Entity) under Treasury Regulation § 1.1361-1(a) or any provision of state, local or foreign Law, as a transferee or successor or by Contract. No Forest Entity has been a member of a partnership, unitary or similar group for Tax purposes, other than any group of which a Forest Entity was or is the common parent.

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(vii) There are no Encumbrances on the assets of any Forest Entity relating to or attributable to Taxes, other than Permitted

(viii) None of the Forest Entities is a party to any Tax sharing agreement, Tax allocation or similar agreement (not including any tax sharing or indemnification provisions contained in any agreement entered into in the ordinary course of business, Taxes (e.g., leases, credit agreements or other commercial agreements)), or any closing agreement pursuant to Section 7 of the Forest's predecessor provisions thereof, or any similar provisions of state, local, or foreign Law.

(ix) None of the Forest Entities has participated in a listed transaction within the meaning of Treasury Regulation § 1.1361-1.

(x) In the last two (2) years, no Forest Entity has constituted either a distributing corporation or a controlled corporation (as defined in Section 355(a)(1)(A) of the Code) in a distribution of stock intended to qualify for tax-free treatment under Section 355 of the Code.

(b) None of the Forest Entities is aware of the existence of any fact, or has taken or agreed to take any action, that would prevent or impede (i) the LLC Interest Contribution, the Stock Contribution and the Contributed Corporations Mergers, taken together as a transaction described in Section 351(a) of the Code, (ii) either (A) each of the Contributed Corporations Mergers, taken together with the LLC Interest Contribution, from qualifying as a reorganization within the meaning of Section 368(a) of the Code or (B) (x) the Stock Contribution, from qualifying as a transaction described in Section 351(a) of the Code and (y) the LLC Interest Contribution and the Contributed Corporations Mergers from qualifying as transactions described in Section 332 of the Code, and (iii) each of the Sabine Mergers from qualifying as a transaction that is disregarded for U.S. federal income tax purposes. Without limiting the generality of the foregoing, (other than by the Sabine Merger (as defined in the Shareholder's Agreement)) none of the Forest Entities has any plan or intention to cause the Forest to any Person that would result in Sabine Investor Holdings and AIV Holdings together owning less than 80% of the Forest of all outstanding stock of Forest (it being understood that this sentence does not address any plan or intention of persons other than the Forest Board following the Closing).

3.16 *Employee Benefits; Employment and Labor Matters.*

(a) Section 3.16(a) of the Forest Disclosure Letter contains a list of each material Forest Benefit Plan. For purposes of this Plan means each employee benefit plan, as such term is defined in Section 3(3) of ERISA, whether or not subject to ERISA, including any equity-based plan (including any stock option plan, stock purchase plan, stock appreciation right plan or phantom stock plan), any arrangement, incentive award plan or arrangement, vacation policy, severance pay plan or arrangement, change in control arrangement, deferred compensation agreement or arrangement, retirement or pension plan or arrangement, executive compensation arrangement, consulting agreement, fringe benefit arrangement, collective bargaining agreement, employment agreement, employee benefit plan, agreement, arrangement, program, practice or understanding which is not described in this Section 3.16(a) if compensation or other benefits are provided to any current or former director, officer, employee or consultant (or to any person acting in such capacity) thereof) of any Forest Entity, in each case that is, or has been in the six years prior to Original Execution Date, sponsored or maintained by any Forest Entity or any ERISA Affiliate of any Forest Entity.

(b) True, correct and complete copies of each material Forest Benefit Plan, and, if applicable, summary plan description, advisory or opinion letter, as applicable, the most recent actuarial report, related trusts, insurance or group annuity contracts, and each other funding or financing arrangement relating to any plan, including all amendments, modifications and other documents, have been delivered to or made available to the Sabine Parties.

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(c) Except for matters that would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate, to result in a Forest Material Adverse Effect;

(i) each Forest Benefit Plan has been administered in compliance with its terms, the applicable provisions of ERISA, the applicable Laws and the terms of all applicable collective bargaining agreements;

(ii) as to any Forest Benefit Plan intended to be qualified under Section 401 of the Code, such Plan has received a favorable opinion letter, as applicable, from the IRS to such effect (or has applied or has time remaining to apply for such letter) and no fact, circumstance or event has occurred or exists since the date of such letter that would reasonably be expected to affect the status of any such Forest Benefit Plan;

(iii) all required reports, descriptions and disclosures have been filed or distributed appropriately in accordance with applicable Laws for any Forest Benefit Plan;

(iv) all contributions (including employer contributions and employee salary reduction contributions) that are due and owing under any contributions for any period ending on or before the Closing Date that are not yet due have been accrued in accordance with applicable Laws;

(v) neither any Forest Entity nor any ERISA Affiliate of any Forest Entity maintains or contributes to an employee welfare benefit plan providing medical, health or life insurance or other welfare type benefits for current or future retired or terminated employees, their dependents or beneficiaries (other than in accordance with Section 4980B of the Code);

(vi) there are no unresolved claims or disputes (pending or threatened) under the terms of, or in connection with, any Forest Benefit Plan or routine claims for benefits; and

(vii) neither any Forest Entity nor any ERISA Affiliate of any Forest Entity contributes to or has ever contributed to a multiemployer plan within the meaning of Section 3(37) or Section 4001(a)(3) of ERISA).

(d) Neither any Forest Entity nor any ERISA Affiliate of any Forest Entity has any liability under or arising with respect to any Forest Benefit Plan under (i) Section 302 of ERISA, or (ii) Sections 412 and 4971 of the Code.

(e) In connection with the consummation of the transactions contemplated by this Agreement, no payments have or will be made under any Forest Benefit Plans which, in the aggregate, would result in imposition of the sanctions imposed under Sections 280G and 4999 of the Code in any contract, agreement, plan or arrangement with an employee to which any Forest Entity is a party that, individually or collectively, are transactions contemplated by this Agreement or any other related transaction document to which any Forest Entity is a party that is expected to give rise to the payment of any amount that would not be deductible pursuant to Section 280G of the Code (except for the exceptions contained in Section 280G(b)(4)).

(f) Except as specifically contemplated in this Agreement, neither the execution and delivery of this Agreement or any other agreement to which Forest or its Affiliates is a party nor the consummation of the transactions contemplated hereby or thereby will (i) result in any officer or consultant of any Forest Entity or Affiliate thereof; (ii) materially increase any payments or benefits otherwise payable to any officer or consultant of any Forest Entity or Affiliate thereof; or (iii) result in the acceleration of the time of payment or vesting of any amount or give rise to any additional service credits under any Forest Benefit Plan.

(g) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate, to result in a Forest Material Adverse Effect, each of the Forest Entities (i) is in compliance with all applicable Laws regarding labor and employment

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employment discrimination, labor relations, payment of wages and overtime, leaves of absence, employment tax and social security, and safety, and immigration; (ii) has not, any time within the six months preceding the Original Execution Date, had any terminations or other terminations of any obligations upon or liabilities for any Forest Entity under the WARN Act or similar state and local laws; (iii) is not subject to, or, to the Knowledge of Forest, threatened, by any of its prospective, current, or former employees, independent contractors, or related to any Forest Entity or related to any Forest Beneficiary (including any Forest Beneficiary for benefits); and (iv) is not subject to any judgment, order or decree with or relating to any present or former employee, or Governmental Entity relating to claims of discrimination, wage or hour practices, or other claims in respect to employment policies.

(h) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Material Adverse Effect (i) none of the Forest Entities is a party to or bound by or negotiating any collective bargaining agreement with a labor union, nor has any of them experienced any strike, slowdown, work stoppage, boycott, picketing, lockout, or material change in labor practices, or other collective bargaining or labor dispute within the past two years and (ii) there are no current union petitions or organizing campaigns involving employees of any Forest Entity.

3.17 *Regulatory Matters.* No Forest Entity is (a) an investment company or a company controlled by an investment company under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder or (b) a holding company, a holding company, an affiliate of a holding company, a public utility or a public-utility company, as each defined in the Holding Company Act of 2005. All natural gas pipeline systems and related facilities of the Forest Entities are (a) gathering systems, pipelines that are exempt from regulation by the FERC under the Natural Gas Act of 1938, as amended, except to extend to interstate commerce subject to Section 311 of the Natural Gas Policy Act of 1978; and (b) not subject to rate regulation as a public utility under state or local jurisdiction.

3.18 *Insurance.* Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, (a) each insurance policy under which the Forest Entities is an insured or otherwise the primary beneficiary (collectively, the Forest Insurance Policies) is in full force and effect, all premiums due thereon have been paid in full and in compliance with the terms and conditions of such Forest Insurance Policy; (b) no Forest Entity is in breach or default under any such Forest Insurance Policy; and (c) no event has occurred which, with notice or lapse of time, would constitute such breach of default, or permit termination of any Forest Insurance Policy.

3.19 *Required Vote of the Forest Stockholders.* (a)(i) The affirmative vote of a majority of the shares of Forest Common Stock (the Forest Stockholder Approval) is the only vote of holders of securities of Forest which is required to approve each of the Contribution Consideration, (ii) the 2014 LTIP Proposal Approval is the only vote of holders of securities of Forest which is required to approve the 2014 LTIP Proposal Approval, (iii) the Section 162(m) Proposal Approval is the only vote of holders of securities of Forest which is required to approve the Section 162(m) Proposal and (iv) the affirmative vote of holders of a majority of the outstanding shares of Forest Common Stock (the Forest Stockholder Approval) is the only vote of holders of securities of Forest which is required to approve each of the Authorized Share Amendment and the Name Change. The affirmative vote of the Forest Board in approving this Agreement is sufficient to render inapplicable to this Agreement and the transaction contemplated hereby the restrictions on business combinations set forth in Section 912 of the NYBCL; and (c) no other Takeover Laws are applicable to this Agreement or any transaction contemplated hereby. As used in this Agreement, Takeover Laws means any moratorium on business combinations, price, supermajority, affiliate transactions, or business combination statute or regulation or other similar state or local law.

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3.20 *Derivative Transactions and Hedging.* Section 3.20 of the Forest Disclosure Letter contains a complete and correct list of all outstanding Derivative Transactions (including each outstanding Hydrocarbon or financial hedging instrument or Hydrocarbon production of the Forest Entities) entered into by any of the Forest Entities or for the account of any of the Forest Entities, the Original Execution Date pursuant to which such party has outstanding rights or obligations. All such Derivative Transactions entered into after the Original Execution Date will be, entered into in accordance with applicable Laws, and the Forest Entities have duly performed in all material respects all of their respective obligations under the Derivative Transactions to the extent that such obligations have accrued, and, to the Knowledge of Forest, there are no material breaches, violations, collateral deficiencies or demands for payment (except for ordinary course margin deposit requests), or defaults or allegations or assertions of such breaches, violations, collateral deficiencies or defaults or allegations or assertions of such breaches, violations, collateral deficiencies or demands for payment.

3.21 *Brokers Fee.* Except for the fee payable to the Forest Financial Advisor, which shall be paid by Forest, no broker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transaction contemplated by this Agreement based upon arrangements made by or on behalf of Forest.

3.22 *Opinion of Financial Advisor.* The Forest Board has received the opinion of J.P. Morgan Securities (the Forest Financial Advisor) as of the date of such opinion and subject to the assumptions, limitations, qualifications and other matters considered in the opinion, the Exchange Ratio (as defined in the Original Merger Agreement) is fair, from a financial point of view, to the holders of Forest Common Stock.

3.23 *Related Party Transactions.* Except for employment related agreements or practices or pursuant to the organization of the Forest Entities are not, directly or indirectly, a party to, and have no continuing obligations under, any agreement (oral or written) or transaction with, or involving, or have made any commitment to, any Affiliate of the Forest Entities (other than any Forest Entity) or officer of the Forest Entities with respect to which the Forest Entities will have liability following the Closing Date, and no director or officer of the Forest Entities (other than any Forest Entity) or director or officer of the Forest Entities currently has any interest in any asset, real or personal, tangible or intangible) used by the Forest Entities.

3.24 *Forest Director Resignations.* As of the Amended Execution Date, the members of the Forest Board set forth on Section 3.24 of the Disclosure Letter have each delivered to the Forest Board irrevocable written notice of their resignation from the Forest Board. Such resignations shall only be effective at the time of the Closing (the Forest Director Resignations).

3.25 *Information Supplied.* None of the information supplied or to be supplied by Forest for inclusion or incorporation in the Proxy Statement will, at the time the Proxy Statement and each amendment or supplement thereto, if any, becomes effective under the Transaction, (a) contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which such statement was made, not misleading and (b) the Proxy Statement and any amendment or supplement thereto will, at the date of mailing to stockholders, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which such statement was made, not misleading.

3.26 *No Other Representations or Warranties.* Forest has undertaken such investigation as it deemed necessary to enable the Forest Board to make an intelligent decision with respect to the execution, delivery and performance of this Agreement and the other Transaction contemplated by this Agreement. The foregoing investigation, however, does not modify the representations and warranties of the Sabine Parties and the Forest Entities.

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Holdings in the Transaction Agreements and such representations and warranties constitute the sole and exclusive representations of the Sabine Parties and AIV Holdings to Forest in connection with the transactions contemplated by this Agreement and the other Transaction Agreements. Except for the representations and warranties contained in the Transaction Agreements, neither Forest nor any other Person makes any implied representation or warranty, and the Sabine Parties and AIV Holdings hereby disclaim any other representation or warranty relating to the Sabine Parties or AIV Holdings, any of their Affiliates, their businesses, operations, assets, liabilities, contracts, or prospects.

ARTICLE IV**REPRESENTATIONS AND WARRANTIES OF THE SABINE PARTIES AND AIV HOLDINGS**

Except as (i) disclosed in the Sabine Annual Reports (excluding any disclosures included in any risk factor section or other section of the Sabine Annual Reports to the extent they are predictive or forward looking and general in nature, in each case, other than the information contained therein) or (ii) set forth on the disclosure letter delivered to Forest on the date of the execution of this Agreement (Disclosure Letter), which identifies items of disclosure by reference to a particular section or subsection of this Agreement, information set forth in one section of the Sabine Disclosure Letter shall be deemed to apply to each other section or subsection (other than Sections 4.8(b) and 4.15) to which its relevance is reasonably apparent), the Sabine Parties and AIV Holdings hereby represent and warrant to Forest as follows:

4.1 *Organization; Qualification.* Each of the Sabine Parties and AIV Holdings (a) are entities duly formed or organized, existing and in good standing under the laws of the state of their formation or organization and have all requisite corporate, limited partnership or limited liability company power and authority to own, lease and operate their properties and to carry on their business as it is now being conducted, and are registered or licensed to do business as a foreign entity and are in good standing in each jurisdiction in which the property owned or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so duly qualified and in good standing would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Material Adverse Effect. The Sabine Parties have made available to Forest true and complete copies of the organizational documents of each Sabine Party, as in effect on the Original Execution Date. The Sabine Parties have made available to Forest true and complete copies of the organizational documents of each Sabine Entity, as in effect on the Original Execution Date. AIV Holdings has made available to Forest true and complete copies of the organizational documents of AIV Holdings, as in effect on the Amended Execution Date.

4.2 *Authority; Enforceability.*

(a) Each of the Sabine Parties and AIV Holdings has the requisite corporate, limited partnership or limited liability company power and authority to execute and deliver this Agreement and the other Transaction Agreements to which it is a party and to consummate the transactions contemplated by this Agreement and the other Transaction Agreements to which it is a party. The execution and delivery by each Sabine Party and AIV Holdings of this Agreement and the other Transaction Agreements to which it is a party and the consummation by each Sabine Party and AIV Holdings of the transactions contemplated by this Agreement and the other Transaction Agreements to which it is a party have been, or, if the Transaction Agreements to be delivered after the Original Execution Date, will be, duly and validly authorized by such Sabine Party and AIV Holdings and no other corporate, limited partnership or limited liability company proceedings on the part of any Sabine Party or AIV Holdings are required to authorize this Agreement and the other Transaction Agreement to which it is a party or to consummate the transactions contemplated by this Agreement and the other Transaction Agreement to which it is a party.

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(b) This Agreement and the other Transaction Agreements to which a Sabine Party or AIV Holdings is a party have been delivered after the Original Execution Date, will be, duly executed and delivered by such Sabine Party and, if applicable, its equityholders, and, assuming the due authorization, execution and delivery by Forest, this Agreement and the other Transaction Agreements to which a Sabine Party or AIV Holdings is a party constitute the valid and binding agreement of such Sabine Party or AIV Holdings, enforceable against such Sabine Party or AIV Holdings in accordance with its terms, except as such enforceability may be limited by applicable law.

(c) The representations and warranties set forth in this Section 4.2 (other than those with respect to AIV Holdings, which shall apply *mutatis mutandis* with respect to both the Original Agreement and this Agreement) shall be made as of the Original Execution Date and, with respect to this Agreement, shall be made as of the Amended Execution Date; *provided, however*, that the representations and warranties set forth in this Section 4.2 are not made as of a specific date. Section 7.3(a).

4.3 *Non-Contravention.* The execution, delivery and performance of this Agreement and the other Transaction Agreements by the Sabine Parties and AIV Holdings, as applicable, a party thereto and the consummation by the Sabine Parties and AIV Holdings, as applicable, of the transactions contemplated by this Agreement and the Transaction Agreements does not and will not: (a) result in any breach of any provision of the Charter of any Sabine Entity; (b) constitute a default (or an event that with notice or passage of time or both would give rise to a default or a right of termination, cancellation, amendment or acceleration (with or without the giving of notice, or the passage of time) under the terms, conditions or provisions of any Contract to which any Sabine Entity is a party or by which any property or asset of any Sabine Entity is affected; (c) assuming compliance with the matters referred to in Section 4.4, violate any Law to which any Sabine Entity or any Sabine Entity's properties or assets is bound; or (d) constitute (with or without the giving of notice or the passage of time) a violation of any Law that would result in the creation of any Encumbrance (other than Permitted Encumbrances) on any asset of any Sabine Entity, except as set forth in Section 4.4(c) and Section 4.4(d) for such defaults or rights of termination, cancellation, amendment, acceleration, violations or Encumbrances. The consummation of the transactions contemplated by this Agreement and the Transaction Agreements is expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect on the financial condition, in material compliance with, and no event has occurred which would constitute (with or without the giving of notice or the passage of time) a material default under or give rise to any right of termination, cancellation, or acceleration under any terms of any Contract to which any Sabine Entity is a party or by which any property or asset of any Sabine Entity is bound, or any Encumbrance on any asset of any Sabine Entity borrowed money.

4.4 *Approvals of Governmental Entities and Third Parties.* Other than in connection with or in compliance with (i) the Securities Act, (ii) applicable state securities, and blue sky laws, (iv) the rules and regulations of the NYSE, and (v) the HSR Act or any similar laws outside of the United States, no declaration, filing or registration with, or notice to, or authorization, consent or approval of any Governmental Entity is necessary for the consummation by any Sabine Party or AIV Holdings of the transactions contemplated by this Agreement and the Transaction Agreements, other than such declarations, filings, registrations, notices, authorizations, consents or approvals which, if not obtained or made, would be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect on the financial condition, in material compliance with, and no event has occurred which would constitute (with or without the giving of notice or the passage of time) a material default under or give rise to any right of termination, cancellation, or acceleration under any terms of any Contract to which any Sabine Entity is a party or by which any property or asset of any Sabine Entity is bound, or any Encumbrance on any asset of any Sabine Entity borrowed money.

4.5 *Capitalization.*

(a) Section 4.5(a)(i) of the Sabine Disclosure Letter sets forth a correct and complete description of the following: (i) all outstanding Equity Interests in each of the Sabine Entities; and (ii) the record owners of each of the outstanding Equity Interests in each of the Sabine Entities. Except as set forth on Section 4.5(a)(i) of the Sabine Disclosure Letter, there are no other outstanding Equity Interests of any Sabine Entity issued and outstanding Equity Interests in each of the Sabine Entities have been duly authorized.

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and validly issued in accordance with the Organizational Documents of such Sabine Entity and are fully paid (to the extent of the Organizational Documents of such Sabine Entity) and nonassessable (except as nonassessability may be affected by Sections 18-607 or 18-804 of the DLLCA) and have not been issued in violation of any preemptive rights, refusal or other similar rights of any Person. All of the issued and outstanding Equity Interests in each of the Sabine Entities set forth on Section 4.5(a)(i) of the Sabine Disclosure Letter named as owning such interests free and clear of all Encumbrances, restrictions imposed by federal and state securities laws and (B) any transfer restrictions contained in the Organizational Documents of the Sabine Entities. Sabine Investor Holdings and AIV Holdings collectively own, directly or indirectly, all of the outstanding Equity Interests in any Sabine Entity, free and clear of all Encumbrances other than (1) transfer restrictions imposed by federal and state securities laws and (2) any transfer restrictions contained in the Organizational Documents of the Sabine Entities.

(b) There are no preemptive rights or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, repurchase rights, agreements, arrangements, calls, subscription agreements, commitments or rights of any kind that obligate any Sabine Entity to issue or sell any Equity Interests or any securities or obligations convertible or exchangeable into or exercisable for, or to subscribe for or acquire, any Equity Interests in any of the Sabine Entities, and no securities or obligations evidencing such rights are outstanding.

(c) No Sabine Entity has any outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (exercisable for securities having the right to vote) with the holders of Equity Interests in any Sabine Entity on any matter.

(d) There are no voting trusts or other agreements or understandings to which any Sabine Entity is a party with respect to any limited liability company interest or other equity interest of any Sabine Entity.

(e) Sabine Investor Holdings and the Contributed Corporations collectively own, beneficially and of record, free and clear of all Encumbrances, for Permitted Encumbrances, all the outstanding equity interests of Sabine Holdings. AIV Holdings owns, beneficially and of record, free and clear of all Encumbrances, except for Permitted Encumbrances, all the Contributed Stock Interests and the Contributed Stock Interests of the Contributed Corporations.

(f) Upon the consummation of the Contribution, Sabine Investor Holdings and AIV Holdings will collectively assign, convey and vest good and valid title to the Contributed Interests, free and clear of all Encumbrances, other than (i) any transfer restrictions imposed by federal and state securities laws, (ii) any transfer restrictions contained in the Organizational Documents of Sabine Holdings, (iii) any transfer restrictions contained in the Organizational Documents of AIV Holdings and (iv) any Encumbrances on the Contributed Interests as a result of the Contribution of the Contributed Corporations.

(g) Except with respect to the ownership of any equity or long-term debt securities between or among the Sabine Entities, Sabine Investor Holdings owns, directly or indirectly, any equity or long-term debt securities of any Person.

4.6 *Compliance with Law.*

(a) Except for Environmental Laws, Laws requiring the obtaining or maintenance of a Permit, Tax matters, Laws relating to employment and labor matters, and Laws relating to regulatory and compliance matters, which are the subject of Section 4.5(a)(ii) respectively, and except as would not reasonably be expected individually to have, and would not reasonably be expected to have, a Sabine Material Adverse Effect, (i) each Sabine Entity is in compliance with all applicable Laws, (ii) no

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Sabine Entity has received written notice of any violation of any applicable Law and (iii) none of the Sabine Entities has been under investigation by any Governmental Entity for potential non-compliance with any Law.

(b) Each Sabine Entity is in compliance, in all material respects, with (i) the USA PATRIOT Act, (ii) the FCPA, and (iii) the Enemy Act, as amended, and each of the foreign assets control regulations of the U.S. Treasury Department (31 C.F.R. 101.11-101.15, as amended) and any other enabling legislation or executive order relating thereto. No Sabine Entity nor, to the Knowledge of any director, officer or employee of any Sabine Entity is subject to any U.S. sanctions administered by the Office of Foreign Assets Control, U.S. Treasury Department or a person on the list of Specially Designated Nationals and Blocked Persons.

4.7 Sabine Annual Report; Financial Statements.

(a) The Sabine Annual Reports did not at the time such reports were posted by Sabine O&G on its web site at www.sabine.com (or any amended by a later posting prior to the Original Execution Date, then at the time of such posting or amendment) contain any material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements true in all material circumstances under which they were made, not misleading.

(b) The Sabine Parties have made available to Forest copies of the Sabine Financial Statements. The Sabine Financial Statements are prepared in accordance with GAAP, applied on a consistent basis throughout the periods presented thereby and fairly present in all material aspects the financial position and operating results, equity and cash flows of Sabine O&G, on a combined consolidated basis, as of, and for, the respective dates thereof, subject, however, in the case of unaudited financial statements, to normal year-end audit adjustments. (i) Sabine O&G's only asset is its equity interest in SOGH II, (ii) SOGH II's only asset is its equity interest in Sabine O&G, (iii) neither Sabine O&G nor SOGH II has any liability, whether accrued, contingent, absolute or otherwise, other than liabilities solely arising from its equity interest in Sabine O&G, applicable, and ordinary course entity-level liabilities solely relating to its maintenance as a limited liability company (such as state franchise or minimum taxes) and (iv) the Contributed Corporations' only asset is their equity interest in Sabine Holdings.

(c) None of the Sabine Entities (other than the Contributed Corporations) has any liability, whether accrued, contingent, absolute or otherwise, that would be required to be included in the financial statements of the Sabine Entities under GAAP except for (i) liabilities shown on the balance sheet dated as of December 31, 2013 or the notes thereto contained in the Sabine Financial Statements; (ii) liabilities shown on the balance sheet dated December 31, 2013, in the ordinary course of business; and (iii) liabilities which would not reasonably be expected individually or in the aggregate to have, a Sabine Material Adverse Effect. Each Contributed Corporation has no liability, whether accrued, contingent, absolute or otherwise, other than liabilities solely arising from its equity interest in Sabine Holdings and ordinary course liabilities solely relating to its maintenance as a corporation (such as state franchise or minimum taxes).

4.8 Absence of Certain Changes. Except as expressly contemplated by this Agreement, (a) from and after December 31, 2013, until the Original Execution Date, the Sabine Entities have operated their business in all material respects only in the ordinary course of business, in good business practice, and no Sabine Entity has taken or agreed to take any action that, if taken during the period from the date of this Agreement to the Original Execution Date, would constitute a breach of clauses (ii), (iii), (iv), (v), (ix), (x), (xi), (xii) or (xiii) of Section 5.2(b), and (b) from and after the Original Execution Date through the Effective Time, there has not been any event, occurrence or development which has had, or would be reasonably expected to have, a Sabine Material Adverse Effect.

Table of Contents**4.9 Title to Properties and Assets; Oil & Gas Properties.**

(a) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate, a Sabine Material Adverse Effect, each Sabine Entity has title to or rights or interests in its real property and personal property (and each real property at which material operations of Sabine are conducted) free and clear of all Encumbrances (such property, the _____ (subject to Permitted Encumbrances), sufficient to allow it to conduct its business as currently being conducted.

(b) Oil and Gas Property.

(i) Except for (A) property sold or otherwise disposed of in the ordinary course of business since the dates of the reserve reports prepared by Ryder Scott Co. (Ryder Scott) relating to the Sabine Entity interests referred to therein as of December 31, 2013 (the Sabine Reserve Reports) in the Sabine Reserve Reports or in the Sabine Annual Report as having been sold or otherwise disposed of, as of the time provided (or as modified by the (C) matters that would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate, a Sabine Material Adverse Effect, the Sabine Entities have good and defensible title to all Oil and Gas Properties forming the basis of the Sabine Reserve Reports and in each case as attributable to interests owned by the Sabine Entities, free and clear of any Encumbrances (A) Production Burdens and (B) Permitted Encumbrances. For purposes of the foregoing sentence, good and defensible title means title free from reasonable doubt to the end that a prudent person engaged in the business of purchasing and owning, developing, and operating non-producing oil and gas properties in the geographical areas in which they are located, with knowledge of all of the facts and circumstances, would be willing to accept the same acting reasonably.

(ii) The factual, non-interpretive data supplied by or on behalf of the Sabine Entities to Ryder Scott relating to the Sabine Entities in connection with the preparation of the Sabine Reserve Reports and that was material to such firm's estimates of proved oil and gas reserves attributable to the Sabine Entities in connection with the preparation of the Sabine Reserve Reports was, as of the time provided (or as modified by the issuance of the Forest Reserve Reports), accurate in all material respects. To Sabine Investor Holdings' Knowledge, any data provided by the Sabine Entities to Ryder Scott in connection with their preparation of the Sabine Reserve Reports were made on a reasonable basis based on the facts and circumstances in existence and that were known to the Sabine Entities at the time the estimates were made. The estimates of proved oil and gas reserves provided by the Sabine Entities to Ryder Scott in connection with the Sabine Reserve Reports complied in all material respects with Rule 4-10 of Regulation S-X promulgated by the SEC. The proved reserve estimates prepared by management for the year ended December 31, 2013 were not, taken as a whole, materially different from the conclusions in such Sabine Reserve Reports. Except for changes generally affecting the oil and gas exploration, development and production (including changes in commodity prices) and normal depletion by production, there has been no material change in respect to the Sabine Reserve Reports that would have, individually or in the aggregate, a Sabine Material Adverse Effect.

(iii) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate, a Sabine Material Adverse Effect, (A) all proceeds from the sale of Hydrocarbons produced from the Oil and Gas Properties of the Sabine Entities are being held in suspense (by any Sabine Entity, any third party operator thereof or any third party operator thereof) for any reason other than awaiting preparation and approval of division order title opinions for recently drilled Oil and Gas Properties. The Sabine Disclosure Letter sets forth all the Oil and Gas Properties

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Gas Leases included in any Sabine Entity's Oil and Gas Properties that are scheduled to expire (in whole or in part) at a period immediately following the execution of this Agreement.

(iv) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, (i) each Oil and Gas Lease to which any Sabine Entity is a party is, valid and in full force and effect, and all similar payments (and all Production Burdens) owed to any Person or individual under (or otherwise with respect to) any such Oil and Gas Lease have been properly and timely paid. Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, all royalties, minimum royalties, overriding royalties and other Production Burdens owed to any Person or individual under (or otherwise with respect to) any Oil and Gas Properties owned or held by any Sabine Entity have been timely and properly paid. Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, no Sabine Entity (or, to the Knowledge of Sabine Investor Holdings Knowledge, no third party operator) has violated any provision of, or taken or failed to take any act which, at any time, or both, would constitute a default under the provisions of any Oil and Gas Lease (or entitle the lessor thereunder to terminate any such Oil and Gas Lease) included in the Oil and Gas Properties owned or held by any Sabine Entity and no Sabine Entity (or, to the Knowledge of Sabine Investor Holdings Knowledge, any third party operator) has received written notice from any other party to any such Oil and Gas Lease (A) that any third party operator, as the case may be) has breached, violated or defaulted under any such Oil and Gas Lease or (B) that any such Oil and Gas Lease should be rescind or procure judicial reformation of any such Oil and Gas Lease.

(v) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, all Oil and Gas Properties operated by any Sabine Entity (and, to the Knowledge of Sabine Investor Holdings Knowledge, any third party operator) owned or held by any Sabine Entity and operated by a third party) have been operated in accordance with reasonable, prudent and in material compliance with the applicable Oil and Gas Leases, Oil and Gas Contracts and applicable Laws.

(vi) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, none of the Oil and Gas Properties of the Sabine Entities is subject to any preferential, purchase, preemption or other special right which would become operative as a result of the entry into (or the consummation of) the Transactions or the other transactions contemplated by this Agreement.

(vii) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, all of the wells located on the Oil and Gas Leases or on (or otherwise associated with) any other Oil and Gas Properties owned or held by any Sabine Entity have been drilled, completed and operated in accordance with all applicable Law and the terms and conditions of the applicable Oil and Gas Leases and Oil and Gas Contracts, and all drilling and completion (and the plugging and abandonment) of all such wells and all production and other operations have been conducted in compliance with all applicable Law and the terms and conditions of the applicable Oil and Gas Leases and Oil and Gas Contracts. No Sabine Entity has elected not to participate in any operation or activity proposed with respect to any Oil and Gas Properties owned or held by it (or them, as applicable) that would result in a penalty or forfeiture as a result of such operation or activity that would be material to the Sabine Entities, taken as a whole is not reflected in the Sabine Reserves. The Sabine Reserves Reports accurately reflect in all material respects any payout balances applicable to any well included in the Oil and Gas Properties owned by any Sabine Entity.

(viii) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, and to the Knowledge of

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Sabine Investor Holdings, (A) Section 4.9(b)(viii) of the Sabine Disclosure Letter lists, as of March 31, 2014, all transportation other imbalances and overlifts with respect to Hydrocarbon production from the Sabine Entities Oil and Gas Properties Section 4.9(b)(viii) of the Sabine Disclosure Letter constitutes all of the Sabine Entities share of ultimately recoverable pursuant to any balancing Contract.

(ix) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate Adverse Effect, with respect to the Sabine Entities Oil and Gas Properties, all currently producing wells and all tangible used in connection with the operation thereof or otherwise primarily associated therewith (including all buildings, plants machinery, vehicles and other rolling stock) are in a good state of repair and are adequate and sufficient to maintain normal with past practices (ordinary wear and tear excepted).

(x) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate Adverse Effect, neither the entry into (nor the consummation of) the Contribution or the other transactions contemplated a breach of the terms of, or give rise to any right of cancellation, termination or forfeiture under, any Oil and Gas Contract Oil and Gas Properties.

4.10 Intellectual Property. Except as would not reasonably be expected individually to have, and would not reasonably have, a Sabine Material Adverse Effect, (a) the Sabine Entities own or have the right to use pursuant to a license, sublicense material items of Intellectual Property required in the operation of their business as presently conducted; (b) no third party delivered to any Sabine Entity an unresolved claim that any of the Sabine Entities is infringing on the Intellectual Property the Knowledge of Sabine Investor Holdings, no third party is infringing on the Intellectual Property owned by the Sabine

4.11 Environmental Matters. Except as would not reasonably be expected individually to have, and would not reasonably to have, a Sabine Material Adverse Effect:

(a) each of the Sabine Entities and its assets, real properties and operations, and, to the Knowledge of Sabine Investor Holdings of any of the Oil and Gas Properties of the Sabine Entities (with respect to such interests), are and, during the relevant time applicable statutes of limitations, have been, in compliance with all applicable Environmental Laws;

(b) each of the Sabine Entities, and, to the Knowledge of Sabine Investor Holdings, each third-party operator of any of the Sabine Entities (with respect to such interests), possesses all Environmental Permits required for their operations as currently compliance with the terms of such Environmental Permits, and such Environmental Permits are in full force and effect and or, to the Knowledge of any Sabine Entity, threatened Proceeding;

(c) none of the Sabine Entities nor any of their properties or operations or any person or entity whose liability the Sabine assumed either contractually or by operation of Law, are subject to any pending or, to the Knowledge of any Sabine Entity under any Environmental Law, nor has any Sabine Entity received any written and pending notice, order or complaint from violation of or liability arising under any Environmental Law; and

(d) there has been no Release of Hazardous Substances on, at, under, to, or from any of the properties of the Sabine Entities with the Sabine Entities operations, and, to the Knowledge of Sabine Investor Holdings, each third-party operator of any the Sabine Entities (with respect to such interests), in a manner that would reasonably be expected to give rise to any Environmental Law.

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(e) The Sabine Entities have made available to the Forest Entities true and complete copies of all environmental reports, in the Sabine Entities' possession or control and relating to the operations of the Sabine Entities or to property currently operated by the Sabine Entities.

(f) None of the Sabine Entities and, to the Knowledge of Sabine, any third-party operator of any of the Oil and Gas Properties (with respect to such interests) and any predecessor of any of them, is subject to any Order or any indemnity obligation (including obligations, plugging and abandonment obligations and other reserves of Sabine set forth in the Sabine Reserve Reports filed by Sabine Investor Holdings prior to the date of this Agreement) with any other person that would reasonably be expected to be subject to applicable Environmental Laws or concerning Hazardous Substances.

4.12 *Material Contracts.*

(a) Section 4.12 of the Sabine Disclosure Letter sets forth, as of the Original Execution Date, the following Contracts to which the Sabine Entities are a party or bound:

(i) Contracts that are of a type that would be required to be included as an exhibit to a Registration Statement on Form S-1, S-3, S-4, (4), (9) or (10) of Regulation S-K of the SEC if such a registration statement was filed by Sabine Investor Holdings or any of the Sabine Entities on the Original Execution Date;

(ii) Contracts that contain any provision or covenant that expressly restricts in any material respect any Sabine Entity or any Person from engaging in any lawful business activity or competing with any Person;

(iii) Contracts that (A) relate to the creation, incurrence, assumption, or guarantee of any indebtedness for borrowed money and (B) create a capitalized lease obligation (except, in the cases of clauses (A) and (B), any such Contract with an aggregate value in excess of \$2,500,000 and except any transactions solely among the Sabine Entities);

(iv) Contracts in respect of the formation of any partnership, limited liability company agreement or joint venture or other arrangement of ownership or operation of the assets owned by any of the Sabine Entities that is material to the Sabine Entities, taken as a whole; Contracts solely among the Sabine Entities;

(v) Contracts that provide for the acquisition or sale of assets with a book value in excess of \$5,000,000 (whether by merger, acquisition or otherwise) and that is material to the Sabine Entities, taken as a whole;

(vi) Contracts that provide for the sale by any Sabine Entity of Hydrocarbons which contains a take-or-pay clause or a similar sale arrangement or obligation (excluding gas balancing arrangements associated with customary joint operating agreements) that requires the Sabine Entity to, at some future time without then or thereafter receiving full payment therefore;

(vii) Contracts that involve the transportation of more than 10 MMcf (or the MBtu equivalent) of Hydrocarbons per day on a continuous basis);

(viii) Contracts that provide for the sale by any Sabine Entity of Hydrocarbons that has a remaining term of greater than 90 days and that requires the Sabine Entity to terminate it without penalty on 90 days' or less notice;

(ix) Contracts that provide for a call or option on production, or acreage dedication or other commitment of Hydrocarbons attributable to any Sabine Entity's Oil and Gas Properties to a gathering, transportation processing, storage treatment or other facility at the wellhead, covering in excess of 25 MMcf (or in the case of liquids, in excess of 5,000 barrels of oil equivalent) of Hydrocarbons per period of one month (calculated on a yearly average basis);

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(x) any Oil and Gas Lease that contains express provisions (A) establishing bonus obligations in excess of \$1,250,000 the of lease or signing or (B) providing for a fixed term, even if there is still production in paying quantities;

(xi) any agreement pursuant to which any Sabine Entity has paid amounts associated with any Production Burdens in excess of \$1,250,000 in the immediately preceding fiscal year or with respect to which Sabine Holdings reasonably expects that it (and/or its Subsidiaries) will pay amounts associated with any Production Burdens in any of the next three succeeding fiscal years that could, based on current projections, exceed \$1,250,000 in any one year;

(xii) Contracts that are a joint development agreements, exploration agreements or acreage dedication agreements (excluding, however, customary joint operating agreements) that either (A) are material to the operation of the Sabine Entities, take into account the fact that they reasonably be expected to require the Sabine Entities to make expenditures in excess of \$12,500,000 in the aggregate during the term of the following the Original Execution Date or (C) contain an area of mutual interest or any tag along or drag along (or similar) provision or requiring the Sabine Entities, to participate in any future transactions with respect to any assets or properties of the Sabine Entities;

(xiii) acquisition Contracts that contain an earn out or other contingent payment obligations, or remaining indemnity or other obligations, asset retirement obligations, plugging and abandonment obligations and other reserves of any Sabine Entity set forth in the contract (which have been provided to Forest prior to the Original Execution Date) that would be reasonably expected to result in payments in excess of \$2,500,000 by the Original Execution Date by the Sabine Entities in excess of \$2,500,000;

(xiv) Contracts pursuant to which any Sabine Entity has agreed to perform any contract drilling for any third party;

(xv) Contracts that relate to futures, swaps, collars, puts, calls, floors, caps, options or otherwise is intended to reduce or stabilize the prices of commodities, including natural gas, natural gas liquids, crude oil and condensate; or

(xvi) Contracts, other than Contracts entered into in the ordinary course of business consistent with past practice, that obligate the Sabine Entities to payment by any of the Sabine Entities of more than \$2,500,000 and cannot be terminated by the Sabine Entities on 90 days notice or payment by the Sabine Entities of any penalty.

(b) Each Contract required to be disclosed pursuant to Section 4.12(a) (collectively, the Sabine Material Contracts) has been entered into, and, except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have an Adverse Effect, each Sabine Material Contract is, to the Knowledge of Sabine Investor Holdings, a valid and binding obligation of the Sabine Entity, in full force and effect and enforceable in accordance with its terms against such Sabine Entity and, to the Knowledge of Sabine Investor Holdings, the other parties thereto, except, in each case, as enforcement may be limited by Creditors' Rights.

(c) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have an Adverse Effect, to the Knowledge of Sabine Investor Holdings, none of the Sabine Entities nor any other party to any Sabine Material Contract is in default or breach under the terms of any Sabine Material Contract and no event has occurred that with the giving of notice would constitute a breach or default by such Sabine Entity or, to the Knowledge of Sabine Investor Holdings, any other party to any Sabine Material Contract, or would permit termination, modification or acceleration under any Sabine Material Contract.

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4.13 **Legal Proceedings.** Other than with respect to Proceedings arising under Environmental Laws, which are the subject of Section 4.13, and Tax matters, which are the subject of Section 4.15, there are no Proceedings pending or, to the Knowledge of Sabine Investors, against the Sabine Entities, except such Proceedings as (a) do not involve, in any individual case, a claim for monetary damages or (b) would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect. There is no judgment, order or decree outstanding against any Sabine Entity that would be reasonably likely individually to have, or reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect. To the Knowledge of Sabine Investors, no Sabine Entity is a defendant in any Proceeding in connection with his or her status as an officer or director of any company, nor any of their respective properties or assets is or are subject to any judgment, order or decree, except for those judgments, orders or decrees that would not be reasonably likely individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect.

4.14 **Permits.** Other than with respect to Permits issued pursuant to or required under Environmental Laws, which are the subject of Section 4.14, the Sabine Entities have all Permits as are necessary to use, own and operate their assets in the manner such assets are currently used by the Sabine Entities, except where the failure to have such Permits would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect.

4.15 **Taxes.** (a) Except as would not reasonably be expected to have, individually and in the aggregate, a Sabine Material Adverse Effect:

(i) All Tax Returns required to be filed by or with respect to the Sabine Entities have been filed and all such Tax Returns are complete and correct. All Taxes due and payable for which the Sabine Entities are liable have been paid in full. Adequate reserves for Taxes provided for in the most recent Sabine Financial Statements are adequate, in accordance with GAAP, to cover all Taxes of the Sabine Entities for periods ending on or prior to the date of such financial statements, and such charges, accruals or reserves, as well as the passage of time for periods beginning after the date of such Sabine Financial Statements and through the Closing Date, in accordance with GAAP, to cover all Taxes of the Sabine Entities through the Closing Date. There is no claim pending or being contested in good faith through appropriate proceedings and for which adequate reserves have been made against any Sabine Entity for any Taxes, and no assessment, deficiency, or adjustment has been asserted or proposed in connection with any Tax Returns of or with respect to any Sabine Entity.

(ii) No Tax audits or other administrative or judicial proceedings are being conducted or are pending with respect to any Sabine Entity.

(iii) All Taxes required to be withheld, collected or deposited by any Sabine Entity have been timely withheld, collected and to the extent required, have been paid to the relevant taxing authority.

(iv) There are no outstanding agreements or waivers extending the applicable statutory periods of limitations with respect to any Sabine Entity.

(v) No Sabine Entity will be required to include any item of income in, or exclude any item of deduction from, taxable income (or a portion thereof) ending after the Closing Date as a result of any: (A) change in method of accounting for Tax purposes for periods prior to the Closing Date (including by reason of Section 481 of the Code or any similar provisions of state, local or foreign law) received prior to the Closing other than in the ordinary course of business consistent with prior periods, (C) deferred income account (within the meaning of the Treasury Regulations promulgated under Section 1502

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of the Code), (D) income deferred under Section 108(i) of the Code; or (E) installment sale or open transaction entered into more than in the ordinary course of business consistent with prior periods.

(vi) No Sabine Entity has any liability for Taxes of any Person under Treasury Regulation § 1.1502-6 (or any similar provision of Law), as a transferee or successor or by Contract. No Sabine Entity has been a member of a combined, consolidated, unitary or affiliated group for purposes of such Law for any purposes.

(vii) No claim has been made by any Governmental Entity in a jurisdiction where a Sabine Entity has not filed Tax Returns and such Sabine Entity is or may be subject to any taxation by such jurisdiction or that such Sabine Entity is or may be required to file a Tax Return in such jurisdiction.

(viii) There are no Encumbrances on the assets of any Sabine Entity relating to or attributable to Taxes, other than Permitted Encumbrances.

(ix) No Sabine Entity is a party to any Tax sharing agreement, Tax allocation or similar agreement (not including, for the avoidance of doubt, any sharing or indemnification provisions contained in any agreement entered into in the ordinary course of business and not otherwise prohibited by Law (e.g., leases, credit agreements or other commercial agreements)), or any closing agreement pursuant to Section 7121 of the Code or any provision thereof, or any similar provisions of state, local or foreign Law.

(x) No Sabine Entity has participated in a listed transaction within the meaning of Treasury Regulation § 1.6011-4.

(xi) In the last two (2) years, no Sabine Entity has constituted either a distributing corporation or a controlled corporation (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock intended to qualify for tax-free treatment under Section 355 of the Code.

(b) Each Sabine Entity (other than each of the Contributed Corporations) is, at all times since its formation has been, and each Sabine Entity's Contribution will be, properly classified as a partnership or an entity disregarded as separate from its owner for U.S. federal income Tax purposes. No election has been made to treat any of the Sabine Entities as a corporation for U.S. federal income Tax purposes.

(c) None of the Sabine Entities is aware of the existence of any fact, or has taken or agreed to take any action, that would prevent or impede (i) the LLC Interest Contribution, the Stock Contribution and the Contributed Corporations Mergers, taken together, as a transaction described in Section 351(a) of the Code, (ii) either (A) each of the Contributed Corporations Mergers, taken together with the Stock Contribution, from qualifying as a reorganization within the meaning of Section 368(a) of the Code or (B) (1) the Stock Contribution, taken together with the LLC Interest Contribution, from qualifying as a transaction described in Section 351(a) of the Code and (2) the LLC Interest Contribution, taken together with the Contributed Corporations Mergers from qualifying as transactions described in Section 332 of the Code, and (iii) each of the Sabine Mergers from qualifying as a transaction that is disregarded for U.S. federal income tax purposes.

(d) Each of the Contributed Corporations is a United States person (within the meaning of Section 7701(a)(30) of the Code).

4.16 *Employee Benefits; Employment and Labor Matters.*

(a) Section 4.16(a) of the Sabine Disclosure Letter contains a list of each material Sabine Benefit Plan. For purposes of this Section, the term Benefit Plan means each employee benefit plan, as such term is defined in Section 3(3) of ERISA, whether or not subject to ERISA, including any equity-based plan (including any stock option plan, stock purchase plan, stock appreciation right plan or phantom stock plan).

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bonus plan or arrangement, incentive award plan or arrangement, vacation policy, severance pay plan or arrangement, change of control agreement, retention arrangement, deferred compensation agreement or arrangement, retirement or pension plan or arrangement or supplemental income arrangement, consulting agreement, fringe benefit arrangement, collective bargaining agreement or other employee benefit plan, agreement, arrangement, program, practice or understanding which is not described in the Agreement, which compensation or other benefits are provided to any current or former director, officer, employee or consultant (or any of them) thereof) of any Sabine Entity, in each case that is, or has been in the six years prior to Original Execution Date, sponsored or maintained by any Sabine Entity or any ERISA Affiliate of any Sabine Entity.

(b) True, correct and complete copies of each material Sabine Benefit Plan, and, if applicable, summary plan description, actuarial advisory or opinion letter, as applicable, the most recent actuarial report, related trusts, insurance or group annuity contracts, collective bargaining agreements and each other funding or financing arrangement relating to any plan, including all amendments, modifications and supplements, have been delivered to or made available to Forest.

(c) Except for matters that would not reasonably be expected individually to have, and would not reasonably be expected to have, a Sabine Material Adverse Effect:

(i) each Sabine Benefit Plan has been administered in compliance with its terms, the applicable provisions of ERISA, the applicable State Laws and the terms of all applicable collective bargaining agreements;

(ii) as to any Sabine Benefit Plan intended to be qualified under Section 401 of the Code, such Plan has received a favorable opinion letter, as applicable, from the IRS to such effect (or has applied or has time remaining to apply for such letter) and, since the date of such letter, no fact, circumstance or event has occurred or exists since the date of such letter that would reasonably be expected to affect the qualified status of any such Sabine Benefit Plan;

(iii) all required reports, descriptions and disclosures have been filed or distributed appropriately in accordance with applicable law for each Sabine Benefit Plan;

(iv) all contributions (including employer contributions and employee salary reduction contributions) that are due and owing under any such plan for any period ending on or before the Closing Date that are not yet due have been accrued in accordance with applicable law;

(v) neither any Sabine Entity nor any ERISA Affiliate of any Sabine Entity maintains or contributes to an employee welfare benefit plan providing medical, health or life insurance or other welfare type benefits for current or future retired or terminated employees, their dependents or beneficiaries (other than in accordance with Section 4980B of the Code);

(vi) there are no unresolved claims or disputes (pending or threatened) under the terms of, or in connection with, any Sabine Benefit Plan, other than routine claims for benefits; and

(vii) neither any Sabine Entity nor any ERISA Affiliate of any Sabine Entity contributes to or has ever contributed to a non-qualified plan (within the meaning of Section 3(37) of Section 4001(a)(3) of ERISA).

(d) Neither any Sabine Entity nor any ERISA Affiliate of any Sabine Entity has any liability under or arising with respect to any such plan under (i) Section 302 of ERISA, or (ii) Section 412 and 4971 of the Code.

(e) In connection with the consummation of the transactions contemplated by this Agreement, no payments have or will be made under any such Benefit Plans which, in the aggregate, would result in imposition of the sanctions imposed under Sections 280G and 4999 of the Code, any contract, agreement,

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plan or arrangement with an employee to which any Sabine Entity is a party that, individually or collectively and as a result contemplated by this Agreement or any other related transaction document to which any Sabine Entity is a party, would give rise to the payment of any amount that would not be deductible pursuant to Section 280G of the Code (determined without regard to the provisions contained in Section 280G(b)(4)).

(f) Except as specifically contemplated in this Agreement, neither the execution and delivery of this Agreement or any other transaction to which Sabine Investor Holdings or its Affiliates are a party nor the consummation of the transactions contemplated hereby shall result in any payment or benefit (including severance, unemployment compensation, golden parachute, bonus, or otherwise) becoming due to any director, employee, or consultant of any Sabine Entity or Affiliate thereof; (ii) materially increase any payments or benefits due to any officer, director, employee or consultant of any Sabine Entity or Affiliate thereof; or (iii) result in the acceleration of the vesting of any awards or benefits or give rise to any additional service credits under any Sabine Benefit Plan.

(g) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to constitute a Material Adverse Effect, each of the Sabine Entities (i) is in compliance with all applicable Laws regarding labor and employment practices, including employment discrimination, labor relations, payment of wages and overtime, leaves of absence, employment tax and social security, and safety, and immigration; (ii) has not, any time within the six months preceding the Original Execution Date, had any terminations of employees (as defined by the WARN Act) or other terminations of employees which would create any obligations upon or liabilities for the Sabine Entity under the WARN Act or similar state and local laws; (iii) is not subject to any disputes pending, or, to the Knowledge of Sabine Investor Holdings, any of its prospective, current, or former employees, independent contractors or Governmental Entity relating to the engagement of independent contractors by any of the Sabine Entities or related to any Sabine Benefit Plan (except for routine claims for unpaid wages or benefits to any judgment, order or decree with or relating to any present or former employee, independent contractor or any Governmental Entity); or (iv) has any claims of discrimination, wage or hour practices, or other claims in respect to employment or labor practices and policies.

(h) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to constitute a Material Adverse Effect (i) none of the Sabine Entities is a party to or bound by or negotiating any collective bargaining agreement with a labor union, nor has any of them experienced any strike, slowdown, work stoppage, boycott, picketing, lockout, or material breach of any labor practices, or other collective bargaining or labor dispute within the past two years and (ii) there are no current union organizing petitions or organizing campaigns involving employees of any of the Sabine Entities.

4.17 *Regulatory Matters.* No Sabine Entity is (a) an investment company or a company controlled by an investment company as defined in the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder or (b) a holding company, a holding company, an affiliate of a holding company, a public utility or a public-utility company, as each of those terms is defined in the Holding Company Act of 2005. All natural gas pipeline systems and related facilities owned by any Sabine Entity are (a) interstate natural gas pipelines that are exempt from regulation by the FERC under the Natural Gas Act of 1938, as amended, except to the extent they are subject to Section 311 of the Natural Gas Policy Act of 1978; and (b) not subject to rate regulation as a public utility under applicable state or local jurisdiction.

4.18 *Insurance.* Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to constitute a Sabine Material Adverse Effect, (a) each insurance policy under which the Sabine Entities is an insured (collectively, the "Insurance Policies") is in full force and effect, all premiums due thereon have been paid in full and the Sabine Entities are in compliance with the terms and conditions of each Insurance Policy.

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conditions of such Sabine Insurance Policy; (b) no Sabine Entity is in breach or default under any Sabine Insurance Policy which, with notice or lapse of time, would constitute such breach of default, or permit termination or modification, under

4.19 Sabine Approvals.

(a) (i) The execution and delivery of this Agreement by Sabine Investor Holdings do not, and the performance of this Agreement by Sabine Investor Holdings, and the consummation of the Transactions, will not, require any consent, approval, authorization or permit of, any holder of membership interests in Sabine Investor Holdings; (ii) the Sabine Investor Holdings Board has approved this Agreement and the Transactions contemplated by this Agreement; (iii) Sabine Investor Holdings has received all requisite approvals to consummate the Transactions contemplated by this Agreement as required by applicable Law and (iv) no member of Sabine Investor Holdings has any dissenters' rights or rights of appraisal relating to the Transactions contemplated by this Agreement.

(b) (i) The sole member of AIV Holdings has approved and declared advisable this Agreement and the Transactions contemplated by this Agreement; (ii) AIV Holdings has received all requisite member and other corporate approvals to consummate the Transactions contemplated by this Agreement as required by applicable Law and (iii) no member of AIV Holdings has any dissenters' rights or rights of appraisal relating to the Transactions contemplated by this Agreement.

4.20 Derivative Transactions and Hedging. Section 4.20 of the Sabine Disclosure Letter contains a complete and correct list of the Original Execution Date, of all outstanding Derivative Transactions (including each outstanding Hydrocarbon or financial hedging instrument or Hydrocarbon production of the Sabine Entities) entered into by any of the Sabine Entities or for the account of any of the Sabine Entities on the Original Execution Date pursuant to which such party has outstanding rights or obligations. All such Derivative Transactions entered into after the Original Execution Date will be, entered into in accordance with applicable Laws, and the Sabine Entities have duly performed in all material respects all of their respective obligations under the Derivative Transactions to the extent they have accrued, and, to the Knowledge of Sabine Holdings, there are no material breaches, violations, collateral demands or demands for payment (except for ordinary course margin deposit requests), or defaults or allegations or assertions thereunder.

4.21 Brokers' Fee. Except for the fees payable to Barclays Capital Inc. and Wells Fargo Securities, LLC which shall be the sole broker, investment banker or financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other fee in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of any of the Sabine Entities.

4.22 Transactions with Affiliates. Except for employment related agreements or practices, pursuant to the organization of the Sabine Entities are not, directly or indirectly, a party to, and have no continuing obligations under, any agreement (oral or written) or transaction with, or involving, or have made any commitment to, any Affiliate of the Sabine Entities (other than Sabine Holdings or its Subsidiaries) or any director or officer of the Sabine Entities with respect to which the Sabine Entities will have liability or obligation. (ii) no Affiliate of the Sabine Entities (other than Sabine Holdings or any of its Subsidiaries) or director or officer of the Sabine Entities has any interest in any asset, right or property (real or personal, tangible or intangible) used by the Sabine Entities or any Sabine Entity. Sabine Holdings (other than any of the Sabine Entities) owns or holds any assets or rights constituting or relating to the Sabine Entities.

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4.23 Information Supplied. None of the information supplied or to be supplied by the Sabine Parties or AIV Holdings for reference in (a) the Proxy Statement will, at the time the Proxy Statement and each amendment or supplement thereto, if the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated in the statements therein not misleading and (b) the Proxy Statement and any amendment or supplement thereto will, at the date at the time of the Forest Stockholder Meeting contain any untrue statement of a material fact or omit to state any material fact therein or necessary to make the statements therein, in the light of the circumstances under which such statement was made.

4.24 Debt Financing.

(a) The Sabine Parties have delivered to Forest a true, complete and correct copy of the executed amended and restated credit agreement dated 2014 (the Commitment Letter) from the lenders party thereto (collectively, the Lenders) pursuant to which the Lenders and conditions thereof, to provide the debt amounts as set forth therein (the Financing Commitments). The Financing Commitment Letter is collectively referred to in this Agreement as the Debt Financing. As of the date hereof, the Debt Financing is in full effect and valid and binding, except as such enforcement may be limited by laws affecting the enforcement of creditors' rights on equitable principles, and the Sabine Parties have paid in full any and all commitment fees or other fees required to be paid pursuant to the Commitment Letter on or before the date of this Agreement. As of the date hereof, except for the Financing Commitments, redacted copies of which, in the case of the fee letters, have been provided to Forest (it being understood that such redaction shall be made in a manner satisfactory to the Financing Sources so long as they do not redact provisions, if any, that concern the conditionality of, or contain any conditions precedent to, the funding of the Debt Financing), there are no other Contracts or Agreements between the Sabine Parties and the Financing Sources that modify the Financing Commitments to reduce the amount of the Debt Financing or that otherwise affect the availability of the Debt Financing.

(b) Assuming the satisfaction of the conditions in Sections 7.1 and 7.2 and that the Debt Financing is funded in accordance with the Commitment Letters, the Debt Financing, when funded in accordance with the Commitment Letters, shall provide the Sabines with funds sufficient to (i) refinance that certain Third Amended and Restated Credit Agreement, dated as of June 30, 2011, among Forest and the Lenders, N.A., as administrative agent, and the lenders and other parties thereto (as amended, supplemented or otherwise modified by the Amendment), (ii) refinance the Notes in whole or in part including by consummating the Debt Offer (clauses (i) and (ii)), and (iii) pay any fees or expenses of or payable by the Sabine Parties in connection with the Refinancing and the Debt Financing.

(c) In no event shall the receipt or availability of any funds or financing (including the Debt Financing) by the Sabine Parties or AIV Holdings or any of their Affiliates be a condition to the Sabine Parties' or AIV Holdings' obligations hereunder.

4.25 No Other Representations or Warranties. Each Sabine Party and AIV Holdings has undertaken such investigation and inquiry as is reasonable under the circumstances to make an informed and intelligent decision with respect to the execution, delivery and performance of this Agreement and the other Transaction Agreements to which it is a party. The foregoing investigation, however, does not modify the representations and warranties contained in the Transaction Agreements and such representations and warranties constitute the sole and exclusive representations and warranties of the Sabine Parties and AIV Holdings in connection with the transactions contemplated by this Agreement and the other Transaction Agreements and the other Transaction Agreements and warranties contained in the Transaction Agreements, neither the Sabine Parties, AIV Holdings nor any other Person shall be deemed to make any implied representation or warranty, and Forest hereby disclaims any other representation or warranty, on behalf of or for the benefit of Forest or its Affiliates, their businesses, operations, assets, liabilities, condition (financial or otherwise) or prospects.

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ARTICLE V

CERTAIN PRE-CLOSING COVENANTS

5.1 *Conduct of Business of Forest.*

(a) Forest covenants and agrees as to itself and its Subsidiaries that, from the Original Execution Date and continuing until the Effective Time and the termination of this Agreement, except as expressly permitted or expressly contemplated by this Agreement and the Forest Disclosure Letter, as required by Law or the regulations or requirements of any stock exchange or regulatory authority or any of its Subsidiaries, or to the extent Sabine Investor Holdings shall otherwise consent in writing, Forest shall conduct the business of its Subsidiaries to:

- (i) conduct their businesses in the ordinary course of business consistent with past practice;
- (ii) use their respective reasonable best efforts to preserve intact their goodwill and relationships with customers, suppliers and vendors and to conduct their dealings with them with respect thereto; and
- (iii) use reasonable best efforts to maintain in full force without interruption their present insurance policies or comparable policies.

(b) Without limiting the generality of Section 5.1, and, except as expressly permitted or expressly contemplated by this Agreement and Section 5.1(b) of the Forest Disclosure Letter, as required by Law or the regulations or requirements of any stock exchange or regulatory authority applicable to Forest or any of its Subsidiaries, or to the extent Sabine Investor Holdings shall otherwise consent in writing, Forest shall not, and shall not permit any of its Subsidiaries to:

- (i) make any material change or amendment to its organizational documents;
- (ii) make any acquisition of any other Person or business (whether by merger, business combination or otherwise), or purchase any ownership interests or assets of, or make any investment in or make loans or capital contributions to, any Person in excess of the amount of the cash on hand of Forest or any of its Subsidiaries, except for (x) ordinary course overnight investments consistent with the cash management policies of Forest and purchases of Hydrocarbon assets in the ordinary course of business and (y) loans or advances by any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and Indenture) to Forest or a wholly owned Subsidiary or any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and Indenture);
- (iii) other than as set forth in the 2014 capital budget, make any capital expenditures in excess of \$10,000,000 in the aggregate in any fiscal year, except on an emergency basis or for the safety of individuals or the environment;

(iv) make, change or revoke any material Tax election, adopt any material method of Tax accounting that is not consistent with the material method of Tax accounting, settle or compromise any material Tax proceeding or assessment in excess of amount of the cash on hand of Forest or any of its Subsidiaries, amend any material Tax Return, take any material position on any material Tax Return inconsistent with a material position taken on a material Tax Return that was previously filed, enter into any closing agreement with any Governmental Entity (or any similar provision of state, local or foreign Law) relating to a material amount of Taxes with any Governmental Entity, or any material ruling or material benefit with respect to Taxes with any Governmental Entity (it being agreed and understood that clause (xix) of this Section 5.1(b) shall be the only covenants regarding Tax compliance matters in this Section 5.1(b));

(v) except as required under its organizational documents, declare or pay any dividends or other distribution in respect of any equity securities except (A) the declaration

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and payment of cash dividends or distributions from any direct or indirect wholly owned Subsidiary or any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture) of Forest to Forest or a wholly owned Subsidiary or any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture) of Forest and (B) the rights issued pursuant to the Rights Plan in accordance with Section 6.19 and Forest Junior Preferred Stock to be issued as the Sabine Contribution Consideration;

(vi) split, combine or reclassify any shares of its capital stock or other equity securities or issue or authorize the issuance of, in lieu of or in substitution for, its capital stock or equity securities, except (A) for any such transaction by a direct or indirect wholly owned Subsidiary of Forest that remains a direct or indirect wholly owned Subsidiary of Forest or any of its Subsidiaries after such transaction, (B) the rights issued pursuant to the Rights Plan in accordance with Section 6.19 and Forest Junior Preferred Stock to be issued as the Sabine Contribution Consideration; (C) the Forest Senior Preferred Stock to be issued as the Sabine Contribution Consideration;

(vii) repurchase, redeem or otherwise acquire any of its capital stock or other equity securities or any securities convertible into capital stock or equity securities;

(viii) issue, deliver, sell, pledge or dispose of, or authorize the issuance, delivery, sale, pledge or disposition of, any (A) securities of any class, except for shares of Forest Common Stock issued pursuant to the exercise or settlement of outstanding awards under the Plans outstanding as of May 2, 2014 and described in Section 3.5(a), (B) debt securities having the right to vote on any matter on which the holders of capital stock or members or partners of the same issuer may vote or (C) securities convertible into or exercisable for, or options to acquire, any such securities, other than issuances by a direct or indirect wholly owned Subsidiary of Forest of such securities to such Person's parent or any other direct or indirect wholly owned Subsidiary of Forest;

(ix) sell assets (including any Equity Interests in any other Person), other than (A) sales of Hydrocarbons and inventory in the ordinary course of business by the Sabine Entities, (B) sales of assets to third parties for a purchase price that does not exceed \$10,000,000 in the aggregate; provided that the foregoing shall not prohibit the sale of assets by any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture) to Forest or any other Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture);

(x) create, incur, guarantee or assume any Indebtedness other than (A) Indebtedness incurred as a result of borrowings under the Existing Forest Credit Agreement and (B) other Indebtedness of less than \$10,000,000 in the aggregate; provided that the foregoing shall not prohibit the sale of assets by any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture) to Forest or any other Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture);

(xi) (A) settle any claims, demands, lawsuits or state or federal regulatory proceedings for damages to the extent such settlements exceed \$2,000,000 individually and \$8,000,000 in the aggregate (other than any claims, demands, lawsuits or proceedings for which such settlements are tax-deductible), reserved against in the Forest Financial Statements or covered by an indemnity obligation not subject to disavowal by a solvent indemnitor) or (B) settle any claims, demands, lawsuits or state or federal regulatory proceedings seeking an injunction or other relief where such settlements would or would reasonably be expected to materially impair the business of Forest and its Subsidiaries;

(xii) take any action with respect to or in contemplation of any liquidation, dissolution, recapitalization, reorganization, or other corporate transaction;

(xiii) change or modify any accounting policies, except as required by applicable regulatory authorities or independent auditors;

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(xiv) except as required pursuant to the terms and conditions of a Forest Benefit Plan as in effect on the Original Execution Date, make any material amendment to any Forest Benefit Plan, other than amendments to any Forest Benefit Plans that are defined contribution plans that materially increase the cost to the Forest Entities of maintaining such plans;

(xv) recognize any union or establish, negotiate or become obligated under any collective bargaining agreement or other similar agreement;

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

(xvii) (A) modify, make any material amendment to or voluntarily terminate, prior to the expiration date thereof, any Forest Material Contract entered into prior to the Original Execution Date that would be a Forest Material Contract if entered into prior to the Original Execution Date; (B) modify, make any material amendment to or voluntarily terminate, prior to the expiration date thereof, any Forest Material Contract entered into after the Original Execution Date; (C) waive any default by, or release, settle or compromise any claim against, any other party to a Forest Material Contract; and (D) modify, make any material amendment to or voluntarily terminate, prior to the expiration date thereof, any Forest Material Contract clauses (A), (B) and (C), in the ordinary course or business;

(xviii) take any action that would result in any Person other than a direct or indirect wholly owned Subsidiary of Forest Entities (as defined in the Existing Forest Credit Agreement or any Indenture); or

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

5.2 Conduct of Business by the Sabine Entities.

(a) Sabine Investor Holdings, AIV Holdings and Sabine Holdings covenant and agree as to each Sabine Entity that, from the Effective Time and continuing until the earlier of the Effective Time and the termination of this Agreement, except as expressly permitted by this Agreement, as set forth in Section 5.2(a) of the Sabine Disclosure Letter, as required by Law or the regulations or requirements of any stock exchange or regulatory organization applicable to Sabine Holdings or any of its Subsidiaries, or to the extent Forest shall otherwise consent in writing, from the Original Execution Date, Sabine Investor Holdings, AIV Holdings and Sabine Holdings shall cause each Sabine Entity to:

(i) conduct their respective businesses in the ordinary course of business consistent with past practice;

(ii) use their respective reasonable best efforts to preserve intact their goodwill and relationships with customers, suppliers and other third parties with whom they have business dealings with their respective businesses with respect thereto; and

(iii) use reasonable best efforts to maintain in full force without interruption the present insurance policies or comparable policies of the Sabine Entities.

(b) Without limiting the generality of Section 5.2, and, except as expressly permitted or expressly contemplated by this Agreement, as set forth in Section 5.2(b) of the Sabine Disclosure Letter, as required by Law or the regulations or requirements of any stock exchange or regulatory organization applicable to any of the Sabine Entities, or to the extent Forest shall otherwise consent in writing, from the Original Execution Date, Sabine Investor Holdings, AIV Holdings, and Sabine Holdings shall cause each Sabine Entity to:

(i) make any change or amendment to its organizational documents that would reasonably be expected to prevent, materially and adversely affect, or otherwise impede the completion of the Transactions;

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(ii) make any acquisition of any other Person or business (whether by merger, business combination or otherwise), or purchase ownership interests of, or make any investment in or make loans or capital contributions to, any Person in excess of \$50,000,000 in the aggregate, except for course overnight investments consistent with the cash management policies of the Sabine Entities;

(iii) other than as set forth in the 2014 capital budget, make any capital expenditures in excess of \$40,000,000 in the aggregate, except for emergency basis or for the safety of individuals or the environment;

(iv) make, change or revoke any material Tax election, adopt any material method of Tax accounting that is not consistent with the material method of Tax accounting, settle or compromise any material Tax proceeding or assessment in excess of amount shown in the Financial Statements, amend any material Tax Return, take any material position on a material Tax Return that is inconsistent with the position taken on a material Tax Return that was previously filed, enter into any closing agreement pursuant to Section 7121 of the Internal Revenue Code or of state, local or foreign Law) relating to a material amount of Taxes with any Governmental Entity, or apply for any material Tax credit with respect to Taxes with any Governmental Entity (it being agreed and understood that this clause (iv) and clause (xv) constitute the only covenants regarding Tax compliance matters in this Section 5.2(b));

(v) declare or pay any dividends or other distribution in respect of any of its capital stock or other equity securities except for the payment of cash dividends or distributions from any direct or indirect wholly owned Subsidiary of Sabine Holdings to Sabine Holdings or any Subsidiary of Sabine Holdings that will be directly or indirectly contributed to Forest in the Contribution and (ii) as required by the Third Amended and Restated Operating Agreement of Sabine Holdings, dated as of May 5, 2014;

(vi) split, combine or reclassify any shares of its capital stock or other equity securities or issue or authorize the issuance of, in lieu of or in substitution for, its capital stock or equity securities, except for any such transaction by a direct or indirect wholly owned Subsidiary of Sabine Holdings that remains a direct or indirect wholly owned Subsidiary of Sabine Holdings or any of its Subsidiaries in connection with such transaction;

(vii) repurchase, redeem or otherwise acquire any of its capital stock or other equity securities or any securities convertible into capital stock or other equity securities;

(viii) issue, deliver, sell, pledge or dispose of, or authorize the issuance, delivery, sale, pledge or disposition of, any (A) securities of any class, (B) debt securities having the right to vote on any matters on which holders of capital stock or members or owners have the right to vote or (C) securities convertible into or exercisable for, or any rights, warrants, calls or options to acquire, any such securities to any direct or indirect wholly owned Subsidiary of Sabine Holdings of capital stock or equity securities to such Person's parent or any other wholly owned Subsidiary of Sabine Holdings; or sell, pledge or dispose of any equity interests in (or other interest that is convertible into any equity interest in) Sabine Holdings or any of its Subsidiaries;

(ix) sell any assets (including any Equity Interests in any other Person), other than (A) sales of Hydrocarbons and inventories of the business by the Sabine Entities and (B) sales of assets to third parties for a purchase price that does not exceed \$50,000,000 in the aggregate;

(x) create, incur, guarantee or assume any Indebtedness other than (A) Indebtedness incurred as a result of borrowings under the Operating Agreement and (B) other Indebtedness of less than \$10,000,000 in the aggregate;

(xi) (A) settle any claims, demands, lawsuits or state or federal regulatory proceedings for damages to the extent such settlement exceeds \$20,000,000 in the aggregate (other

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than any claims, demands, lawsuits or proceedings to the extent insured (net of deductibles), reserved against in the Sabine covered by an indemnity obligation not subject to dispute or adjustment from a solvent indemnitor) or (B) settle any claim in federal regulatory proceedings seeking an injunction or other equitable relief where such settlements would have or would materially impair the Sabine Entities, taken as a whole;

(xii) take any action with respect to or in contemplation of any liquidation, dissolution, recapitalization, reorganization, or

(xiii) change or modify any accounting policies, except as required by applicable regulatory authorities or independent auditors;

(xiv) (A) modify, make any material amendment to or voluntarily terminate, prior to the expiration date thereof, any Sabine Material Contract entered into after the Original Execution Date that would be a Sabine Material Contract if entered into prior to the Original Execution Date; (B) enter into a contract after the Original Execution Date that would be a Sabine Material Contract if entered into prior to the Original Execution Date; (C) waive any default by, or release, settle or compromise any claim against, any other party to a Sabine Material Contract, in the ordinary course of business; or

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

ARTICLE VI

ADDITIONAL AGREEMENTS

6.1 Preparation of Proxy Statement.

(a) Promptly following the Amended Execution Date, Sabine Investor Holdings, AIV Holdings, and Forest shall cooperate to file with the SEC, a proxy statement (together with any amendments thereof or supplements thereto, the Proxy Statement), the Forest Stockholder Approval, the Authorized Share Amendment Approval, the Name Change Amendment Approval and, subject to the Forest Oil Corporation 2014 Long Term Incentive Plan (the 2014 LTIP) (which shall be considered in good faith), the Proxy Statement shall comply as to form in all material respects with the applicable provisions of the Exchange Act and thereunder and other applicable Law. Each of Sabine Investor Holdings, AIV Holdings and Forest will use its reasonable best efforts to cause the Proxy Statement cleared by the SEC as promptly as is practicable after filing, and each of Sabine Investor Holdings, AIV Holdings and Forest will use its respective reasonable best efforts to cause the Proxy Statement to be mailed to the holders of Forest Common Stock as promptly as practicable after the Proxy Statement shall have been cleared by the SEC. No amendment or supplement to the Proxy Statement shall be filed with the SEC by Sabine Investor Holdings or AIV Holdings (such approval not to be unreasonably withheld, conditioned or delayed) if such amendment or supplement contains information in such document relating to any Sabine Party, AIV Holdings or their Affiliates or their business, financial condition or operations.

(b) Sabine Investor Holdings, AIV Holdings and Forest each agrees, as to itself and its Subsidiaries, to use reasonable best efforts to ensure that the information supplied or to be supplied by it for inclusion or incorporation by reference in the Proxy Statement and any amendments or supplements thereto will, at the date of mailing to stockholders and at the time of the Forest Stockholder Meeting, contain any untrue statements or omissions of material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances at the time the same were made, not misleading.

(c) If at any time prior to the Effective Time, any party discovers any information relating to Sabine Holdings or Forest, or any of their Affiliates, directors or officers that should be set forth in an amendment or supplement to the Proxy Statement so that such information is not a misstatement of fact, such party shall promptly advise the other parties to the Proxy Statement of such information.

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a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which such information was known by the party, if such information is or may be misleading, the party that discovers such information shall promptly notify the other party and an appropriate amendment to the Proxy Statement. If the party that discovers such information is not the party that prepared the Proxy Statement, the parties shall promptly file with the SEC and, to the extent required by Law, disseminate such information.

(d) The parties shall notify each other promptly of the receipt of any correspondence, communications or comments from the SEC and of any request by the SEC or the staff of the SEC for amendments or supplements to the Proxy Statement or for additional information. The parties shall promptly supply each other with (i) copies of all correspondence and a description of all material oral discussions between it or its Representatives, on the one hand, and the SEC or the staff of the SEC, on the other hand, with respect to the Proxy Statement; and (ii) copies of all orders of the SEC relating to the Proxy Statement.

6.2 *Stockholders Meeting; Recommendations.* Forest shall take, in accordance with the rules and regulations of the New York Stock Exchange (the "NYSE"), the NYBCL and the Forest Organizational Documents, all actions reasonably necessary to call, give notice of and conduct a meeting of the stockholders (the "Forest Stockholder Meeting") as soon as reasonably practicable after the date on which the SEC confirms the Proxy Statement for the purpose of securing the Forest Stockholder Approval, the Authorized Share Amendment Approval and the Name Change Approval and, subject to the Forest Board approving the 2014 LTIP and resolving to recommend that the holders of Forest Common Stock vote to approve the LTIP Proposals (which resolution shall, if the Forest Board approves the 2014 LTIP, be considered in effect as promptly as practicable following such approval), the LTIP Proposal Approvals. The Proxy Statement shall (i) state that the Forest Board has (A) approved this Agreement and the transactions contemplated hereby; (B) determined that this Agreement and the transactions contemplated hereby are fair to and in the best interests of Forest and its stockholders; and (C) include the recommendation of the Forest Board that the holders of Forest Common Stock approve the issuance of the Sabine Contribution Consideration, the Authorized Share Amendment and the Name Change Amendment (such recommendations described in clause (C), the "Forest Recommendation") (except, in the case of clauses (B) and (C), a Forest Recommendation Change in accordance with Section 6.4); and (ii) subject to the consent of the Forest Financial Advisor, that, as of the Original Execution Date and based upon and subject to the assumptions and limitations set forth in such opinion, the Exchange Ratio (as defined in the Original Merger Agreement) is fair, from a financial point of view, to the holders of Forest Common Stock. Unless there has been a Forest Recommendation Change in accordance with Section 6.4, Forest shall make its reasonable best efforts to solicit from stockholders of Forest votes in favor of the Forest Stockholder Approval, the Authorized Share Amendment Approval and the Name Change Approval. The Forest Board shall not effect a Forest Recommendation Change, except as permitted by Section 6.4. Notwithstanding any Forest Recommendation Change, unless this Agreement has been terminated, this Agreement, the Authorized Share Amendment, the Name Change Amendment and, subject to the Forest Board approving the 2014 LTIP and resolving to recommend that the holders of Forest Common Stock vote to approve the LTIP Proposals, the LTIP Proposal Approvals, the Forest Board shall not effect a Forest Recommendation Change. The foregoing, Forest shall not submit to the vote of its stockholders any Acquisition Proposal other than the Transaction contemplated hereby. If, in the event of a Forest Recommendation Change, the contrary contained in this Agreement, Forest may adjourn or postpone the meeting of Forest's stockholders to the extent necessary if the required supplement or amendment to the Proxy Statement is provided to Forest's stockholders or, if as of the time for the meeting of Forest's stockholders is originally scheduled (as set forth in the Proxy Statement) there are insufficient shares of Forest Common Stock (in person or by proxy) to constitute a quorum necessary to conduct business at such meeting; *provided, however*, that no adjournment or postponement of more than three (3) Business Days prior to the End Date.

Table of Contents**6.3 Access to Information; Confidentiality.**

(a) Subject to applicable Law, Forest will provide and will cause Forest's Subsidiaries and its and their respective direct accountants, consultants, legal counsel, investment bankers, advisors, and agents and other representatives (collectively, Sabine Investor Holdings and its authorized Representatives, during normal business hours and upon reasonable advance notice to the offices, employees, customers, suppliers, properties, books and records of Forest Entities (so long as such access does not interfere with the operations of Forest or the Forest Entities) as Sabine Investor Holdings may reasonably request. Subject to applicable Law, Sabine Investor Holdings and AIV Holdings will provide and will cause Sabine Investor Holdings' and AIV Holdings' Subsidiaries and its and their respective Representatives to provide Forest and its authorized Representatives, during normal business hours and upon reasonable advance notice access to the offices, employees, properties, books and records of the Sabine Entities (so long as such access does not interfere with the operations of Sabine Investor Holdings or the Sabine Entities) as Forest may reasonably request. No party shall have access to any other party or any of its Subsidiaries relating to individual performance or evaluation records, medical histories or other records, in the other party's good faith opinion the disclosure of which could subject such other party or any of its Subsidiaries to risk of liability, or to conduct any sampling or analysis of any environmental media or building materials at any facility of the other party or any of its Subsidiaries without the prior written consent of such other party, which may be granted or withheld in such other party's sole discretion.

(b) With respect to any information disclosed pursuant to this Section 6.3, each of Sabine Investor Holdings, AIV Holdings and its Subsidiaries, with, and shall cause each of its Subsidiaries and their respective Representatives to comply with, all of its obligations under the Confidentiality Agreement, dated January 17, 2014, previously executed by Sabine O&G and Forest (the Confidentiality Agreement). Each of Sabine Investor Holdings, AIV Holdings and its Subsidiaries shall not provide access to or disclose any information where such access or disclosure would jeopardize any attorney-client privilege, any Confidentiality Agreement, any Subsidiary of such party or contravene any Contract, Law or order (it being agreed that the parties shall use their respective best efforts to cause such information to be provided in a manner that would not result in such jeopardy or contravention).

6.4 No Solicitation.

(a) Except as expressly permitted by this Section 6.4, Forest shall, and shall cause each of its Subsidiaries and its and their respective officers and shall use reasonable best efforts to cause its and their Representatives to, (i) immediately cease and terminate any discussions, encouragement, knowing facilitation, discussions, negotiations or other similar activities with any Persons other than Sabine Investor Holdings, 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, 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 non-public information with respect to Forest or its Subsidiaries previously disclosed in connection with the Acquisition Proposal and request or require (to the fullest extent permitted under any confidentiality agreement or similar agreement) any such Person to promptly return or destroy, as elected by Forest, all confidential information concerning Forest and its Subsidiaries.

(b) Except as expressly permitted by this Section 6.4, Forest shall not, and shall cause each of its Subsidiaries and its and their respective officers not to, and shall use reasonable best efforts to cause its and their respective Representatives not to, directly or indirectly (including by way of furnishing information), knowingly encourage, or knowingly facilitate any inquiries regarding, or to make, any proposal or offer that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal, (ii) conduct or enter into any discussions, negotiations with, disclose any non-public information or non-public data relating to Forest or any of its Subsidiaries to, or assist, facilitate or cooperate with any effort to, access, review, or disseminate any properties, assets, books or records of Forest or any of its Subsidiaries to, or assist, facilitate or cooperate with any effort

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third party with respect to any Acquisition Proposal, or (iii) enter into any agreement, including any agreement in principle, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement or other Confidentiality Agreement (each, a Alternative Acquisition Agreement) (other than an Acceptable Confidentiality Agreement) in Section 6.4(c).

(c) The foregoing clauses (a) and (b) of this Section 6.4 notwithstanding, Forest either directly or through its Representatives described in Section 6.4(b)(ii) with respect to a third party prior to but not after, the receipt of the Forest Stockholder Approval or Share Amendment Approval, if (i) Forest receives after the Original Execution Date a bona fide, written Acquisition Proposal that did not result from, or was not otherwise facilitated by, any breach of this Section 6.4 and (ii) before taking any such actions, the third party acted in good faith, after consultation with its financial advisor and outside legal counsel, that such Acquisition Proposal constitutes a Superior Proposal; *provided, however*, that (1) Forest shall not deliver any non-public information to any third party or afford such third party any access prior to entering into an Acceptable Confidentiality Agreement with such third party, shall, as promptly as practicable (and in any event within twenty-four (24) hours), provide to Sabine Investor Holdings a copy of such Acceptable Confidentiality Agreement. Nothing in this Section 6.4 shall prohibit Forest, or the Forest Board, directly or indirectly, or any employee or Representative informing any Person that Forest is party to this Agreement and informing such Person of the terms of this Agreement. Forest agrees that it shall substantially concurrently with delivery to any third party provide to Sabine Investor Holdings a copy of any information Forest or its Subsidiaries that is provided to any third party in connection with any Acquisition Proposal which information is not provided to Sabine Investor Holdings.

(d) Forest shall, as promptly as practicable (and in any event within twenty-four (24) hours after receipt), advise Sabine Investor Holdings in writing of any request for information or any Acquisition Proposal received by Forest, any of its Subsidiaries or any of its Representatives, or any Person, or any inquiry with respect to any Acquisition Proposal, and the material terms and conditions of such request, and Forest shall, as promptly as practicable (and in any event within twenty-four (24) hours after receipt), provide to Sabine Investor Holdings copies of any written Acquisition Proposal, and the identity of the Person making any such request, Acquisition Proposal, and Forest shall keep Sabine Investor Holdings informed of any material developments, discussions or negotiations regarding any Acquisition Proposal on a current basis (and in any event within twenty-four (24) hours). Forest agrees that it and its Subsidiaries will not enter into any agreement with any Person subsequent to the Original Execution Date that prohibits Forest from providing such information to Sabine Investor Holdings in accordance with this Section 6.4(d).

(e) Except as expressly permitted by this Section 6.4, neither the Forest Board nor any committee thereof will (i) qualify or recommend in any manner adverse to Sabine Investor Holdings (or publicly propose to do so) the Forest Recommendation; (ii) fail to recommend the Forest Recommendation in the Proxy Statement; (iii) fail to recommend against acceptance of any tender offer or exchange offer for the Forest Common Stock within ten (10) Business Days after commencement of any such offer; or (iv) adopt, approve or recommend any Acquisition Proposal (actions described in subclauses (i) through (iv), being referred to as a Forest Recommendation Change).

(f) Notwithstanding anything to the contrary in Section 6.4(e), prior to, but not after, receipt of the Forest Stockholder Approval or Share Amendment Approval, the Forest Board may make a Forest Recommendation Change and/or terminate this Agreement in the case of an Acquisition Proposal that has not been withdrawn and did not result from a breach of this Section 6.4, if 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. The Forest Board shall not make a Forest Recommendation Change pursuant to this Section 6.4 pursuant to this Agreement pursuant

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to Section 8.1(g) unless prior to taking such action (i) Forest has given Sabine Investor Holdings at least three (3) Business Days prior written notice of its intention to take such action (which notice shall specify the material terms and conditions of any such Superior Proposal and the Person making such Superior Proposal) and has contemporaneously provided to Sabine Investor Holdings a copy of any such agreements with the Person making such Superior Proposal, (ii) 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 to enable Sabine Investor Holdings to revise the terms of this Agreement such that it would cause such Superior Proposal to no longer constitute a Superior Proposal, and (iii) following the end of such notice period, the Forest Board shall have considered in good faith any changes to this Agreement proposed in writing by Sabine Investor Holdings, and shall have 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 (iv) Forest has complied with its obligations under this Section 6.4. Any amendment to the financial terms or other material terms of a Superior Proposal pursuant to this Section 6.4(f) shall commence a new three (3) Business Days notice period. No Forest Recommendation Change shall change the effect of this Agreement for purposes of Section 902 of the NYBCL, and in no event shall Forest or the Forest Board be permitted to rescind or amend this Agreement as in effect on the Original Execution Date. No Forest Recommendation Change shall have the effect of making the New York) corporate Takeover Law or other similar statute to be applicable to the transactions contemplated by this Agreement (the "Transactions").

(g) Notwithstanding anything to the contrary in Section 6.4(e), prior to, but not after, receipt of the Forest Stockholder Approval, the Forest Board may make a Forest Recommendation Change in response to a Forest Intervening Event if the Forest Board determines in good faith, after consultation with its outside financial advisors and outside legal counsel, that the failure to effect a Forest Recommendation Change would be inconsistent with the fiduciary duties of the directors of Forest under applicable Law and (ii) following the end of such notice period, the Forest Board shall not make a Forest Recommendation Change pursuant to this Section 6.4(g) unless prior to taking such action (i) Forest has given Sabine Investor Holdings at least three (3) Business Days prior written notice of its intention to take such action (which notice shall specify the material terms and conditions of any such Superior Proposal and the Person making such Superior Proposal) and has contemporaneously provided to Sabine Investor Holdings a copy of any such agreements with the Person making such Superior Proposal, (ii) 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 to enable Sabine Investor Holdings to revise the terms of this Agreement such that a failure of the Forest Board to effect a Forest Recommendation Change in response to such Forest Intervening Event would be inconsistent with the fiduciary duties of the directors of Forest under applicable Law and (iii) following the end of such notice period, the Forest Board shall have considered in good faith any changes to this Agreement proposed in writing by Sabine Investor Holdings, and shall have determined in good faith, after consultation with its financial advisor and outside legal counsel, that notwithstanding such proposed changes, the failure to effect a Forest Recommendation Change in response to a Forest Intervening Event would be inconsistent with the fiduciary duties of the directors of Forest under applicable Law.

(h) Nothing in this Agreement shall prohibit the Forest Board from complying with its disclosure obligations under U.S. securities laws, including (i) taking and disclosing to Forest stockholders a position contemplated by Rule 14e-2(a) and Rule 14d-9 under the Exchange Act; provided that such stop-look-and-listen communication to the Forest stockholders pursuant to Rule 14d-9(f) under the Exchange Act; provided that such stop-look-and-listen communication shall not, in any event, affect, eliminate or modify the obligations of Forest under, or the effect of any such actions under, applicable Law with respect to a Forest Recommendation Change.

(i) Forest acknowledges and agrees that any violation of the restrictions set forth in this Section 6.4 by any Representative of Forest shall be deemed to be a breach of this Section 6.4 by Forest.

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(j) Definitions of Acquisition Proposal and Superior Proposal. For purposes of this Agreement:

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

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

6.5 Efforts to Consummate; Notification.

(a) Subject to the terms and conditions of this Agreement, each of Sabine Investor Holdings, AIV Holdings and Forest will take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable law to consummate the Transactions and the other transactions contemplated by this Agreement including using reasonable best efforts to (i) cause all conditions set forth in Article VII to be satisfied, (ii) obtain all necessary waivers, consents, approvals, permits, orders or authorizations (including the termination of any waiting periods) from Governmental Entities and the making of all necessary registrations, declarations, filings, registrations, declarations and filings with Governmental Entities, if any) and take all steps as may be necessary to avoid any Proceeding by any Governmental Entity by the End Date, (iii) obtain all necessary waivers, consents, approvals, permits, orders or authorizations from third parties, (iv) defend any investigations or Proceedings, whether judicial or administrative, challenging this Agreement or the transactions contemplated hereby, including seeking to avoid the entry of, or to have reversed, terminated, lifted or vacated any restraining order or other injunctive relief or order entered by any Governmental Entity that could prevent or delay the consummation of the transactions contemplated hereby and (v) execute and deliver additional instruments necessary to consummate the Transactions and to fully carry out the purposes of, this Agreement. In furtherance and not in limitation of the foregoing, Sabine Investor Holdings and Forest agree not to extend any waiting period under HSR Act or enter into any agreement with any Governmental Entity that would prevent the consummation of the transactions contemplated by this Agreement, except with the prior written consent of the other party not to be unreasonably withheld.

(b) In furtherance and not in limitation of the foregoing, Sabine Investor Holdings, AIV Holdings and, where applicable, Forest will cause to be made the registrations, declarations and filings required of such party under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act)

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with respect to the transactions contemplated by this Agreement as promptly as reasonably practicable and advisable after the execution of this Agreement, and in no event later than fifteen (15) Business Days from the execution of this Agreement, (ii) furnish to the other party as promptly as reasonably practicable all information required for any application or other filing to be made by the other party pursuant to any applicable Regulatory Law in connection with the transactions contemplated by this Agreement, (iii) respond as promptly as reasonably practicable to any inquiries received from the other party as promptly as reasonably practicable any additional information or documentation that may be requested by, the Antitrust Division of Justice (the "DOJ"), the Federal Trade Commission ("FTC") or by any other Governmental Entity in respect of such transactions, (iv) promptly notify the other party of any material communication between that party and the FTC or any other Governmental Entity and of any material communication received or given in connection with any proceeding by a private party for the application of an Regulatory Law to any of the transactions contemplated hereby (including any communication relating to any potential remedies, commitments or undertakings, the timing of any waivers, consents, approvals, Permits, orders or authorizations, or the expiration or termination of any waiting periods), or any agreement regarding the timing of consummation of the Transactions, (v) permit the other party (and its counsel) to review in advance, and consider in good faith the other party's reasonable comments on any proposed filing or communication to the FTC, the DOJ, or any other Governmental Entity or, in connection with any proceeding by any other Person, relating to any Regulatory Law or any investigation or other Proceeding pursuant to any Regulatory Law in connection with the Transactions or the other transactions contemplated by this Agreement, (vi) not participate or agree to participate in any meeting, telephone call or discussion (including any meeting, telephone call or discussion relating to the antitrust merits, any potential remedies, commitments or undertakings, the timing of any waivers, consents, approvals, Permits, orders or authorizations (including the expiration or termination of any waiting periods), and any agreement regarding the timing of consummation of the Transactions) with the FTC, the DOJ or any other Governmental Entity in respect of any filings, investigation or inquiry relating to any Regulatory Law or any investigation or other Proceeding pursuant to any Regulatory Law in connection with this Agreement or the Transactions unless it consults with the other party in advance and, to the extent permitted by any Governmental Entity, gives the other party the opportunity to attend and participate in such meeting, telephone call or discussion, and the other party promptly with copies of all correspondence, filings and communications relating to any Regulatory Law or any investigation or other Proceeding pursuant to any Regulatory Law between them and their Affiliates and their respective Representatives on the one hand, and any other Governmental Entity or members of their respective staffs on the other hand, with respect to this Agreement and the Transactions, and in good faith and use reasonable best efforts to cooperate with the other party in connection with any such registrations, declarations and filings in connection with resolving any investigation or other inquiry of any such agency or other Governmental Entity under the applicable Regulatory Law with respect to any such registration, declaration and filing or any such transaction. Sabine Investor Holdings may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other party as Antitrust Counsel Only Material. Such materials and the information contained therein shall be given only to the outside counsel and will not be disclosed by such outside counsel to employees, officers or directors of the recipient unless express permission is obtained from the source of the materials (Sabine Investor Holdings, AIV Holdings or Forest, as the case may be) or its legal counsel. To the contrary in this Section 6.5(b), materials provided to the other party or its outside counsel may be redacted to remove information relating to the valuation of Forest and its Subsidiaries or Sabine Holdings and its Subsidiaries or as necessary to address reasonable privacy concerns.

(c) In furtherance of and not in limitation of the foregoing, Sabine Investor Holdings and AIV Holdings shall, to the extent permitted by the HSR Act, agree to or take any action that would result in making proposals, offering remedies, or entering into any undertakings, executing or carrying out agreements (including consent decrees) or submitting to Laws or orders (i) providing for the divestiture or other disposition or holding separate (through the establishment of trust or otherwise) of any capital stock of any Subsidiary of Forest or Sabine Investor Holdings or AIV Holdings,

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business, assets, categories of assets, or products of Sabine Investor Holdings or AIV Holdings, Forest or their respective separate of the capital stock or other Equity Interests of a Subsidiary of Forest or Sabine Investor Holdings or AIV Holdings or seeking to impose any limitation on Sabine Investor Holdings, AIV Holdings, Forest or any of their respective Subsidiaries with respect to, or their ability to retain, any of the businesses, assets, categories of assets, or products of Sabine Investor Holdings or any of their respective Subsidiaries (any matter referenced in the foregoing clause (i) or (ii) being a Regulatory Divestiture). AIV Holdings may condition any Regulatory Divestiture on the consummation of the Transactions. Notwithstanding anything to the contrary, in no event will Sabine Investor Holdings or AIV Holdings be obligated to make or agree to make any Regulatory Divestiture that reasonably be expected individually or in the aggregate to be material to Forest and its Subsidiaries, taken as a whole, affecting the transactions contemplated by this Agreement. Forest agrees that it (A) shall not publicly, or before any Governmental Entity, suggest, propose or negotiate, and shall not commit to, or enter into, consent to or acquiesce to any Regulatory Divestiture without the consent of Sabine Investor Holdings and AIV Holdings and (B) shall commit to, enter into, consent to or acquiesce to any Regulatory Divestiture directed by Sabine Investor Holdings and AIV Holdings, provided that Regulatory Divestitures are conditioned on the consummation of the transactions contemplated under this Agreement.

6.6 *Certain Notices.* From and after the Original Execution Date until the earlier to occur of (a) the Closing Date and (b) the date of termination of this Agreement pursuant to Section 8.1, each of Sabine Investor Holdings, AIV Holdings and Forest shall promptly notify the other party of the non-occurrence, of any Event, to the extent known by such party that would be likely to cause any condition to the obligation to consummate the Transactions and the other transactions contemplated by this Agreement not to be satisfied; *provided, however*, that the notice given pursuant to this Section 6.6 shall not cure the inaccuracy of any representation or warranty, the failure to comply with any condition or otherwise limit or affect the remedies available hereunder to the party receiving such notice. From and after the Closing Date, Forest shall keep Sabine Investor Holdings reasonably informed regarding its communications with any Forest shareholder, in the event of the applicability of clause (v) of the definition of Acquiring Person set forth in the Rights Plan to any such shareholder, in any event within 24 hours of receipt thereof, providing Sabine Investor Holdings with (i) a copy of any certification received by Forest in Exhibit D to the Rights Plan, and (ii) copies of any written communications and summaries of any oral communications with such shareholder to the continuing accuracy of the certifications contained therein.

6.7 *Public Announcements.* The initial press release with respect to the amendment and restatement of this Agreement shall be issued and issued upon by Sabine Investor Holdings, AIV Holdings and Forest. Thereafter, Sabine Investor Holdings and AIV Holdings and Forest, on the one hand, and the other party, on the other hand, shall consult with and obtain the approval of the other party (such approval not to be unreasonably withheld) before issuing any other press release or other public statements with respect to the Transactions or this Agreement, to the extent such press release or other public statements are not previously issued or disclosed and shall not issue any such other press release prior to such consultation, except as may be required by any listing agreement related to the trading of the shares of either party on any securities exchange, in which case the party issuing the press release or making such public announcement shall use reasonable best efforts to consult in good faith with the other party before issuing the press release or making any such public announcement.

6.8 *Indemnification of Directors and Officers.*

(a) From and after the Effective Time, Forest shall indemnify and hold harmless (and advance funds in respect of each party in the same manner as provided by Forest immediately prior to the Original Execution Date, 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 (including

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attorneys' fees and expenses and disbursements), judgments, fines, losses, claims, damages or liabilities incurred in connection with, whether civil, criminal, administrative or investigative, arising out of or pertaining to the fact that such Indemnified Party is or was an employee of Forest or any of its Subsidiaries whether asserted or claimed prior to, at or after the Effective Time (including omissions by directors or officers of Forest or its Subsidiaries in their capacities as such arising in connection with the transaction contemplated by the Agreement), and shall provide advancement of expenses to the Indemnified Parties, in all such cases to the same extent that such Indemnified Parties or have the right to advancement of expenses as of the Original Execution Date by Forest pursuant to Forest's certificate of incorporation, its indemnification agreements, if any, or by any one of Forest's Subsidiaries pursuant to such Subsidiary's organizational documents or agreements of any Subsidiary of Forest, if any, in existence on the Original Execution Date.

(b) Forest agrees that, until the six year anniversary date of the Effective Time, Forest's Organizational Documents shall be no less favorable with respect to indemnification of the current and former directors and officers of Forest than are currently provided in the Organizational Documents, which provisions shall not be amended, repealed or otherwise modified in any manner that would adversely affect the rights of any such individuals until the expiration of the statutes of limitations applicable to such matters or unless such amendment is specifically required by applicable Law.

(c) For six (6) years after the Effective Time, Forest shall maintain in effect for the benefit of the Indemnified Parties an officers' and directors' liability insurance policy with an insurer with the same or better credit rating as the current carrier for Forest that provides coverage for acts and omissions occurring on or after the Effective Time (the D&O Insurance) covering each such person covered by the officers' and directors' liability insurance policy in effect on the Original Execution Date; *provided, however*, that Forest shall not be required to pay an annual premium for the D&O Insurance policy in excess of the annual premium currently paid by Forest for such coverage; and *provided, further, however*, that if any annual premium for the D&O Insurance policy exceeds 300% of such annual premium, Forest shall obtain as much coverage as reasonably practicable for a cost not exceeding such annual premium. The obligations under this Section 6.8(b) may be satisfied by Forest, or, with the approval (such approval not to be unreasonably withheld) of the Board of Directors, Forest, purchasing a tail policy from an insurer with substantially the same or better credit rating as the current carrier for Forest's officers' and directors' insurance policy, which (i) has an effective term of six (6) years from the Effective Time, (ii) covers the same persons as Forest's officers' and directors' insurance policy in effect on the Original Execution Date or at the Effective Time for a term of six (6) years from the Effective Time, and (iii) contains terms that are no less favorable in the aggregate than those of Forest's officers' and directors' insurance policy in effect on the Original Execution Date. If such tail policy has been obtained by Forest prior to the Effective Time, Forest shall maintain the tail policy in full force and effect, for its full term, and cause all obligations thereunder to be honored by Forest.

(d) The provisions of this Section 6.8 are (i) intended to be for the benefit of, and will be enforceable by, each Indemnified Party and not in substitution for, any other rights to indemnification or contribution that any such person may have by Contract or otherwise, and (ii) shall cover all reasonable out-of-pocket expenses, including reasonable attorneys' fees, that may be incurred by any Indemnified Party in connection with the obligations provided in this Section 6.8 unless it is ultimately determined that such Indemnified Party is not entitled to such expenses.

(e) If Forest, or any of its successors or assigns (i) consolidates with or merges into any other Person and shall not be the surviving corporation or entity in such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to another Person, in either case, proper provision shall be made so that the successors and assigns of Forest honor the indemnification obligations set forth in this Section 6.8.

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(a) For a period of at least one year following the Closing Date (the Benefits Continuation Period), Forest shall maintain annual base salaries and incentive compensation opportunities for the benefit of each employee who is not a Key Employee, employed by the Forest Entities on the Closing Date and who remain employed by one of the Forest Entities after the Closing Date, which are, in each case, no less favorable than those provided to the applicable Employee as of immediately prior to the Closing Date. Forest shall maintain or cause to be maintained for each Employee for the duration of the Benefits Continuation Period other employee benefits (excluding defined benefit, retiree health and equity-based compensation arrangements) that are no less favorable in the aggregate than the employee benefits (excluding defined benefit, retiree health and equity-based compensation arrangements) made available to similarly situated employees of the Forest Entities immediately prior to the Closing Date.

(b) During the Benefits Continuation Period, Forest shall maintain or cause to be maintained annual base salaries for the benefit of each employee who is actively employed by the Forest Entities on the Closing Date and who remains employed by one of the Forest Entities after the Closing Date (each, a Covered Key Employee) which in each case is no less favorable than the annual base salary provided to the applicable Employee as of immediately prior to the Closing Date. Forest shall also maintain or cause to be maintained for each Covered Key Employee during the Benefits Continuation Period incentive bonus opportunities and other employee benefits (excluding defined benefit, retiree health and equity-based compensation arrangements) that are no less favorable in the aggregate than the incentive bonus opportunities and other employee benefits (excluding defined benefit, retiree health and equity-based compensation arrangements) made available to similarly situated employees of the Forest Entities immediately prior to the Closing Date.

(c) Forest shall provide or cause to be provided to each Employee and Covered Key Employee (together, the Covered Employees) during the Benefits Continuation Period an Involuntary Termination (as defined in the Forest Oil Corporation Severance Plan as in effect immediately prior to the Closing Date) or the Key Employee Severance Agreement, as applicable) during the Benefits Continuation Period the same benefits described in the Forest Severance Plan or applicable Key Employee Severance Agreement.

(d) To the extent that a Covered Employee becomes eligible to participate in a new employee benefit plan maintained by Forest after the Closing Date (a New Benefit Plan), Forest shall cause such New Benefit Plan to recognize the service of such Covered Employee with respect to predecessor entities) for purposes of eligibility, participation, vesting and, except with respect to any defined benefit pension plan, benefit accrual under such New Benefit Plan, to the same extent such service was recognized immediately prior to the Closing Date under a comparable Forest Benefit Plan in which such Covered Employee was eligible to participate immediately prior to the Closing Date. The recognition of service shall not operate to duplicate any benefits of a Covered Employee with respect to the same period. For any New Benefit Plan that is a health, dental, vision plan or other welfare plan in which any Covered Employee is eligible to participate, which such Covered Employee is first eligible to participate, Forest shall use reasonable best efforts to (i) cause any pre-eligibility waiting periods under such New Benefit Plan to be waived with respect to such Covered Employee to the extent such periods have been waived or satisfied under the Forest Benefit Plan in which such Covered Employee participated immediately prior to the Closing Date; and (ii) recognize any health, dental or vision expenses incurred by such Covered Employee in the year that includes the Closing Date (or the year in which such Covered Employee is first eligible to participate) for purposes of any applicable deductible and annual out-of-pocket maximum under any such New Benefit Plan.

(e) The Sabine Parties and AIV Holdings acknowledge and agree that a change of control or corporate change (or similar phrase) of the Forest Benefit Plans will occur at the Effective Time and that Forest will interpret and administer the Forest Benefit Plans as if the Effective Time shall be treated as a change of control or corporate change (or similar phrase) for purposes of such plans.

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(f) Nothing in this Section 6.9 shall be construed to limit the right of Forest or any of its Subsidiaries (including, following the Closing Date, Forest Surviving Corporation and its Subsidiaries) to amend or terminate any Forest Benefit Plan or other employee benefit plan. Section 6.9 be construed to require Forest or any of its Subsidiaries (including, following the Closing Date, Forest Surviving Corporation and its Subsidiaries) to retain the employment of any particular Covered Employee.

(g) Without limiting the generality of Section 10.7, the provisions of this Section 6.9 are solely for the benefit of the party. No individual who is a current or former employee, director or independent contractor or any other individual associated therewith shall be regarded as a third-party beneficiary of the Agreement, and nothing herein shall be construed as an amendment to, or an undertaking to amend, any Forest Benefit Plan or other employee benefit plan for any purpose.

6.10 *Section 16(b) Matters.* Prior to the Effective Time, Forest shall take all such steps as may be required to cause any sale or disposition of Forest (including derivative securities with respect thereto) or acquisitions of equity securities of Forest (including derivative securities with respect thereto) resulting from the transactions contemplated by this Agreement by each individual who is subject to the reporting requirements of the Exchange Act with respect to Forest or who will become subject to such reporting requirements with respect to Forest under Section 16b-3 under the Exchange Act.

6.11 *Takeover Laws.* If any Takeover Laws or any anti-takeover provision or restriction on ownership in the organization may become applicable to the Transactions or the other transactions contemplated by this Agreement, Forest and the Forest Surviving Corporation shall obtain all necessary approvals and take all such actions as are necessary or advisable so that such transactions may be consummated as promptly as possible contemplated by this Agreement and otherwise act to eliminate or minimize the effects of such statute, regulation or provision of law set forth in such documents on such transactions.

6.12 *Transaction Litigation.* In the event that any litigation or Proceeding related to this Agreement, the Transactions or the other transactions contemplated by this Agreement (Transaction Litigation) is brought, or, to the Knowledge of Sabine Investor Holding Corporation, is threatened against a party and/or the members of the party's board of directors prior to the Effective Time, such party against which such litigation has been brought or which has knowledge of such threat shall promptly notify the other party of such Transaction Litigation or Proceeding as soon as reasonably informed with respect to the status thereof. Subject to the fiduciary duties of the board of directors of such party, Sabine Investor Holdings and Forest shall give the other party the opportunity to participate in the defense or settlement of any Transaction Litigation or Proceeding where the interests of Sabine Investor Holdings or its Affiliates are adverse to those of Forest or its Affiliates. Sabine Investor Holdings nor Forest shall settle, compromise, come to an arrangement regarding or agree to settle, compromise or otherwise resolve regarding any such Transaction Litigation, without the other party's prior written consent (such consent not to be unreasonably withheld or delayed); *provided, however*, that Sabine Investor Holdings may settle any Transaction Litigation without the prior written consent of Forest if the settlement provides (a) for a complete release of the claims, if any, related to or against Forest and all directors and officers of Forest; and (b) the remedy shall be monetary damages not to exceed \$20,000,000.

6.13 *Tax-Free Qualification.* Each of Sabine Investor Holdings, AIV Holdings and Forest shall (and shall cause its Subsidiaries to) use its best efforts to cause (a) the LLC Interest Contribution, the Stock Contribution and the Contributed Corporations Mergers to be treated as a transaction described in Section 351(a) of the Code; (b) either (x) each of the Contributed Corporations Mergers, taken together with the LLC Interest Contribution, to qualify as a reorganization within the meaning of Section 368(a) of the Code or (y) (i) the Stock Contribution and the LLC Interest Contribution, to qualify as a transaction described in Section 351(a) of the Code and (ii) the Contributed Corporations Mergers and the transactions described in Section 332 of the Code; and (c) each of the Sabine Mergers to be treated as a transaction that is tax-free for income tax purposes.

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of Forest or its Subsidiaries Derivative Transactions, in each case, on terms that are reasonably requested by the Sabine Parties; *provided* that no obligation of any Forest Entity under any such amendments or novations shall be effective until the Effective Time; (ix) facilitate the pledging of collateral in support of the Refinancing and provide customary title information and title opinions in the form and at the cost and expense of the Sabine Parties (it being understood that Forest shall provide title information and title opinions in the form and at the cost and expense of the Sabine Parties in a reasonable means which minimize the costs and expenses), (x) provide all documentation and other information about Forest and its Subsidiaries requested by the Financing Sources relating to applicable know your customer and anti-money laundering rules and regulations, (xi) in connection with any Bank Financing or other financing, provide customary authorization letters to the Financing Sources authorizing the distribution of information to prospective investors and provide customary representation to the Financing Sources that such information does not contain a material misstatement or omission, (xii) provide customary representation to the Financing Sources that the public side versions of such documents, if any, do not include material non-disclosure information of Forest Entity or their securities, (xiii) cooperate with the Financing Sources in their efforts to benefit from the existing lending facilities of Forest Entities, (xiv) cooperate reasonably with the Financing Sources due diligence, to the extent customary and reasonable and not unreasonably interfering with the business of Forest and (xv) seek to obtain customary payoff letters, lien terminations and releases and other documents to be delivered at Closing providing for the payoff, discharge and termination on the Closing Date of all indebtedness and related to the Refinancing to be paid off, discharged and terminated on the Closing Date, including the Existing Forest Credit Agreements and any other obligation of any Forest Entity under any agreement, certificate, document or instrument (other than the authorization letters) that is effective until the Effective Time and, no Forest Entity or any of their Representatives shall be required to pay any commission or fee (to the extent such Forest Entity or Representative is promptly reimbursed) or incur any other liability in connection with the Refinancing until the Effective Time; *provided, however, further*, that no Forest entity or any of their respective directors or officers or other persons shall be required by this Section 6.16 to take any action or provide any assistance that unreasonably interferes with the ongoing operations of Forest or its Subsidiaries. Forest hereby consents to the use of its and its Subsidiaries logos in connection with the Refinancing; *provided*, that the use shall be solely in a manner that is not intended to or reasonably likely to harm or disparage any Forest Entity or the reputation or creditworthiness of Forest. The Sabine Parties shall promptly, upon request by Forest, reimburse Forest for all reasonable out-of-pocket costs and expenses (including attorneys' fees) incurred by the Forest Entities in connection with the cooperation of the Forest Entities contemplated by this Section 6.16 and shall indemnify and hold harmless Forest, its Subsidiaries and their respective Representatives from and against any and all losses, damages, costs and expenses suffered or incurred by any of them in connection with the arrangement of the Refinancing and any information provided to the Financing Sources except with respect to any information provided by any of the Forest Entities. All non-public or otherwise confidential information obtained by the Sabine Parties or any of their Representatives pursuant to this Section 6.16 shall be kept confidential in accordance with the Confidentiality Agreement; *provided* that the Sabine Parties shall be permitted to disclose confidential information to potential investors and hedging providers and, in each case, their Representatives without the prior written consent of Forest if such Persons are subject to a customary confidentiality agreement with respect thereto. Any action taken by Forest at the specific request of the Financing Sources in accordance with this Section 6.16(a) shall not be deemed to be a breach of or result in any representation, warranty or obligation under the Confidentiality Agreement.

(b) The Sabine Parties shall use their commercially reasonable efforts to obtain, or cause to be obtained, the proceeds of the Debt Financing and conditions described in the Commitment Letter and shall comply with their obligations, and enforce their rights, under the Debt Financing in a timely and diligent manner. In the event that any portion of the Debt Financing becomes unavailable, regardless of the reason, Forest will use their commercially reasonable efforts to amend, modify, supplement, alter, restate, substitute or replace the Debt Financing in a commercially practicable following the occurrence of such event, and in any event prior to the End Date, with alternative debt financing.

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taken together with remaining portion of the Debt Financing (if any) and with any equity commitment or cash on hand, to consummate the Refinancing on terms materially no less favorable to the Sabine Parties and Forest taken as a whole than those set forth in the Commitment Letter, subject to the conditions precedent or contingencies to funding. The Sabine Parties shall have the right from time to time to amend, modify, supplement, substitute or replace or waive any of its 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 source, *provided*, that (i) the amount thereof shall be sufficient, when taken together with remaining portion of the Debt Financing, equity commitment and cash on hand, to consummate the Refinancing and (ii) any such amendment, modification, supplement, substitution or replacement or waiver of any rights under the Commitment Letter or any associated definitive documentation shall not be subject to conditions precedent or contingencies to the funding of the Debt Financing as set forth in the applicable Commitment Letter or any associated definitive documentation. For the purposes of this Agreement, the terms *Commitment Letter* and *Financing Commitments* shall mean the Commitment Letter (or similar agreement) or commitment with respect to any alternative financing arranged in compliance with the Commitment Letter and Financing Commitment remaining in effect at the time in question).

(c) The Sabine Parties shall provide Forest with prompt oral and written notice of (1) any material breach or default by any party to the Commitment Letter or definitive documentation with respect to the Debt Financing (if executed prior to the Closing Date) of which the Sabine Parties are aware, (2) the receipt of any written notice or other written communication from any Financing Source with respect to any breach or default or repudiation by any party to any Commitment Letter or definitive documentation with respect to the Debt Financing (if executed prior to the Closing Date) of any provision thereof and (3) any amendment or modification to the Commitment Letter that would reasonably be expected to materially impede or delay the consummation of the Refinancing or otherwise materially adversely affect the ability or likelihood of the Sabine Parties to timely consummate the Refinancing. The Sabine Parties shall keep Forest reasonably informed on a reasonably current basis of the status of their efforts to consummate the Debt Financing or any alternative financing.

(d) Notwithstanding the foregoing, in no event shall the receipt or availability of any funds or financing (including the Debt Financing) by the Sabine Parties or any Affiliate be a condition to any of the Sabine Parties' obligations hereunder.

(e) Without limiting any obligation to provide Requested Information (including if previously provided Requested Information), if at any time in good faith reasonably believes that it has delivered the Requested Information in compliance with Section 6.16, Forest may deliver to the Sabine Parties a written notice to such effect, in which case Forest shall be deemed to have delivered the Requested Information at the time of delivery of such notice unless the Sabine Parties shall provide to Forest within five (5) days after the date of such written notice that describes with reasonable specificity the information that constitutes Requested Information that the Sabine Parties reasonably believe Forest has not delivered.

6.17 *Certain Tax Matters.*

(a) Sabine Investor Holdings shall prepare or cause to be prepared and timely file or cause to be timely filed, all federal and state tax returns required to be filed by or with respect to Sabine Holdings and its Subsidiaries with respect to any taxable period ending on or after the Closing Date (any such Tax Return, a Sabine Holdings Pre-Closing Income Tax Return). Such Sabine Holdings Pre-Closing Income Tax Returns shall be prepared in a manner consistent with past practice in all material respects (including all prior elections, accounting methods and positions) (including all prior Returns) unless required by Law.

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(b) Sabine Investor Holdings shall control any dispute, including any audit or other examination by any Governmental Authority in any administrative proceeding, relating to any Sabine Holdings Pre-Closing Income Tax Return; provided, however, that Sabine Investor Holdings shall not settle, compromise or abandon any such dispute or proceeding that would have an adverse effect that is not immaterial or that would result in a taxable period ending after the Closing Date, without Forest's prior written consent (not to be unreasonably withheld, conditioned or delayed).

(c) Forest shall, and shall cause its Subsidiaries to, provide Sabine Investor Holdings, at the expense of Sabine Investor Holdings, all reasonable assistance and assistance as may be reasonably requested in connection with the preparation and filing of any Sabine Holdings Pre-Closing Income Tax Return or any dispute or proceeding referred to in Section 6.17(b).

6.18 Existing Notes Tender Offer; Consent Solicitation and Debt Tender

(a) If requested by the Sabine Parties, Forest shall use its reasonable best efforts to assist the Sabine Parties in commencing a tender offer to discharge one or more series of the Notes (as defined below) (each, a Debt Tender) and/or (ii) a consent solicitation to amend the covenants in the Indentures (as defined below) such that, among other things, no aspect of the transactions contemplated by the Debt Tender or Consent Offer (as defined in the applicable Indenture) (each, a Consent Solicitation), in each case, with respect to, the 2020 Notes), issued by Forest under an indenture, dated as of September 17, 2012, among Forest, the guarantors party thereto (the 2020 Indenture), and the 7.25% Senior Notes due 2019 (the 2019 Notes) and, together with the 2020 Notes, issued under an indenture, dated as of June 6, 2007, among Forest, the guarantors party thereto and the trustee party thereto (the 2007 Indenture), with the 2020 Indenture, the Indentures), in compliance with the Indentures and the Notes (each Debt Tender and each Consent Solicitation, a Debt Offer); *provided*, that (A) Forest shall not be required to commence any Debt Offer until the Sabine Parties submit the forms of the necessary offer to purchase, consent solicitation statement, dealer manager and/or solicitation agent agreement and other related documents in connection with any such Debt Offer (collectively, the Debt Offer Documents) a reasonable period of time prior to commencing the applicable Debt Offer, (B) the Sabine Parties will consult with Forest regarding the timing and commencement of any tender or consent deadlines for the Debt Offer in light of the regular financial reporting schedule of Forest, the requirements of the Indentures, (C) the Sabine Parties shall consult with Forest and afford Forest a reasonable opportunity to review the terms and conditions of the Debt Offer and (D) unless otherwise agreed by the parties hereto, Forest will not be required to retire the Notes prior to the occurrence of the Effective Time.

(b) Forest shall, and shall cause its Subsidiaries to, provide all cooperation reasonably requested by the Sabine Parties in connection with, including, (i) the prompt entry into a dealer manager and/or solicitation agreement, with dealer manager(s) and and/or solicitation agent parties to the Commitment Letter on its date of execution or their affiliates or (B) are selected by the Sabine Parties in connection with the Debt Offer, (ii) the execution of the Debt Offer Documents (including all amendments or supplements thereto) on a timely basis, *provided* that herein shall require such cooperation to the extent it would unreasonably interfere with the operations of Forest or any of its Subsidiaries.

(c) Forest covenants and agrees that, if required by the Sabine Parties, promptly following the Debt Offer expiration date, Forest and its applicable Subsidiaries as is necessary shall (and shall use their commercially reasonable efforts to cause the applicable Subsidiaries to) execute supplemental indenture to each Indenture, which supplemental indentures shall implement the amendments described in the Debt Offer Documents that they become operative only concurrently with the Effective Time, subject to the terms and conditions of this Agreement. Concurrent with the Effective Time, in connection with any Debt Offer, if applicable, Forest shall accept for payment and discharge the Notes that have been properly tendered and not properly withdrawn pursuant to the Debt Offer and in accordance with the

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(d) The Sabine Parties shall prepare all necessary and appropriate documentation in connection with the Debt Offer, including the Debt Offer Documents, except for such information as otherwise required to be provided by Forest pursuant to clause (e) immediately below, and other Debt Offer Documents which the Sabine Parties reasonably request Forest to prepare in light of the information then available to the Sabine Parties. The Sabine Parties and Forest shall, and Forest shall cause its Subsidiaries to, reasonably cooperate in the preparation of the Debt Offer Documents (including all amendments and supplements thereto). The Debt Offer Documents (including all amendments or supplements thereto) and all other communications with the holders of the Notes in connection with the Debt Offer (including materials provided, furnished or filed pursuant clause (e) immediately below) shall be subject to prior review of, and consent by, Forest and shall be reasonably acceptable to each of them.

(e) If at any time prior to the completion of the Debt Offer any information is discovered by the Sabine Parties or Forest or any of their Subsidiaries that Forest reasonably believes should be set forth in an amendment or supplement to the Debt Offer Documents so that the Debt Offer Documents contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of circumstances under which they are made, not misleading, the party that discovers such information shall promptly notify the other party, and an appropriate amendment or supplement prepared by the Forest describing such information shall be disseminated by or on behalf of Forest and its Subsidiaries to the holders of the Notes (which supplement or amendment shall be in the form of a filing of a Current Report on Form 8-K). Notwithstanding anything to the contrary in this Section 6.18(e), Forest and its Subsidiaries to comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable Law to the Debt Offer in connection with the Debt Offer and such compliance will not be deemed a breach of this Section 6.18(e).

(f) The Sabine Parties shall pay the fees and out-of-pocket expenses of any dealer manager, information agent, solicitation agent, depository or other agent retained in connection with the Debt Offer upon the incurrence of such fees and out-of-pocket expenses. The Sabine Parties shall promptly, upon request by Forest, reimburse Forest for all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) incurred by the Forest Entities in connection with the cooperation of the Forest Entities contemplated by this Section 6.18(e). Forest, its harmless Forest, its Subsidiaries and their respective Representatives from and against any and all losses, damages, claims and expenses incurred by any of them in connection with the Debt Offer and any information used in connection therewith, except with respect to information provided by any of the Forest Entities.

(g) Notwithstanding the foregoing, in no event shall the consummation of the Debt Offer be a condition to any of the Sabines' obligations hereunder.

6.19 *Rights Plan.* Substantially concurrently with the execution of this Agreement on the Amended Execution Date, the Sabines shall adopt a Rights Plan and declare a dividend distribution of rights to purchase the Junior Preferred Stock related thereto. Forest may not amend or waive any provision of the Rights Plan, redeem such Rights (as defined in the Rights Plan) or make any determination 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 the effect of the issuance of the Sabine Contribution Consideration to Sabine Investor Holdings and AIV Holdings.

6.20 *Further Assurance.* If, after the Effective Time, Sabine Investor Holdings, AIV Holdings or any of their Affiliates (including any Subsidiaries) owns or holds any assets or rights that as of the Original Execution Date or Closing Date constituted or related to the Sabine Investor Holdings or AIV Holdings shall, or shall cause their applicable Affiliates to, transfer such assets or rights to the Corporation or its Subsidiaries.

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6.21 ***Exchange Listing.*** Forest shall use its reasonable best efforts to cause the Forest Common Stock issuable as Sabine the Forest Common Stock issuable upon the conversion of the Forest Senior Preferred Stock issuable as Sabine Contribu approved for listing on the NYSE, subject to official notice of issuance and the Forest Stockholder Approval, prior to the

ARTICLE VII

CONDITIONS PRECEDENT

7.1 ***Conditions to Each Party's Obligations to Effect the Transactions.*** The respective obligations of each party to effect the satisfaction at or prior to the Closing of the following conditions:

- (a) **Stockholder Approval.** The Forest Stockholder Approval shall have been obtained.
- (b) **Approvals.** The waiting period (and any extension thereof) applicable to the Transactions under the HSR Act shall ha
- (c) **No Injunctions or Restraints.** No Governmental Entity of competent jurisdiction shall have enacted, issued, promulga decision, injunction, decree, ruling, Law or order (whether temporary, preliminary or permanent) that is in effect and enj makes illegal the consummation of any of the Transactions.
- (d) **Authorized Share Amendment.** The Authorized Share Amendment Approval shall have been obtained; provided, tha **Section 7.1(d)** may be waived with the mutual agreement of Forest and Sabine Investor Holdings.

7.2 ***Additional Conditions to the Sabine Parties and AIV Holdings Obligations.*** The obligations of the Sabine Partie Transactions are also subject to the satisfaction or waiver (to the extent permitted by Law) at or prior to the Closing of th

- (a) **Representations and Warranties.** (i) The representations and warranties of Forest in **Section 3.5(a)** shall be true in all Agreement and as of the Closing Date as though remade on the Closing Date (disregarding all qualifications or limitation Adverse Effect or other words of similar import) other than in de minimis respects (except for representations and warr which shall be true and correct other than in de minimis respects as of such specific date); (ii) the representations and wa **Sections 3.1(a), 3.2, 3.5(b) through (e), 3.6(b), 3.19, 3.22 and 3.23** shall be true and correct in all material respects as of t of the Closing Date as though remade on the Closing Date (disregarding all qualifications or limitations as to materialit other words of similar import) and (iii) all other representations and warranties of Forest in this Agreement shall be true qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import except in th as of the date of this Agreement and as of the Closing Date as though remade on the Closing Date (except for representa specific date, which shall be true and correct in all respects as of such specific date), except, in the case of this **clause (iii)** such representations to be so true and correct has not had, and would not reasonably be expected to have a Forest Materi
- (b) **Agreements and Covenants.** Forest shall have performed, or complied with, in all material respects the agreements an Agreement to be performed or complied with by Forest on or prior to the Closing.

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(c) **Compliance Certificate.** Sabine Investor Holdings and AIV Holdings shall have received a certificate signed by a senior executive of Forest, each dated the Closing Date confirming that the conditions set forth in **Sections 7.2(a)** and **7.2(b)** have been satisfied.

(d) **Tax Opinion.** Sabine Investor Holdings and AIV Holdings shall have received the written opinion of Vinson & Elkins LLP, dated as of the Closing Date, to the effect that (i) the LLC Interest Contribution, taken together with the Stock Contribution and the Contributed Corporations Mergers, will qualify as a transaction described in Section 368(a) of the Code or (ii) either (x) each of the Contributed Corporations Mergers, taken together with the Stock Contribution, will qualify as a transaction described in Section 368(a) of the Code or (y) (A) the Stock Contribution, taken together with the LLC Interest Contribution, will qualify as a transaction described in Section 351(a) of the Code and (B) the Contributed Corporations Mergers will qualify as transactions described in Section 351(a) of the Code. In rendering such opinion, such counsel shall be entitled to receive and rely upon assumptions, representations, warranties and other information contained in this Agreement and in the Tax Representation Letters described in **Section 6.14** of this Agreement.

(e) **Director Resignations and Appointments.** (i) The Forest Director Resignations shall be in full force and effect and shall be accepted by the Forest Board, in each case, effective as of the Closing and (ii) the Sabine Nominees shall each have been appointed to serve on the Forest Board, effective as of the Closing.

7.3 Additional Conditions to Forest's Obligations. The obligations of Forest to effect the Transactions are also subject to the extent permitted by Law) at or prior to the Closing of the following conditions:

(a) **Representations and Warranties.** (i) The representations and warranties of the Sabine Parties and AIV Holdings in **Sections 4.1(a), 4.2, 4.5(b) through (g), 4.6(b), 4.19, 4.21, and 4.22** shall be true and correct in all respects as of the date of this 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 date, which shall be true and correct other than in de minimis respects as of such specific date); (ii) the representations and warranties of the Sabine Parties and AIV Holdings in **Sections 4.1(a), 4.2, 4.5(b) through (g), 4.6(b), 4.19, 4.21, and 4.22** shall be true and correct in all material respects as of the date of this 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 this Agreement shall 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 **Section 4.8(b)**) in all respects as of the date of this Agreement and as of the Closing Date (except for representations and warranties made as of a specific date, which shall be true and correct 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 would not reasonably be expected to have a Sabine Material Adverse Effect.

(b) **Agreements and Covenants.** The Sabine Parties and AIV Holdings shall have performed, or complied with, in all material respects, all agreements and covenants required by this Agreement to be performed or complied with by the Sabine Parties and AIV Holdings on or before the Closing Date.

(c) **Compliance Certificates.** Forest shall have received certificates signed by a senior executive of each of Sabine Investor Holdings and AIV Holdings, each dated the Closing Date confirming that the conditions set forth in **Sections 7.3(a)** and **7.3(b)** have been satisfied.

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(d) Forest shall have received (i) a certificate duly executed by each of Sabine Investor Holdings and the entity treated as AIV Holdings for U.S. federal income tax purposes, dated as of the Closing Date, in the form specified by Treasury Reg. 1.1442-1(c) certifying such entity's non foreign status and (ii) an Internal Revenue Service Form W-9 duly completed and executed by Sabine Investor Holdings and the entity treated as owning the assets owned by AIV Holdings for U.S. federal income tax purposes, dated as of the Closing Date.

ARTICLE VIII

TERMINATION AND EXPENSES

8.1 **Termination.** This Agreement may be terminated and the Transactions may be abandoned at any time prior to the Closing Date upon the receipt of the Forest Stockholder Approval and the Authorized Share Amendment Approval:

(a) by mutual written consent of Sabine Investor Holdings and Forest in each case duly authorized by their respective Boards of Directors;

(b) by either Sabine Investor Holdings or Forest:

(i) if any Governmental Entity of competent jurisdiction shall have issued any order, decree, ruling or injunction or taken any action restraining, enjoining or otherwise prohibiting the consummation of the Transactions and such order, decree, ruling or injunction shall have become final and nonappealable, or if there shall be adopted following the date of execution of this Agreement any law, rule or regulation that makes any of the Transactions illegal or otherwise prohibited; *provided, however*, that the party seeking to terminate this Agreement has fulfilled its obligations under Section 6.5; or

(ii) if the Transactions shall not have been consummated on or before 5:00 p.m., Houston time, on December 31, 2014 (the "Termination Date"); *provided, however*, that the right to terminate this Agreement under this clause (b)(ii) shall not be available to any party if a breach of any covenants or agreements under this Agreement has been the principal cause of, or resulted in, the failure of the Transactions to be consummated by the Termination Date;

(c) by Forest if any of the representations or warranties of the Sabine Parties or AIV Holdings was or becomes inaccurate or if any Sabine Party or AIV Holdings of any covenant or other agreement of such parties contained in this Agreement occurs a breach or inaccuracies, the condition set forth in Section 7.3(a) or 7.3(b), as applicable, would not then be capable of being satisfied, or if such breaches or inaccuracies are not curable, or, if curable have not been cured prior to the earlier of (A) the Business Day prior to the End Date that is sixty (60) days after the date that notice of such breach or inaccuracy is provided to Sabine Investor Holdings and (B) the date that Forest shall not have the foregoing right to terminate if, at the time of such termination, Forest is in material breach of any of the representations or warranties or covenants contained herein such as would result in any of the closing conditions set forth in Section 7.2(a) or 7.2(b); *provided, however*, that the right to terminate this Agreement under this clause (c) shall not be available to Forest if a breach of any covenants or agreements under this Agreement has been the principal cause of, or resulted in, the failure of the Transactions to be consummated by the Termination Date;

(d) by Sabine Investor Holdings if any of the representations or warranties of Forest was or becomes inaccurate or if any Sabine Investor Holdings of any covenant or other agreement of the parties contained in this Agreement occurs and, (i) as a result of any such breach or inaccuracy, the condition set forth in Section 7.2(a) or 7.2(b), as applicable, would not then be capable of being satisfied, and (ii) any such breach or inaccuracy, or, if curable have not been cured prior to the earlier of (A) the Business Day prior to the End Date or (B) the date that is sixty (60) days after the date that notice of such breach or inaccuracy is provided to Forest by Sabine Investor Holdings; *provided, however*, that Sabine Investor Holdings shall not have the foregoing right to terminate this Agreement under this clause (d) if a breach of any covenants or agreements under this Agreement has been the principal cause of, or resulted in, the failure of the Transactions to be consummated by the Termination Date;

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foregoing right to terminate if, at the time of such termination, the Sabine Parties or AIV Holdings are in material breach of the representations, warranties and covenants contained herein such as would result in any of the closing conditions set forth herein not being satisfied;

(e) by Sabine Investor Holdings if:

(i) a Forest Recommendation Change shall have occurred whether or not permitted by this Agreement; or

(ii) Forest shall have engaged in a Willful and Material Breach of its obligations under Section 6.4, other than in the case where the 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 Entity), (B) such Willful and Material Breach was not caused, encouraged or knowingly facilitated by, or taken with the consent of, any director or employee of any Forest Entity, (C) Forest uses reasonable best efforts to immediately remedy such Willful and Material Breach upon the discovery thereof by any director or employee of any Forest Entity and (D) the Sabine Parties and AIV Holdings are not significantly harmed as a result of such Willful and Material Breach;

(f) by either Sabine Investor Holdings or Forest if the Forest Stockholder Meeting (or any postponement or adjournment thereof) and the Forest Stockholder Approval shall not have been obtained; or

(g) by Forest, prior to receipt of the Forest Stockholder Approval and the Authorized Share Amendment Approval and if such material respects with its obligations under Section 6.4(f), in order to enter into a definitive agreement with respect to a Sale of Forest, a definitive agreement shall be entered into concurrently with the termination of this Agreement pursuant to this Section 8.1.

8.2 Notice of Termination; Effect of Termination.

(a) A terminating party shall provide notice of termination to the other party specifying with particularity the reason for such termination in accordance with Section 8.1 shall be effective immediately upon delivery of such written notice to the other party.

(b) In the event of termination of this Agreement by any party as provided in Section 8.1, this Agreement shall forthwith terminate and no liability or obligation on the part of any party except with respect to this Section 8.2, the first sentence of Section 6.3(f) which shall remain in full force and effect; *provided, however*, that, notwithstanding anything to the contrary herein, no party shall be released from any party from liability for any damages resulting from or arising out of fraud or Willful and Material Breach of this Agreement.

8.3 Expenses and Other Payments.

(a) Except as otherwise provided in this Agreement, including in this Section 8.3, each party shall pay its own expenses incurred in entering into and carrying out this Agreement and the consummation of the transactions contemplated by this Agreement. All Transactions shall be consummated.

(b) If Sabine Investor Holdings terminates this Agreement pursuant to (i) Section 8.1(e) or (ii) Section 8.1(d) due to a Willful and Material Breach under Section 6.2, then Forest shall pay Sabine Holdings the Termination Fee, in cash by wire transfer of immediately available funds by Sabine Holdings, no later than two (2) Business Days after such termination.

(c) If Forest terminates this Agreement pursuant to Section 8.1(f) and (i) prior to the Forest Stockholder Meeting, there shall be no announcement, disclosed or otherwise made known a bona fide Acquisition.

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Proposal for Forest that has not been withdrawn at least five (5) days prior to the Forest Stockholder Meeting; and (ii) with respect to such termination, Forest enters into a definitive agreement with respect to or consummates any Acquisition Proposal (*pro* clause (ii)), any reference in the definition of Acquisition Proposal to 15% shall be deemed to be a reference to 50%), the date of entering into such definitive agreement or (B) the closing or other consummation of such Acquisition Proposal, Forest shall pay the Termination Fee, in cash by wire transfer of immediately available funds to an account designated by Sabine Holdings.

(d) If Forest terminates this Agreement pursuant to Section 8.1(g), then Forest shall pay Sabine Holdings the Termination Fee, in cash by wire transfer of immediately available funds to an account designated by Sabine Holdings, upon termination of this Agreement and as a condition to such termination.

(e) The parties acknowledge and agree that the agreements contained in this Section 8.3 are an integral part of the Transaction Agreement, and that, without these agreements, the parties would not enter into this Agreement. If a party fails to promptly make such payment pursuant to this Section 8.3, interest shall accrue on such amount from the date such payment was required to be paid pursuant to this Agreement until the date of payment at the prime rate of J.P. Morgan Chase, N.A. in effect on the date such payment was required. In order to obtain payment, the other party commences a suit that results in judgment for such party, the defaulting party shall be liable for its reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with such suit. Forest hereby acknowledges that the payment of the amounts by Sabine Investor Holdings and Forest specified in this Section 8.3 is not intended to constitute liquidated damages in a reasonable amount that will compensate Sabine Holdings (and Sabine Investor Holdings, in the event of a claim by Sabine Holdings) or Forest, as the case may be, in the circumstances in which such fees are payable for the efforts and resources expended and foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the Transaction contemplated hereby, which amount would otherwise be impossible to calculate with precision. In no event shall Forest be liable for a Termination Fee more than once. The parties agree that, in the event that Sabine Holdings is entitled to receive the Termination Fee under the provisions herein and Forest pays the Termination Fee to Sabine Holdings, Forest has no further liability to Sabine Investor Holdings or Sabine Holdings of any kind in respect of this Agreement and the Transactions and the other transactions contemplated hereby; and this sentence shall relieve any party of any liability for any damages resulting from or arising out of fraud or Willful and Malicious Agreement.

ARTICLE IX**DEFINITIONS**

9.1 **Definitions.** For purposes of this Agreement, the following terms, when used in this Agreement with initial capital letters, shall have the meanings set forth in this Agreement:

2014 LTIP has the meaning set forth in Section 6.1(a).

2014 LTIP Proposal means a proposal substantially in the form of the 2014 LTIP Proposal as set forth and described in the 2014 LTIP Proposal Form S-4 filed with the SEC by New Forest on May 29, 2014.

2014 LTIP Proposal Approval means the approval of the 2014 LTIP Proposal by the affirmative vote of a majority of the Forest Stock represented and entitled to vote at the Forest Stockholder Meeting.

2019 Indenture has the meaning set forth in Section 6.18(a).

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2019 Notes has the meaning set forth in Section 6.18(a).

2020 Indenture has the meaning set forth in Section 6.18(a).

2020 Notes has the meaning set forth in Section 6.18(a).

Acceptable Confidentiality Agreement means a confidentiality agreement that contains provisions as to confidentiality more favorable than those contained in the Confidentiality Agreement.

Acquisition Proposal has the meaning set forth in Section 6.4(j).

Affiliate means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or exercises a significant influence over the management of, the specified Person. A Person shall be deemed to control another Person if such first Person possesses, directly or indirectly, the power to direct or cause the direction of, the management and policies of such other Person, whether through the ownership of voting securities, by contract, or otherwise.

Agreement means this Agreement, as it may be amended from time to time.

AIV Holdings has the meaning set forth in the preamble hereto.

Alternative Acquisition Agreement has the meaning set forth in Section 6.4(b).

Amended Execution Date has the meaning set forth in the preamble hereto.

Antitrust Counsel Only Material has the meaning set forth in Section 6.5(b).

Authorized Share Amendment means a certificate of amendment to the Forest Charter providing for an increase in the number of shares of Forest Common Stock in substantially the form attached as Exhibit A-2 to this Agreement.

Authorized Share Amendment Approval means approval of the Authorized Share Amendment by the affirmative vote of a majority of the outstanding shares of Forest Common Stock.

Bank Financing has the meaning set forth in Section 6.16(a).

Benefits Continuation Period has the meaning set forth in Section 6.9(a).

Business Day means any day on which the principal offices of the SEC in Washington, D.C. are open to accept filing and the City of Houston is open for business, and any day on which banks are not required or authorized to close in the City of Houston in accordance with applicable law.

Certificates of Sabine Mergers has the meaning set forth in Section 1.1(c)(ii).

Closing has the meaning set forth in Section 1.2.

Closing Date has the meaning set forth in Section 1.2.

Code has the meaning set forth in the recitals.

Commitment Letter has the meaning set forth in Section 4.24(a).

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Confidentiality Agreement has the meaning set forth in Section 6.3(b).

Consent Solicitation has the meaning set forth in Section 6.18(a).

Contract means any written agreement, lease, license, note, evidence of indebtedness, mortgage, security agreement, or other legally binding arrangement.

Contributed Corporations has the meaning set forth in the recitals.

Contributed Corporations Mergers has the meaning set forth in the recitals.

Contributed Corporations Merger Agreement has the meaning set forth in Section 1.1(b)(i).

Contributed Corporations Merger Effective Time has the meaning set forth in Section 1.1(b)(ii).

Contributed LLC Interests has the meaning set forth in the recitals.

Contributed LLC Interests Consideration means, (a) if the Authorized Share Amendment Approval is obtained at the Forest Stockholder Meeting, (i) 1,258,900 shares of Forest Class A Senior Preferred Stock and (ii) 123,837,490 shares of Forest Common Stock and (b) if the Amendment Approval is not obtained at the Forest Stockholder Meeting, (i) 1,258,900 shares of Forest Class A Senior Preferred Stock and (ii) 123,837,490 shares of Forest Common Stock. Contributed Stock has the meaning set forth in the recitals.

Contributed Stock Interests Consideration means, (a) if the Authorized Share Amendment Approval is obtained at the Forest Stockholder Meeting, (i) 405,349 shares of Forest Class A Senior Preferred Stock and (ii) 39,874,020 shares of Forest Common Stock and (b) if the Amendment Approval is not obtained at the Forest Stockholder Meeting, (i) 405,349 shares of Forest Class A Senior Preferred Stock and (ii) 39,874,020 shares of Forest Common Stock. Contributed Stock has the meaning set forth in the recitals.

Contribution has the meaning set forth in the recitals.

Covered Employees has the meaning set forth in Section 6.9(c).

Covered Key Employee has the meaning set forth in Section 6.9(b).

Creditors' Rights has the meaning set forth in Section 3.2(b).

D&O Insurance has the meaning set forth in Section 6.8(c).

Debt Financing has the meaning set forth in Section 4.24(a).

Debt Offer has the meaning set forth in Section 6.18(a).

Debt Offer Documents has the meaning set forth in Section 6.18(a).

Debt Tender has the meaning set forth in Section 6.18(a).

DeGolyer has the meaning set forth in Section 3.9(b)(i).

Delaware LP Act means the Delaware Revised Uniform Limited Partnership Act, as amended.

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Derivative Transactions means any swap transaction, option, warrant, forward purchase or sale transaction, futures transaction or collar transaction relating to one or more currencies, commodities, bonds, equity securities, loans, interest rate derivatives, weather-related events, credit-related events or conditions or any indexes, or any other similar transaction (including any of these transactions) or combination of any of these transactions, including collateralized mortgage obligations or other similar equity instruments evidencing or embedding any such types of transactions, and any related credit support, collateral or other arrangements related to such transactions.

DGCL means the Delaware General Corporation Law, as amended.

DLLCA means the Limited Liability Company Act of the State of Delaware, as amended.

DOJ has the meaning set forth in Section 6.5(b).

Effective Time has the meaning set forth in Section 1.1(a)(i).

Employee has the meaning set forth in Section 6.9(a).

Encumbrances means liens, pledges, charges, hypothecations, claims, mortgages, deeds of trust, security interests, leasehold interests (including any restrictions on transfer or the profession, exercise or transfer of any other attribute or ownership of any asset), preemptive rights, community property interests, defects and other imperfections in title, burdens, options or other encumbrances.

End Date has the meaning set forth in Section 8.1(b)(ii).

Environmental Laws means all applicable federal, state, local and foreign laws (including international conventions, treaties, law, rules, regulations, published and legally binding guidance documents, ordinances, orders, decrees, judgments, binding agreements, Permits issued, promulgated or entered into, by or with any Governmental Entity, relating to pollution, contamination, Hazardous Substances, resources, protection of the environment or human health or safety relating to exposure to Hazardous Substances.

Environmental Permits means all permits, notices, approvals, consents, licenses, registrations, exemptions and other actions required by any Governmental Entity required under applicable Environmental Laws.

Equity Interest means any share, capital stock, partnership, limited liability company, membership, member or similar ownership interest, option, warrant, right or security (including debt securities) convertible, exchangeable or exercisable thereto or therefor.

ERISA means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

ERISA Affiliate means any Person under common control with another Person within the meaning of Section 414(b), Section 4001 of ERISA.

Event means any event, change, development, effect, condition, circumstance, matter, occurrence or state of facts.

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

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Original Execution Date has the meaning set forth in the preamble hereto.

Existing Forest Credit Agreement has the meaning set forth in Section 4.24(b).

FCPA has the meaning set forth in Section 3.6(b).

FERC means the Federal Energy Regulatory Commission of the United States of America.

Financing Commitments has the meaning set forth in Section 4.24(a).

Financing Sources means the entities that have committed to provide or otherwise entered into agreements pursuant to the Agreement with their successors and assigns.

Forest has the meaning set forth in the preamble hereto.

Forest Benefit Plans has the meaning set forth in Section 3.16(a).

Forest Board has the meaning set forth in the recitals.

Forest Charter means the Forest certificate of incorporation.

Forest Common Stock means the common stock, par value \$0.10 per share, of Forest.

Forest Director Resignations has the meaning set forth in Section 3.24.

Forest Disclosure Letter has the meaning set forth in Article III.

Forest Entities means Forest and all Subsidiaries of Forest, with each such entity, a Forest Entity.

Forest ESPP has the meaning set forth in Section 3.5(a).

Forest Financial Advisor has the meaning set forth in Section 3.22.

Forest Financial Statements has the meaning set forth in Section 3.7(b).

Forest Junior Preferred Stock has the meaning set forth in the recitals.

Forest Insurance Policies has the meaning set forth in Section 3.18.

Forest Intervening Event means any material Event that is unknown to the Forest Board as of the Original Execution Date, the consequences of which were not known or understood by the Forest Board as of the Original Execution Date), which Event becomes known to or by the Forest Board of Directors prior to obtaining the Forest Stockholder Approval and the Authorizing Approval; *provided* that (a) in no event shall the receipt, existence or terms of an Acquisition Proposal constitute a Forest Intervening Event; and (b) the following events shall not be considered when determining whether a Forest Intervening Event has occurred: (i) any change in general economic, political, business or other capital market conditions (including prevailing interest rates and the economy arising as a result of acts of terrorism); (ii) any change or developments in prices for oil, natural gas or other commodities or material inputs and end products; (iii) any change affecting the oil and gas exploration and production industry generally; (iv) any change in requirements or principles imposed by GAAP or any change in Law after the Original Execution Date; (v) earthquakes, or

force majeure event or natural disasters or outbreak or escalation of hostilities or acts of

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war; except in each of cases (i), (ii), (iii), (iv) and (v), where such Event disproportionately affects the Forest Entities, tal Sabine Entities, taken as a whole, or vice versa.

Forest Material Adverse Effect means a material adverse effect on the business, financial condition or continuing resu Entities, taken as a whole; *provided*, that any effect resulting from any of the following Events shall not be considered w Forest Material Adverse Effect shall have occurred: (i) any change in general economic, political, business or other capit prevailing interest rates and any effects on the economy arising as a result of acts of terrorism); (ii) any change or develo gas or other commodity prices or for Forest s raw material inputs and end products; (iii) any change affecting the oil and industry generally; (iv) any change in accounting requirements or principles imposed by GAAP or any change in Law af (v) any change resulting from the execution of this Agreement or the announcement of the transactions contemplated her from compliance by the Forest Entities with the terms of this Agreement or taken at the request of any of the Sabine Enti weather-related or other force majeure event or natural disasters or outbreak or escalation of hostilities or acts of war; (vi any financial projections or forecasts or estimates of revenues, earnings or other financial metrics for any period (*provid* such failures by Forest may be considered); or (ix) any changes in the share price or trading volume of the Forest Comm of any Forest Entities debt securities (*provided* that, in either case, the underlying causes of such changes may be consi respect to clauses (i), (ii), (iii), (iv) and (vii) where the effect resulting from such events disproportionately affects the Fo relative to other similarly-situated companies in the oil and gas exploration and production industry.

Forest Material Contracts has the meaning set forth in Section 3.12(b).

Forest Owned Real Property has the meaning set forth in Section 3.9(a).

Forest Performance Unit Award means any performance unit award granted pursuant to a Forest Stock Plan that entit of shares of Forest Common Stock, or cash equal to the value thereof, subject to the satisfaction of conditions based on p

Forest Phantom Unit Award means any phantom unit award granted pursuant to a Forest Stock Plan that entitles the h value of a number of shares of Forest Common Stock, subject to the satisfaction of conditions based on continued servic

Forest Preferred Stock has the meaning set forth in Section 3.5(a).

Forest Recommendation has the meaning set forth in Section 6.2.

Forest Recommendation Change has the meaning set forth in Section 6.4(e).

Forest Reserve Reports has the meaning set forth in Section 3.9(b)(i).

Forest Restricted Share means any share of Forest Common Stock granted pursuant to a Forest Stock Plan that is subj continuing service.

Forest SEC Documents has the meaning set forth in Section 3.7(a).

Forest Severance Plan has the meaning set forth in Section 6.9(c).

Forest Senior Preferred Stock means the Forest Series A Senior Preferred Stock and the Forest Series B Senior Prefer

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Indebtedness means all indebtedness, liabilities and obligations, now existing or hereafter arising, for money borrowed or any liability for or guaranty by a Person of any obligation of any other Person (including the pledge of any collateral or grant of any interest in any property as security for any such liability, guaranty or obligation) whether or not any of the foregoing is evidenced by a guaranty or agreement, but excluding all trade payables incurred in the ordinary course of business.

Indemnified Parties has the meaning set forth in Section 6.8(a).

Indentures has the meaning set forth in Section 6.18(a).

Intellectual Property means patents, trademarks, copyrights, and trade secrets.

IRS means the United States Internal Revenue Service.

Key Employee means an individual that is a party to a Key Employee Severance Agreement.

Key Employee Severance Agreement means an individual severance agreement maintained between a Forest Entity and an employee who is a vice president or higher within the organization, or an individual severance agreement maintained between a Forest Entity and an employee provided the employee with the same level of benefits and severance benefits as other employees that are vice presidents or higher within the organization.

Knowledge of a party means the knowledge of the persons listed in Section 9.1(a) of the Forest Disclosure Letter with respect to the Forest Entity and its Subsidiaries, or the persons listed in Section 9.1(a) of the Sabine Disclosure Letter with respect to Sabine Investor Holdings.

Law means any law, statute, code, ordinance, order, rule, rule of common law, regulation, judgment, decree, injunction, order, license or authorization of any Governmental Entity.

Lenders has the meaning set forth in Section 4.24(a).

LLC Interest Contribution has the meaning set forth in the recitals.

LTIP Proposals means the 2014 LTIP Proposal and the Section 162(m) Proposal.

LTIP Proposal Approvals means the 2014 LTIP Proposal Approval and the Section 162(m) Proposal Approval.

Marketing Period means the first period of 20 consecutive days commencing after the date hereof and throughout which (a) the Requested Information, (b) the conditions set forth in Sections 7.1 and 7.2 (other than Sections 7.2(c) and 7.2(d)) are satisfied, (c) conditions that are by their nature to be satisfied at Closing) and (c) nothing has occurred and no condition exists that would prevent the conditions set forth in Sections 7.1 and 7.2 (other than Section 7.2(c) and 7.2(d)) to fail to be satisfied, assuming that such conditions are satisfied during such 20 consecutive day period; provided that (i) the Marketing Period shall end on any earlier date that is the date on which the Merger has been consummated or Successful Solicitations (as defined in the Commitment Letter) that permit the Sabine Mergers to issue a series of the Notes and (ii) (A) July 4, 2014, July 5, 2014, July 6, 2014, November 27, 2014, November 28, 2014, November 29, 2014, November 30, 2014 and each day from and including December 20, 2014 through and including December 31, 2014 shall not be deemed to be a day in calculating the Marketing Period (but there shall not be a failure to achieve 20 consecutive days because of

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and orders, division orders, transfer orders, royalty deeds, oil and gas sales agreements, exchange agreements, gathering agreements, drilling, service and supply Contracts, geophysical and geological Contracts, land broker, title attorney and Contracts relating to Hydrocarbons or revenues therefrom and claims and rights thereto, and, in each case, all rights, title

Oil and Gas Leases of any Person, means all leases, subleases, licenses or other occupancy or similar agreements und Subsidiaries leases, subleases or licenses or otherwise acquires or obtains operating rights in and to Hydrocarbons or any

Oil and Gas Properties means (a) direct and indirect interests in and rights with respect to Hydrocarbons and related p nature, direct or indirect, including working, leasehold interests and operating rights and royalties, overriding royalties, p interests and other non-working interests and non-operating interests; (b) all interests in and all rights with respect to Hy therefrom; (c) all Oil and Gas Leases and the leasehold estates created thereby and the lands covered by the Oil and Gas with which the Oil and Gas Leases may have been pooled or unitized, (d) all Oil and Gas Contracts, (e) all surface intere interests, reservations and concessions, (f) all easements, rights of way, surface use agreements, licenses and permits and associated with, appurtenant to, or necessary for the operation or development of any of Oil and Gas Leases, the drilling gathering, processing, storage, disposition, transportation or sale of Hydrocarbons produced from (or otherwise attributa (or lands unitized or pooled therewith); (g) all rights and interests in, under or derived from unitization and pooling agree the assets, properties and interests described in clauses (a) and (c) above and the units created thereby which accrue or ar the holder thereof, (h) all interests in machinery, equipment (including wells, well equipment and well machinery), oil an transmission, treating, processing and storage facilities (including tanks, tank batteries, pipelines, flow lines, gathering sy pumps, water plants, electric plants, gasoline and gas platforms, processing plants, separation plants, refineries and testin each case, to the extent associated with, appurtenant to or necessary for the operation or development of any of the Oil an wells or the production, gathering, processing, storage, disposition, transportation or sale of Hydrocarbons produced from any Oil and Gas Leases (or lands unitized or pooled therewith) and (i) all other interests of any kind or character associat necessary for the development and/or operation of any of the assets, properties and/or interests described in clauses (a) a created thereby which accrue or are attributable to the interest of the holder thereof.

Organizational Documents means, with respect to any Person, the articles of incorporation, certificate of incorporation certificate of limited partnership, bylaws, limited liability company agreement, operating agreement, partnership agreem all other similar documents, instruments or certificates executed, adopted or filed in connection with the creation, format Person, including any amendments thereto.

Original Agreement has the meaning set forth in the recitals.

Permits means all permits, approvals, consents, licenses, franchises, exemptions and other authorizations, consents an Governmental Entities.

Permitted Encumbrances means with respect to any Person, (a) statutory Encumbrances for Taxes or other governmen payable or (y) the amount or validity of which is being contested in good faith by appropriate Proceedings and for which (based on good-faith estimates of management) have been established, (b) mechanics , vendors , materialmens , carrie warehousemen s, construction and other similar statutory Encumbrances arising or incurred in the ordinary course of bu that are not yet due and payable or, if due, are not

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delinquent or are being contested in good faith by appropriate Proceedings or for which adequate accruals or reserves (based on prudent management) have been established, (c) Encumbrances imposed or promulgated by applicable Law or any Governmental Entity on real property, including zoning, entitlement, building and other land use regulations, (d) covenants, conditions, restrictions, easements, servitudes, permits, surface leases and other rights in respect of surface operations, pipelines, or the like, easements for power lines, easements and rights-of-way, and other similar non-monetary matters of record affecting title to such Person's owned or controlled real property that do not materially impair the occupancy or use of such real property for the purposes for which it is currently used in connection with its businesses, (e) any right of way or easement related to public roads and highways, (f) Encumbrances arising under workers' compensation, unemployment insurance, social security, retirement and similar legislation, (g) Encumbrances relating to intercompany agreements and its wholly owned Subsidiaries, (h) Encumbrances that are disclosed on the most recent consolidated balance sheet of Forest SEC Documents (in the case of Forest) or the Sabine Annual Reports (in the case of any Sabine Parties) or the notes thereto reflected on such balance sheet, (i) Encumbrances arising under or pursuant to the organizational documents of such Person, (j) lessors' royalties, overriding royalties, and division orders and sales contracts covering Hydrocarbons, reversionary interests, and to the extent the net cumulative effect of such burdens does not operate to reduce the net revenue interest at any time in a production revenue interest set forth in Section 9.1(b) of the Sabine Disclosure Letter or Section 9.1(b) of the Forest Disclosure Letter, (k) Encumbrances, contracts, agreements, instruments, obligations, defects and irregularities (including liens of operators or other third parties or pursuant to which such Person is not in default) that do not reduce the net revenue interest set forth in Section 9.1(b) of the Sabine Disclosure Letter or Section 9.1(b) of the Forest Disclosure Letter, or do not prevent the receipt of proceeds of production therefrom, or do not reduce the net revenue interest above the working interest set forth in Section 9.1(b) of the Sabine Disclosure Letter or Section 9.1(b) of the Forest Disclosure Letter, (l) Encumbrances that materially impair the occupancy or use of such real property for the purposes for which it is currently used in connection with its businesses, or (l) other Encumbrances that do not, individually or in the aggregate, materially impair the present or intended use of the real property.

Person means an individual, a group (including a group under Section 13(d) of the Exchange Act), a partnership, a limited liability company, a company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a Governmental Entity, agency or political subdivision thereof.

Proceeding means any civil, criminal or administrative actions, suits, investigations or other proceedings.

Production Burdens means all royalty interests, overriding royalty interests, production payments, net profits interests and other interests that constitute a burden on, and are measured by or are payable out of, the production of Hydrocarbons or the proceeds realized from the disposition thereof other than Taxes and assessments of Governmental Entities.

Proxy Statement has the meaning set forth in Section 6.1(a).

Refinancing has the meaning set forth in Section 4.24(b).

Registration Rights Agreement has the meaning set forth in the recitals.

Regulatory Divestiture has the meaning set forth in Section 6.5(c).

Regulatory Law means the Sherman Act of 1890, the Clayton Antitrust Act of 1914, the Hart-Scott-Rodino Antitrust Act, the Federal Trade Commission Act, and all other federal, state or foreign statutes, rules, regulations, orders, decrees, administrative orders and other Laws,

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including any antitrust, competition or trade regulation Laws, that are designed or intended to (i) prohibit, restrict or regulate or effect of monopolization or restraint of trade or lessening competition through merger or acquisition or (ii) protect the economy of any nation.

Related Parties has the meaning set forth in Section 10.16.

Release means any depositing, spilling, leaking, pumping, pouring, placing, emitting, discarding, abandoning, emptying, injecting, escaping, leaching, dumping, or disposing.

Representatives has the meaning set forth in Section 6.3(a).

Requested Information has the meaning set forth in Section 6.16(a).

Rights Plan has the meaning set forth in the recitals.

Ryder Scott has the meaning set forth in Section 4.9(b)(i).

Sabine Annual Reports means the Annual Reports for the year ended December 31, 2013 and for the year ended December 31, 2012, O&G, in the form posted on its web site at www.sabineoil.com as of the Original Execution Date.

Sabine Benefit Plans has the meaning set forth in Section 4.16(a).

Sabine Business means the business of Sabine O&G as described in the Sabine Annual Reports and the Sabine Financial Statements.

Sabine Contribution Consideration has the meaning set forth in Section 1.1(a)(i).

Sabine Disclosure Letter has the meaning set forth in Article IV.

Sabine Entities means Sabine Holdings, each of its Subsidiaries, and each of the Contributed Corporations and any other Corporation, with each such entity a Sabine Entity.

Sabine Financial Statements means the audited consolidated balance sheets of Sabine O&G as of December 31, 2012, and the audited income statements and statements of cash flows of Sabine O&G for the twelve month periods ended December 31, 2012.

Sabine Holdings has the meaning set forth in the preamble hereto.

Sabine Holdings Pre-Closing Income Tax Return has the meaning set forth in Section 6.17(a).

Sabine Insurance Policies has the meaning set forth in Section 4.18.

Sabine Investor Holdings has the meaning set forth in the preamble hereto.

Sabine Investor Holdings Board means the board of managers of Sabine Investor Holdings.

Sabine Material Adverse Effect means a material adverse effect on the business, financial condition or continuing revenues of the Entities, taken as a whole; *provided*, that any effect resulting from any of the following Events shall not be considered a Sabine 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);

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(ii) any change or developments in prices for oil, natural gas or other commodity prices or for any Sabine Entity's raw materials; (iii) any change affecting the oil and gas exploration and production industry generally; (iv) any change in accounting rules imposed by GAAP or any change in Law after the Original Execution Date; (v) any change resulting from the execution or announcement of the transactions contemplated hereby; (vi) any change resulting from compliance by the Sabine Entities with the Agreement or taken at the request of any of the Forest Entities, (vii) earthquakes, any weather-related or other force majeure event, outbreak or escalation of hostilities or acts of war, (viii) any failure by any Sabine Entity to meet any financial projections, revenues, earnings or other financial metrics for any period (*provided that* the underlying causes of such failures by such entity are not considered); or (ix) any changes in the credit rating of any Sabine Entities' debt securities (*provided that* the underlying causes of such failures are not considered); except, in each case with respect to clauses (i), (ii), (iii), (iv) and (vii) where the effect resulting from such event on the Sabine Entities, taken as a whole, relative to other similarly-situated companies in the oil and gas exploration and production industry.

Sabine Material Contracts has the meaning set forth in Section 4.12(b).

Sabine Mergers has the meaning set forth in the recitals.

Sabine Mergers Effective Time has the meaning set forth in Section 1.1(c)(i).

Sabine Nominees has the meaning set forth in Section 1.4.

Sabine O&G has the meaning set forth in the preamble hereto.

Sabine Owned Real Property has the meaning set forth in Section 4.9(a).

Sabine Parties has the meaning set forth in the preamble hereto.

Sabine Reserve Reports has the meaning set forth in Section 4.9(b)(i).

Sabine Revolving Credit Agreement means the Amended and Restated Credit Agreement dated as of April 28, 2009, by and between Sabine, Paribas, Capital One, N.A. and Bank of America, N.A., and the lenders party thereto, as amended from time to time.

Sabine-Forest Surviving Corporation has the meaning set forth in Section 1.1(c)(i).

SEC means the United States Securities and Exchange Commission.

Securities Act means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

Section 162(m) Proposal means a proposal substantially in the form of the Section 162(m) Proposal as set forth and described in the Statement on Form S-4 filed with the SEC by New Forest on May 29, 2014.

Section 162(m) Proposal Approval means the approval of the Section 162(m) Proposal by the affirmative vote of a majority of the Common Stock represented and entitled to vote at the Forest Stockholder Meeting.

SOGH II has the meaning set forth in the preamble hereto.

Stockholder's Agreement has the meaning set forth in the recitals.

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Subsidiary means with respect to any party, any corporation, partnership, limited liability company or other legal entity incorporated or unincorporated, of which: (1) such party or any other Subsidiary of such party is a general partner or a member with authority; or (2) at least a majority of the securities or other interests having by their terms ordinary voting power to elect directors or others performing similar functions with respect to such corporation, partnership, limited liability company or other organization is, directly or indirectly, owned or controlled by such party or by any one or more of its Subsidiaries.

Superior Proposal has the meaning set forth in Section 6.4(j).

Takeover Laws has the meaning set forth in Section 3.19.

Tax means (a) any tax, charge, fee, levy, or other assessment imposed by any United States federal, state, local or foreign governmental entity, including any excise, property, income, receipts, gross receipts, profits, alternative minimum, capital, sales, use, transfer, gift, estate, inventory, capital stock, license, registration, lease, service, service use, margin, franchise, payroll, withholding, social security, employment, unemployment, welfare, workers' compensation, disability, environmental, alternative or add-on, occupation, property, unincorporated business, capital production, premium, windfall profits, title, stamp, occupation or other tax, and any additions imposed by a Governmental Entity attributable thereto, whether disputed or not; (b) any liability for the payment of taxes described in clause (a) as a result of being or having been a member of any consolidated, combined or unitary group for federal income tax purposes; or (c) for the payment of any amounts of the type described in clause (a) or (b) as a result of the operation of law or any Tax sharing agreement or any express or implied obligation to indemnify any other Person.

Tax Representation Letter has the meaning set forth in Section 6.14.

Tax Returns means any return, report, information return, declaration, claim for refund or other document (including any schedules) submitted or filed, or required to be submitted or filed, with any Governmental Entity with respect to any supplement or attachment thereto or any amendment thereof.

Termination Fee means \$15,000,000.

Transaction Agreements means this Agreement, the Registration Rights Agreement, the Stockholders Agreement, and each Agreement and certificate required to be delivered at the Closing pursuant to the terms of this Agreement.

Transaction Litigation has the meaning set forth in Section 6.12.

Transactions has the meaning set forth in the recitals.

USA PATRIOT Act has the meaning set forth in Section 3.6(b).

Vinson & Elkins has the meaning set forth in Section 6.14.

WARN Act has the meaning set forth in Section 3.16(g).

Willful and Material Breach means a willful, material breach that is the consequence of an act by the breaching party or failure to take an act it is required to take under this Agreement with the knowledge that the taking of such act or failure to take such act will be reasonably expected to, cause a material breach of this Agreement.

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9.2 **Construction.** Unless the context otherwise requires, as used in this Agreement (i) words defined in the singular have plural and vice versa, (ii) words of one gender shall be construed to apply to each gender, (iii) the term party refers to term parties refers to the parties to this Agreement other than, unless the context specifically requires, AIV Holdings, includes such Person s successors and permitted assigns. All terms defined in this Agreement shall have the defined me certificate or other document made or delivered pursuant thereto unless otherwise defined therein.

ARTICLE X

MISCELLANEOUS

10.1 **Non-Survival of Representations and Warranties.** This Article X, Section 6.8 (Indemnification of Directors and O Tax Matters) and Section 6.20 (Further Assurances) shall survive the consummation of the Transactions. This Article X, Investor Holdings, AIV Holdings and Forest contained in the first sentence of Section 6.3(b) (Confidentiality), Section 8 Effect of Termination), Section 8.3 (Expenses and Other Payments) and the Confidentiality Agreement shall survive the No other representations, warranties, covenants and agreements in this Agreement shall survive the consummation of the of this Agreement.

10.2 **Notices.** Any notice or other communication required or permitted under, or otherwise in connection with, this Agr shall be deemed to have been duly given (a) when delivered in person; (b) when received when sent by email by the part *however*, that notice given by email shall not be effective unless either (i) a duplicate copy of such email notice is promp methods described in this Section 10.2 or (ii) the receiving party delivers a written confirmation of receipt for such notic method described in this Section 10.2; or (c) when delivered by a courier (with confirmation of delivery), in each case ac

Notices to any Sabine Party or AIV Holdings (prior to the Transactions) and to Sabine Investor Holdings and AIV Holdi Transactions):

Sabine Investor Holdings LLC

1415 Louisiana Street, Suite 1600
Houston, Texas 77002

Telephone: (832) 242-9600
Email: tyang@sabineoil.com
Attention: Senior Vice President, General Counsel and Secretary

And a copy to (which shall not constitute notice):

Vinson & Elkins LLP
1001 Fannin, Suite 2500
Houston, Texas 77007

Telephone: (713) 758-2194
Email: jfloyd@velaw.com
dmcwilliams@velaw.com
Attention: Jeffery B. Floyd and Douglas E. McWilliams

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Notices to Forest (prior to the Transactions):

Forest Oil Corporation
707 17th Street
Suite 3600
Denver, Colorado 80202
Telephone: (303) 812-1461
Email: RWSchelin@forestoil.com
Attention: General Counsel

And a copy to (which shall not constitute notice):

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Telephone: (212) 403-1000
Email: MGordon@wlrk.com
DKLam@wlrk.com
Attention: Mark Gordon and David K. Lam

Notices to Forest (after the Transactions):

Sabine Oil & Gas Corporation
1415 Louisiana Street, Suite 1600
Houston, Texas 77002
Telephone: (832) 242-9600
Email: tyang@sabineoil.com
Attention: Senior Vice President, General Counsel and Secretary

10.3 **Severability.** If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the enforcement of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon such determination that any other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement to reflect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated by this Agreement be enforceable to the extent possible.

10.4 **Entire Agreement.** This Agreement, the exhibits hereto, the Forest Disclosure Letter, the Sabine Disclosure Letter, the Confidentiality Agreement, delivered pursuant hereto and the Confidentiality Agreement constitute the entire agreement of the parties and supersede all other undertakings, both written and oral, between the parties, or any of them, with respect to the subject matter of this Agreement.

10.5 **Assignment.** Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party in whole or in part (whether by operation of Law or otherwise), without the prior written consent of the other parties, and any attempted assignment without such consent shall be null and void. Subject to the preceding sentence, this Agreement shall be binding upon, and enforceable by the parties and their respective successors and assigns.

10.6 **Extension; Waiver.** At any time prior to the Effective Time, the parties, by action taken or authorized by their respective boards of directors to the extent legally allowed, (a) extend the time for performance of any of the obligations or other acts of the other parties, (b) waive any breach or inaccuracy in the representations and warranties of the other contained herein or in any document delivered pursuant to this Agreement, and (c) comply with the requirements of compliance by the other of any of the agreements or conditions contained herein. Notwithstanding the

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foregoing, no failure or delay by any party in exercising any right hereunder shall operate as a waiver thereof nor shall any such failure or delay thereof preclude any other or further exercise of any right hereunder. No agreement on the part of a party hereto to any such failure or delay unless set forth in an instrument in writing signed on behalf of such party.

10.7 *Third-Party Beneficiaries.* This Agreement shall be binding upon and inure solely to the benefit of each party hereunder and assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any benefit of any nature whatsoever under or by reason of this Agreement, other than (a) the rights of any Indemnified Party solely pursuant to this Agreement (which shall not arise unless and until the Effective Time shall occur), (b) the rights of holders of Forest Common Stock and holders of Forest Preferred Stock to pursue claims for damages and other relief, including equitable relief, for any Sabine Party's or AIV Holdings' breach of this Agreement; provided that such rights pursuant to this clause (b) shall be enforceable only by Forest, on behalf of the holders of Forest Common Stock and/or equity awards of Forest, in Forest's sole discretion, (c) the rights of holders of Forest Common Stock and holders of Forest Preferred Stock to receive the consideration specified in Article II (which shall not arise unless and until the Effective Time shall occur), and (d) the Sources and their respective current former or future equity holders, controlling persons, Affiliates and Representatives, to enforce this Section 10.7, Section 10.9, Section 10.14 and Section 10.16.

10.8 *Interpretation.*

(a) The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to an Article, Section or Schedule, such reference shall be to an Article of, a Section of, a Schedule to, an Exhibit to or Annex to this Agreement unless otherwise specified. The words include, includes or including are used in this Agreement, they shall be deemed to be followed by the words

(b) Unless otherwise specified in this Agreement, all references to currency, monetary values and dollars set forth herein shall be in United States dollars, "\$" refers to United States dollars and all payments hereunder shall be made in United States dollars by wire transfer to such account as shall have been specified in writing by the recipient thereof.

(c) The parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall be placed on any party by virtue of the authorship of any provision of this Agreement.

10.9 *Governing Law and Venue; Consent to Jurisdiction.*

(a) THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN, AND IN ALL RESPECTS SHALL BE INTERPRETED AND CONSTRUED TO BE GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF, THE STATE OF DELAWARE EXCEPT TO THE EXTENT THAT SUCH PRINCIPAL WOULD DIRECT A MATTER TO ANOTHER JURISDICTION. THE PROVISIONS OF THE NYBCL ARE APPLICABLE WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES OF ANY JURISDICTION.

(b) The parties hereby irrevocably submit to the personal jurisdiction of the courts of the State of Delaware and the Federal District Court for the District of Delaware located in the State of Delaware solely in respect of the interpretation and enforcement of the provisions of this Agreement and the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, in any action, suit or proceeding for the interpretation or enforcement of this Agreement or if

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any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not main venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such co agree that all claims relating to such action, proceeding or transactions shall be heard and determined in such a Delaware parties hereby consent to and grant any such court jurisdiction over the person of such parties and, to the extent permitted matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding Section 10.2 or in such other manner as may be permitted by Law shall be valid and sufficient service thereof.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HE UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT O DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS THIS AGREEMENT, INCLUDING ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR F FINANCING OR COMMITMENT LETTER OR THE TRANSACTIONS CONTEMPLATED THEREBY. EACH PA NOT, AND WILL NOT PERMIT ITS AFFILIATES TO, BRING OR SUPPORT ANY PROCEEDING OF ANY KIND WHETHER IN LAW OR IN EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE ANY WAY RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS WITH RESPECT TO ANY DISPUTE ARISING OUT OF OR RELATING IN ANY WAY TO THE BANK FINANC FINANCING OR THE PERFORMANCE THEREOF, IN ANY FORUM OTHER THAN THE UNITED STATES DIS SOUTHERN DISTRICT OF NEW YORK OR ANY COURT OF THE STATE OF NEW YORK SITTING IN THE BO IN THE CITY OF NEW YORK AND AGREE THAT THE WAIVER OF JURY TRIAL SET FORTH IN THIS SECTI BE APPLICABLE TO ANY SUCH PROCEEDING. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH P HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH PARTY MAKES THIS WAIVER VOLU PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUT CERTIFICATIONS IN THIS SECTION 10.9(c).

10.10 **Disclosure Letters.** The statements in the Forest Disclosure Letter and the Sabine Disclosure Letter relate to the pr Agreement to which they expressly relate; *provided, however*, that any information set forth in one section of the Forest Disclosure Letter, as the case may be, shall also be deemed to apply to each other section (other than Sections 3.8(b), 3.1 relevance is reasonably apparent. In the Forest Disclosure Letter and the Sabine Disclosure Letter, (a) all capitalized term shall have the meanings assigned to them in this Agreement; (b) the section numbers correspond to the section numbers (c) inclusion of any item in a disclosure letter (i) does not represent a determination that such item is material or establish (ii) does not represent a determination that such item did not arise in the ordinary course of business and (iii) shall not co admission to any third party concerning such item.

10.11 **Specific Performance.** The parties acknowledge and agree that each would be irreparably damaged in the event th Agreement were not performed in accordance with their specific terms or were otherwise breached and that any non-per Agreement by any party could not be adequately compensated by money damages alone and that the parties would not h Each party agrees that, in the event of any breach or threatened breach by any other party of any provisions

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contained in this Agreement, the non-breaching party shall be entitled (in addition to any other remedy that may be available in equity, including monetary damages, except as limited by Section 8.3) to seek and obtain (a) a decree or order of specific performance and observance of such provisions, and (b) an injunction restraining such breach or threatened breach. Each party or any other Person shall be required to obtain, furnish or post any bond or similar instrument in connection with obtaining any remedy referred to in this Section 10.11, and each party irrevocably waives any right it may have to require the posting of any such bond or similar instrument. The parties further agree that they shall not object to the granting of any remedy if an adequate remedy at law may exist.

10.12 *Joint Liability; Obligation.* Each representation, warranty, covenant and agreement made in this Agreement by any party on the one hand or Forest on the other hand shall be deemed a representation, warranty, covenant and agreement made by all parties jointly and all liability and obligations relating thereto shall be deemed a joint liability and obligation of all such parties. This Agreement requires a Subsidiary of Forest, Sabine Investor Holdings or AIV Holdings to take any action, such requirement shall be an undertaking on the part of Forest, Sabine Investor Holdings or AIV Holdings, as appropriate, to cause such Subsidiary

10.13 *Counterparts.* This Agreement may be executed in one or more counterparts, each of which, when executed, shall constitute all of which together shall constitute one and the same document. Signatures to this Agreement transmitted by facsimile or in portable document format (.pdf) form, or by any other electronic means intended to preserve the original graphical appearance of the document, will have the same effect as physical delivery of the paper document bearing the original signature.

10.14 *Amendment.* Subject to the provisions of applicable Law, and except as otherwise provided in this Agreement, this Agreement may be modified or supplemented only by a written instrument executed and delivered by all the parties, whether before or after the Merger and/or Merger; *provided, however*, that, after any such approval, no amendment shall be made for which applicable Law or stock exchange requires further approval by stockholders or members without such further approval. Notwithstanding this, amendments may be made to Section 10.7, Section 10.9, this Section 10.14 or Section 10.16 which would be adverse to the Financing Sources without the consent of such Financing Sources.

10.15 *Representation by Counsel.* Each of the parties agrees that it has been represented by independent counsel of its choice in the execution of this Agreement and the documents referred to herein, and that it has executed the same upon the advice of such counsel. Each party and its counsel cooperated in the drafting and preparation of this Agreement and the documents referred to herein, and thereto shall be deemed the work product of the parties and may not be construed against any party by reason of its preparation. Each party waives the application of any Law providing that ambiguities in an agreement or other document will be construed against the drafter of the agreement or document.

10.16 *Certain Agreements with Respect to Financing Sources.* Each of the parties agree on behalf of themselves and their respective controlling persons, Affiliates, and Representatives (collectively, the Related Parties) that (a) the Financing Sources are limited to former or future equity holders, controlling persons, Affiliates or Representatives and each of their successors and assigns, and any claims by the Related Parties arising out of or relating to this Agreement, the financing or the transactions contemplated by the Bank Financing or Debt Financing, or the performance of services by such Financing Sources or their Affiliates or Representatives, the foregoing and (b) no Related Parties (other than the Sabine Parties and AIV Holdings) shall be subject to any liability for Financing Sources arising out of or relating to this Agreement; provided, however, that

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nothing in this Section 10.16 shall limit the rights or obligations that any Party would have to the Financing or Debt Financing Commitment Letter related fee letters or any definitive documentation in respect of the foregoing.

[Signature pages follow]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

FOREST OIL CORPORATION

By: /s/ Patrick R. McDonald
Name: Patrick R. McDonald
Title: President

SABINE INVESTOR HOLDINGS

By: /s/ David J. Sambrook
Name: David J. Sambrook
Title: Chief Executive Officer

SABINE OIL & GAS HOLDINGS

By: /s/ David J. Sambrook
Name: David J. Sambrook
Title: Chief Executive Officer

SABINE OIL & GAS HOLDINGS

By: /s/ David J. Sambrook
Name: David J. Sambrook
Title: Chief Executive Officer

SABINE OIL & GAS LLC

By: /s/ David J. Sambrook
Name: David J. Sambrook
Title: Chief Executive Officer

FR XI ONSHORE AIV, L.P.

By: /s/ Michael G. France
Name: Michael G. France
Title: Authorized Person

[Signature Page to Amended and Restated Agreement and Plan of Merger]

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STOCKHOLDER S AGREEMENT

by and among

SABINE INVESTOR HOLDINGS LLC,

FOREST OIL CORPORATION

AND

FR XI ONSHORE AIV, LLC

DATED AS OF JULY 9, 2014

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This **AMENDED AND RESTATED STOCKHOLDER S AGREEMENT** (this Agreement) is dated as of May 5, July 9, 2014, by and among Sabine Investor Holdings LLC, a Delaware limited liability company (SIH), Forest Oil C (the Company), and FR XI Onshore AIV, LLC, a Delaware limited liability company (AIV Holdings). Capitalized defined shall have the respective meanings assigned to such terms in that certain Amended and Restated Agreement and date hereof (the Merger Agreement), by and among the Stockholders, Sabine Oil & Gas Holdings LLC (Sabine Hol LLC, Sabine Oil & Gas LLC, and the Company.

RECITALS

WHEREAS, pursuant to the Merger Agreement, SIH will contribute to the Company its limited liability company interest and AIV Holdings will contribute to the Company the Contributed Stock Interests, as a result of which Sabine Holdings shall become a wholly-owned subsidiary of the Company;

WHEREAS, the Company and the Stockholders desire to establish in this Agreement certain rights and obligations in respect of the Company's common stock, par value \$0.10 per share, of the Company (the Company Common Stock), shares of Series A senior common stock, par value \$0.01 per share, of the Company (the Series A Senior Preferred Stock) and shares of Series B senior common stock, par value \$0.01 per share, of the Company (the Series B Senior Preferred Stock) and, together with the Company Common Stock, the Company Stock); and

WHEREAS, the Company and the Stockholders desire to establish in this agreement certain obligations of the Company to (i) create, as a wholly-owned subsidiary of the Company, a Delaware corporation (Delaware Holdco) and create, as a wholly-owned subsidiary of Delaware Holdco, a New York corporation (New York Merger Sub), (ii) adopt and approve, on behalf of the Company, an Agreement and Plan of Merger in the form attached as Exhibit A hereto, with such changes therein as may be agreed to by the Stockholders (the Reincorporation Merger Agreement), providing for the merger of New York Merger Sub with and into the Company surviving as a wholly-owned subsidiary of Delaware Holdco and the shareholders of the Company receiving such consideration in exchange for their Company Stock, all on the terms and conditions more specifically set forth therein (the Reincorporation Merger Agreement);

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree to the terms and conditions set forth herein.

ARTICLE I

DEFINITIONS

As used in this Agreement, the following terms shall have the meanings indicated below:

Affiliate shall mean with respect to any Person, a Person that directly or indirectly through one or more intermediaries is under common Control with such Person; provided, that, for purposes of this Agreement, neither the Company nor any of its subsidiaries shall be deemed to be an Affiliate of either of the Stockholders or any of their respective Affiliates.

Affiliated Directors shall mean Directors who are also officers, employees, directors or Affiliates of either of the Stockholders or any of their Affiliates.

Agreement shall have the meaning set forth in the Preamble.

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AIV Holdings shall have the meaning set forth in the Preamble.

Beneficially Own shall mean, with respect to any securities, having beneficial ownership of such securities for purposes of the Exchange Act (or any successor statute or regulation).

Board shall mean, as of any date, the Board of Directors of the Company (and following the Reincorporation Merger, Holdco) in office on that date.

Chosen Courts shall have the meaning set forth in Section 7.6(a).

Company shall have the meaning set forth in the Preamble.

Company Common Stock shall have the meaning set forth in the Recitals.

Company Stock shall have the meaning set forth in the Recitals.

Control shall mean the possession, direct or indirect, of the power to direct, or cause the direction of, the management of the Company through the ownership of voting securities, voting equity, limited liability company interests, general partner interests, or otherwise.

Delaware Holdco shall have the meaning set forth in the Recitals.

DGCL shall mean the Delaware General Corporation Law, as amended.

Director shall mean any member of the Board.

Encumbrance shall mean any lien, pledge, charge, claim, encumbrance, hypothecation, security interest, option, lease, or other restriction or third-party right of any kind, including any right of first refusal, tag-along or drag-along rights or restrictions on lending, disposing or assigning, in each case other than pursuant to this Agreement.

Merger shall have the meaning set forth in the Recitals.

Merger Agreement shall have the meaning set forth in the Preamble.

New York Merger Sub shall have the meaning set forth in the Recitals.

Non-Stockholder Directors shall mean all Directors who are not Stockholder Designees.

NYBCL shall mean the New York Business Corporation Law, as amended.

Proxy Statement shall have the meaning set forth in Section 5.3(a).

Registration Statement shall have the meaning set forth in Section 5.3(a).

Reincorporation Approval shall have the meaning set forth in Section 5.3(a).

Reincorporation Merger shall have the meaning set forth in the Recitals.

Reincorporation Merger Agreement shall have the meaning set forth in the Recitals.

Sabine Holdings shall have the meaning set forth in the Preamble.

Series A Senior Preferred Stock shall have the meaning set forth in the Recitals.

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Series B Senior Preferred Stock shall have the meaning set forth in the Recitals.

SIH shall have the meaning set forth in the Preamble.

Stockholders shall mean, collectively, SIH and AIV Holdings, provided that either of the foregoing shall cease to be a Person if it no longer directly owns any shares of Company Stock.

Stockholder Designees shall have the meaning set forth in Section 3.2(a); provided, that, for clarity, the Stockholder Designees named in the Agreement are Michael G. France, Alex T. Krueger and Brooks Shughart.

Transfer shall mean any direct or indirect sale, transfer, assignment, pledge, hypothecation, mortgage, license, gift, or other disposition, including but not limited to, placement in trust (voting or otherwise), Encumbrance or other disposition to any Person, including those by way of merger, spin-off, hedging or derivative transactions or otherwise.

Transferee shall have the meaning set forth in Article IV.

Votes shall mean the number of votes entitled to be cast generally in the election of Directors.

Voting Percentage of a Person shall mean, as of any date of determination, the ratio, expressed as a percentage, of (i) the number of shares of Voting Securities Beneficially Owned by such Person as of such date to (ii) the aggregate Votes entitled to be cast on all then-outstanding Voting Securities as of such date.

Voting Securities shall mean, together, (i) the Company Common Stock, (ii) the Series A Senior Preferred Stock, (iii) the Series B Senior Preferred Stock and (iv) any class of capital stock or other securities of the Company (other than the Company Common Stock) that are entitled to vote in the election of Directors.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the Company. The Company represents and warrants to the Stockholders as follows:

- (a) The Company is an entity duly organized, validly existing and in good standing under the laws of its state of incorporation.
- (b) The Company has the requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and the execution and delivery by the Company of this Agreement and the performance of its obligations hereunder have been duly authorized by the Company and no other corporate proceedings on the part of the Company is necessary to authorize this Agreement.
- (c) This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by the Company and the Company's Stockholders of this Agreement, constitutes the valid and binding agreement of the Company, enforceable against the Company and its Stockholders, except as such enforceability may be limited by Creditors' Rights.
- (d) The execution and delivery of this Agreement by the Company and the performance of its obligations hereunder does not constitute a breach of any provision of the organizational documents of any Forest Entity; (ii) constitute a default (or an event that would give rise to a default) under, or give rise to any right of termination, cancellation, amendment or acceleration of any debt instrument or other financial instrument.

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the giving of notice, or the passage of time, or both) under any of the terms, conditions or provisions of any Contract to which such Stockholder or by which any property or asset of any Forest Entity is bound or affected; (iii) violate any Law to which any Forest Entity's properties or assets is bound; or (iv) constitute (with or without the giving of notice or the passage of time, or both) an event which would result in the creation of any Encumbrance (other than Permitted Encumbrances) on any asset of any Forest Entity, except in the case of (iii) and (iv), for such defaults or rights of termination, cancellation, amendment, acceleration, violations or Encumbrances that would not in the aggregate, reasonably be likely to impair in any material respect the ability of the Company to perform its obligations.

Section 2.2 Representations and Warranties of the Stockholders. Each of the Stockholders represents and warrants, severally and jointly, to the Company that:

(a) Such Stockholder is an entity duly organized, validly existing and in good standing under the laws of its state of formation.

(b) Such Stockholder has the requisite limited liability company power and authority to execute and deliver this Agreement hereunder. The execution and delivery by such Stockholder of this Agreement and the performance of its obligations hereunder are validly authorized by such Stockholder and no other limited liability company proceedings on the part of such Stockholder are necessary to execute this Agreement.

(c) This Agreement has been duly executed and delivered by such Stockholder and, assuming the due authorization, execution and delivery of this Agreement by the other Stockholder and the Company, constitutes the valid and binding agreement of such Stockholder. The execution and delivery by such Stockholder in accordance with its terms, except as such enforceability may be limited by Creditors' Rights.

(d) The execution and delivery of this Agreement by such Stockholder and the performance of its obligations hereunder do not constitute in any breach of any provision of the organizational documents of such Stockholder; (ii) constitute a default (or an event which would give rise to a default) under, or give rise to any right of termination, cancellation, amendment or acceleration, or (iii) constitute (with or without the giving of notice, or the passage of time, or both) under any of the terms, conditions or provisions of any Contract to which such Stockholder or by which any property or asset of such Stockholder is bound or affected; (iii) violate any Law to which such Stockholder's properties or assets is bound; or (iv) constitute (with or without the giving of notice or the passage of time, or both) an event which would result in the creation of any Encumbrance (other than Permitted Encumbrances) on any asset of such Stockholder, except, in the case of (iii) and (iv), for such defaults or rights of termination, cancellation, amendment, acceleration, violations or Encumbrances that would not in the aggregate, reasonably be likely to impair in any material respect the ability of such Stockholder to perform its obligations.

ARTICLE III

CORPORATE GOVERNANCE

Section 3.1 Board. The Board as of immediately after the Effective Time shall be designated in accordance with Section 3.1.

Section 3.2 Board Representation by Stockholders. At all times when the Stockholders' combined Voting Percentage is at least 50%,

(a) The Stockholders shall have the right to designate a number of individuals to be nominees for election to the Board (the "Nominees") equal to the number of Directors that the Company would have if the Stockholders' combined Voting Percentage multiplied by the total number of Directors that the Company would have if the Stockholders' combined Voting Percentage were rounded to the nearest whole number.

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number (and in any event not less than one), and the Company and the Stockholders shall use their reasonable best effort to cause the Stockholder Designees to be elected to the Board; provided, however, that the Stockholders may elect to designate fewer than the full number of Stockholder Designees they have a right to designate under this Section 3.2(a), in which case the individuals so designated shall be elected to the Board pursuant to this Agreement; and provided further, that the number of Directors who are Affiliated Directors shall not in any event exceed the number of Stockholders combined Voting Percentage multiplied by the total number of Directors that the Company would have if all Stockholders voted, rounded to the nearest whole number greater than zero. If at any time the Stockholders combined Voting Percentage is less than the number of Directors, the contractual rights of the Stockholders to designate one or more Stockholder Designees pursuant to this Article III shall survive.

(b) No Person may qualify as a Stockholder Designee if such Person would be prohibited or disqualified from serving as a Director under the rules or regulation of the SEC, the NYSE or any other or additional exchange on which securities of the Company are listed or traded. The Stockholders shall, and shall cause the Stockholder Designees to, timely provide the Company with accurate and complete information regarding the Stockholders and the Stockholder Designees that may be required to be disclosed by the Company under the Securities Act, including such information required to be furnished by the Company with respect to the Stockholder Designees in a proxy statement pursuant to Section 14a-101 promulgated under the Exchange Act, and the nationality of such Stockholder Designee. In addition, at the Company's expense, the Company shall cause the Stockholder Designees to complete and execute the Company's director and officer questionnaire prior to the time of standing for reelection at an annual meeting of stockholders or at such other time as may be reasonably requested by the Company.

(c) With respect to each meeting of stockholders of the Company at which Directors are to be elected, the Company shall cause the Company to give notice of such meeting not less than one hundred and twenty (120) days prior to the date thereof requesting designation of Stockholder Designees and the Stockholders shall provide the Company with written notice of the names (together with all other information required to be furnished pursuant to Section 3.2(b)) of the Stockholder Designees to be nominated for election at such meeting not more than thirty (30) days prior to the delivery of such notice. If the Stockholders shall fail to timely provide the Company with the names of that number of Stockholder Designees the number of Stockholder Designees the Stockholders are entitled to designate pursuant to this Article III, then the Nominations and Governance Committee of the Board may select alternative nominees for such positions. If any Stockholder Designee is not eligible to stand for election, then the Stockholders may name an acceptable and available replacement Stockholder Designee. Such replacement Stockholder Designee will be included as a nominee for election at such meeting if written notice of the name of such Stockholder Designee is received by the Company within a reasonable period of time prior to the mailing of the proxy statement for such meeting. The Company shall cause the Stockholder Designees to be included in the slate of Directors approved and recommended by the Board for election at such meeting and shall make every effort to cause the election of each such Stockholder Designee, including soliciting proxies in favor of the election of such Stockholder Designee at such meeting.

(d) Upon the resignation, retirement, death or other removal (with or without cause) from office of any Stockholder Designee, the Company shall, at the time when the Stockholders have the right under this Section 3.2 to designate a replacement Stockholder Designee, (i) the Stockholders shall promptly to designate a replacement Stockholder Designee and (ii) the Company shall cause the prompt appointment or election of such replacement Stockholder Designee as a Director.

Section 3.3 Remainder of Board. During the period specified in Section 3.2, for all persons other than the Stockholder Designees and Non-Stockholder Directors to the Board, the Stockholders will vote their shares of Company Common Stock in accordance with the recommendation of the Nominations and Corporate Governance Committee of the Board, with such recommendation to be made by all of the members of the Nominations and Governance Committee who are Non-Stockholder Directors.

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(b) The Company shall take, in accordance with the rules and regulations of the NYSE, the NYBCL and the Forest Organizational Documents, all actions reasonably necessary to call, give notice of, convene and hold a meeting of its stockholders as soon as reasonably practicable after the Registration Statement is declared effective for the purpose of securing the Reincorporation Approval and, if applicable, the Authorized Share Amendment Approval. The Proxy Statement shall (i) state that the Forest Board has (A) approved the Reincorporation Merger and the transactions contemplated thereby; (B) determined that the Reincorporation Merger Agreement and the transactions contemplated thereby are in the best interests of the Company and its stockholders; and (C) include the recommendation of the Forest Board that the holders of Company Stock approve the Reincorporation Merger Agreement and the Reincorporation Merger and, if applicable, the Authorized Share Amendment.

Section 5.4 **Consummation of Reincorporation Merger**. Promptly following the receipt of the Reincorporation Approval and the fulfillment of the conditions set forth in the Reincorporation Merger Agreement, the Company shall and shall cause each of Delaware Holders of Company Stock to consummate the transactions contemplated by the Reincorporation Merger Agreement on the terms set forth therein.

Section 5.5 **Further Assurances and Cooperation**. It is the intention of the Stockholders and the Company that the Company shall cooperate with the Stockholders to cause the Reincorporation Merger to be completed or, if the Stockholders and the Company agree that it is no longer practicable or desirable, to cause the terms and provisions of the Organizational Documents of Delaware Holders of Company Stock and the Reincorporation Merger Agreement to be incorporated into the Organizational Documents of the Company through the amendment of the Organizational Documents, to the fullest extent permitted by law. Accordingly, in the event that the Reincorporation Merger is not consummated as contemplated by this Article V, the Company shall, upon the written request of the Stockholders, cooperate with the Stockholders in calling and holding of any additional meetings of stockholders, and the preparation, filing and mailing of any additional proxy materials of the holders of Company Stock necessary to effect any of the transactions contemplated by this Section 5.5; provided, however, that the obligations of the Company set forth in this Section 5.5 require the Company to cooperate with respect to the calling and holding of special meetings of holders of Company Stock.

ARTICLE VI

SERIES B CONVERSION EVENT

Section 6.1 **Series B Conversion Event**. If the Authorized Share Amendment was not approved at the Forest Stockholders Meeting, then

(a) the Stockholders shall, and shall cause the Company and each of their Affiliates to, use their reasonable best efforts to cause the Series B Conversion Event (as defined in the Forest certificate of incorporation) to occur, and to occur prior to the Grace Period Expiration Date (as defined in the Forest certificate of incorporation), to take all actions reasonably necessary to call, give notice of, convene and hold a meeting of its stockholders as soon as reasonably practicable for the purpose of securing the Authorized Share Amendment Approval and to promptly file the Authorized Share Amendment with the Department of State of the State of New York in accordance with the NYBCL; and

(b) the Stockholders shall vote, and shall cause each of their Affiliates to vote, all of their Voting Securities in favor of the Authorized Share Amendment Approval or any other proposal or action in furtherance of causing a Series B Conversion Event to occur.

Section 6.2 **Authorized Share Amendment**. The valid approval and filing of the Authorized Share Amendment with the Department of State of New York in accordance with the NYBCL shall constitute a Series B Conversion Event pursuant to the Forest certificate of incorporation.

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ARTICLE VII

MISCELLANEOUS

Section 7.1 Injunctive Relief. Each party hereto acknowledges that it would be impossible to determine the amount of damages for any breach of any of the provisions of this Agreement and that the remedy at law for any breach, or threatened breach, or likely be inadequate and, accordingly, agrees that the other party shall, in addition to any other rights or remedies which may be available, seek equitable and injunctive relief as may be available from any court of competent jurisdiction to compel specific performance of any provisions violating, any of such provisions. In connection with any action or proceeding for injunctive relief, each party hereto hereto agrees that a remedy at law alone is adequate and agrees, to the maximum extent permitted by Law, to have each provision of this Agreement enforced against it, without the necessity of posting bond or other security against it, and consents to the entry of injunctive orders restraining any breach or threatened breach of such provisions of this Agreement.

Section 7.2 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their representatives and permitted assigns. Neither party may directly or indirectly assign any of its rights or delegate any of its obligations under this Agreement, by operation of law or otherwise, without the prior written consent of the other party. Any purported direct or indirect violation of this Section 7.2 shall be null and void *ab initio*.

Section 7.3 Amendments; Waiver. No amendment, modification or discharge of this Agreement, and no waiver hereunder of the performance of any of the obligations hereunder, shall be valid or binding unless set forth in writing and duly executed and enforced. If enforcement of the amendment, modification, discharge, waiver or extension is sought against the Company or (b) any Stockholder of the amendment, modification, discharge, waiver or extension is sought against such Stockholder. Any such waiver shall be in writing with respect to the specific matter described in such writing and shall in no way impair the rights of the party granting such waiver at any other time. The waiver by the Company or any Stockholder of a breach of, or a default under, any of the provisions of this Agreement or privilege hereunder, shall not be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any other rights or privileges hereunder. Except as expressly provided in this Agreement, the rights and remedies herein provided are cumulative and in addition to any other, or of any rights or remedies that any party may otherwise have at law or in equity.

Section 7.4 Termination.

(a) Except as otherwise provided in this Agreement, this Agreement shall terminate if the Effective Time has not occurred and the Agreement terminated in accordance with its terms.

(b) This Agreement shall automatically terminate at any time following the Effective Time at which the Stockholders own less than below fifteen percent (15%).

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Section 7.5 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the others personally or sent by registered or certified mail, return receipt requested and postage prepaid, or by facsimile (providing transmission):

if to SIH, to:

Sabine Investor Holdings LLC
1415 Louisiana Street
Suite 1600
Houston, Texas 77002
Telephone: (832)242-9600
Facsimile: (713)581-7041
Attention: General Counsel

with a copy to (which shall not constitute notice):

Vinson & Elkins LLP
1001 Fannin, Suite 2500
Houston, Texas 77007
Telephone: (713)758-3613
Facsimile: (713)615-5725
Attention: Douglas E. McWilliams and Matthew R. Pacey

if to AIV Holdings, to:

FR XI Onshore AIV, LLC
One Lafayette Place, 3rd Floor
Greenwich, CT 06830
Facsimile: (203) 661-6729
Attention: General Counsel

with a copy to (which shall not constitute notice):

Vinson & Elkins LLP
1001 Fannin, Suite 2500
Houston, Texas 77007
Telephone: (713) 758-3613
Facsimile: (713) 615-5725
Attention: Douglas E. McWilliams and Matthew R. Pacey

if to the Company after the Effective Time:

Sabine Oil & Gas Corporation
1415 Louisiana Street
Suite 1600
Houston, Texas 77002
Telephone: (832) 242-9600
Facsimile: (713) 581-7041
Attention: General Counsel

with a copy to (which shall not constitute notice):

Vinson & Elkins LLP

1001 Fannin, Suite 2500

Houston, Texas 77007

Telephone: (713) 758-3613

Facsimile: (713) 615-5725

Attention: Douglas E. McWilliams and Matthew R. Pacey

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if to the Company prior to the Effective Time:

Forest Oil Corporation
707 17th Street
Suite 3600
Denver, Colorado 80202
Telephone: (303)812-1461
Facsimile: (303)812-1445
Attention: General Counsel

with a copy to (which shall not constitute notice):

Wachtell, Lipton, Rosen & Katz
Telephone: (212)403-1343
Facsimile: (212)403-2343
Attention: Mark Gordon and David K. Lam

or to such other Persons or addresses as may be designated in writing by the party to receive such notice as provided above.

Section 7.6 Governing Law; Jurisdiction; Forum; Waiver of Trial by Jury.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THEREOF. Each party to this Agreement, in any action or proceeding in respect of any claim arising out of, or related to, this Agreement or the Transactions, exclusively in the State of Delaware, Chancery, New Castle County, or solely if that court does not have jurisdiction, a federal court sitting in the State of Delaware, shall be the sole and exclusive venue for the resolution of any such dispute, and each party irrevocably and exclusively submits to the exclusive jurisdiction of the Chosen Courts, (b) waives any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waives any claim that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any party hereto, and (d) agrees that service of process upon any party in any such action or proceeding shall be effective if notice is given in accordance with Section 7.5.

(b) EACH PARTY HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION, SUIT, OR PROCEEDING, IN OR OUT OF, OR RELATING TO, THIS AGREEMENT.

Section 7.7 Actions of the Company. The Non-Stockholder Directors shall be entitled to require the Company to enforce this Agreement under this Agreement, and any amendment, modification, discharge or waiver of this Agreement by the Company shall require the approval of a majority of the Non-Stockholder Directors.

Section 7.8 Interpretation.

(a) The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to an Article, Section, Schedule, Exhibit, or Annex, such reference shall be to an Article of, a Section of, a Schedule to, an Exhibit to or Annex to this Agreement unless otherwise specified. If the words include, includes or including are used in this Agreement, they shall be deemed to be followed by the word

(b) Unless otherwise specified in this Agreement, all references to currency, monetary values and dollars set forth herein shall be in United States dollars, and all payments hereunder shall be made in United States dollars by wire transfer to such account as shall have been specified in writing by the recipient thereof.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective authorized of above.

FOREST OIL CORPORATION

By: /s/ Patrick R. McDonal
Name: Patrick R. McDonal
Title: President

SABINE INVESTOR HOLDINGS

By: /s/ David J. Sambrook
Name: David J. Sambrook
Title: Chief Executive Officer

FRONTIER OIL SERVICES, L.P.

By: /s/ Michael G. France
Name: Michael G. France
Title: Authorized Person

[Signature Page to Stockholder's Agreement]

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AMENDED AND RESTATED
REGISTRATION RIGHTS AGREEMENT
BY AND AMONG
SABINE INVESTOR HOLDINGS LLC,
FR XI ONSHORE AIV, LLC,
AND
FOREST OIL CORPORATION
Dated as of July 9, 2014

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Affiliate has the meaning specified in Rule 12b-2 under the Exchange Act; provided, that no securityholder of the Company or any other securityholder of the Company solely by reason of an investment in the Company; provided further that portion commonly used in the private equity industry) of First Reserve shall be deemed to not be Affiliates of First Reserve. The meaning.

Agreement has the meaning set forth in the preamble.

AIV Holdings has the meaning set forth in the preamble.

Automatic Shelf Registration Statement means a registration statement filed on Form S-3 by a WKSJ pursuant to General Instruction C (or any other successor or appropriate instruction) of such form.

Board means the board of directors of the Company.

Business Day means any day other than a Saturday, Sunday or a day on which commercial banks located in New York City are authorized by law or executive order to be closed.

Company has the meaning set forth in the preamble.

Company Preferred Shares means (i) the Series A Senior Common-Equivalent Preferred Stock, par value \$0.01 per share and limitations set forth in the Company's certificate of incorporation issued to Sabine Investor Holdings and AIV Holdings in connection with the transactions contemplated by the Merger Agreement and (ii) the Series B Senior Common-Equivalent Preferred Stock of the Company, par value \$0.01 per share, bearing the rights, preferences and limitations set forth in the Company's certificate of incorporation, if any, issued to Sabine Investor Holdings and AIV Holdings in connection with the transactions contemplated by the Merger Agreement.

Company Public Sale has the meaning set forth in Section 2.03(a).

Company Share Equivalent means securities exercisable or exchangeable for or convertible into, Company Shares.

Company Shares means the common stock of the Company, par value \$0.01 per share (including any Conversion Shares) and any shares that have been changed or converted, any securities distributed in respect of such shares, or any securities resulting from a recapitalization, exchange or similar transactions with respect to such shares.

Conversion Shares means the common stock of the Company, par value \$0.01 per share issuable upon the conversion of Company Preferred Shares.

Demand Company Notice has the meaning set forth in Section 2.01(d).

Demand Notice has the meaning set forth in Section 2.01(a).

Demand Period has the meaning set forth in Section 2.01(c).

Demand Registration has the meaning set forth in Section 2.01(a).

Demand Registration Statement has the meaning set forth in Section 2.01(a).

Demand Suspension has the meaning set forth in Section 2.01(e).

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ERISA means the U.S. Employee Retirement Income Security Act of 1974, as amended, and any successor thereto, and thereunder. Any reference to a section of ERISA shall include a reference to any successor provision thereto.

Exchange Act means the Securities Exchange Act of 1934, as amended, and any successor thereto, and any rules and thereunder, all as the same shall be in effect from time to time.

Excluded Holder has the meaning set forth in Section 2.02(c).

First Reserve means First Reserve Fund XI, L.P. and any successor funds thereto.

First Reserve Parties means First Reserve and its Affiliates that are direct or indirect equity investors in the Company Holdings and AIV Holdings.

First Reserve Underwritten Offering has the meaning set forth in Section 2.12.

FINRA means the Financial Industry Regulatory Authority.

Form S-1 means a registration statement on Form S-1 under the Securities Act, or any comparable or successor form

Form S-3 means a registration statement on Form S-3 under the Securities Act, or any comparable or successor form

Holder means (i) any record holder of Registrable Securities or Company Preferred Shares or (ii) any Person that is entitled to Registrable Securities or Company Preferred Shares pursuant to the terms of the Sabine Investor Holdings Operating Agreement, in which capacity or that succeeds to rights hereunder pursuant to Section 3.06.

Issuer Free Writing Prospectus means an issuer free writing prospectus, as defined in Rule 433 under the Securities Act, with respect to Registrable Securities.

Long-Form Registration has the meaning set forth in Section 2.01(a).

Loss or Losses has the meaning set forth in Section 2.09(a).

Majority Holder Counsel has the meaning set forth in Section 2.08.

Management Holder means a Holder (including, with respect to any estate planning, personal services or similar vehicle, any person who has in the past provided services to the Company, Sabine Investor Holdings or any of their respective Subsidiaries as an employee, independent contractor for the Company, Sabine Investor Holdings or any of their respective Subsidiaries.

Marketed Underwritten Offering means any Underwritten Offering (including a Marketed Underwritten Shelf Take-Down, without doubt, not including any Shelf Take-Down that is not a Marketed Underwritten Shelf Take-Down) that involves a customary or other substantial marketing effort by the Company and the underwriters over a period of at least 10 days (including an electronic road show) or other substantial marketing effort by the Company and the underwriters over a period of at least 10 days.

Marketed Underwritten Shelf Take-Down has the meaning set forth in Section 2.02(e)(iii).

Material Adverse Change means (i) any general suspension of trading in, or limitation on prices for, securities on any exchange or the over-the-counter market in the United States (other than

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ordinary course limitations on hours or numbers of days of trading); (ii) the declaration of a banking moratorium or any respect of banks in the United States; (iii) a material outbreak or escalation of armed hostilities or other international or United States or the declaration by the United States of a national emergency or war or a material adverse change in national political or economic conditions; and (iv) any event, change, circumstance or effect that is or is reasonably likely to be material to the properties, assets, liabilities, condition (financial or otherwise), operations, results of operations or prospects of the Company as a whole.

Merger Agreement has the meaning set forth in the preamble.

New Forest has the meaning set forth in the preamble.

Original Merger Agreement has the meaning set forth in the preamble.

Participating Holder means, with respect to any Registration, any Holder of Registrable Securities covered by the applicable

Permitted Assignee has the meaning set forth in Section 3.06.

Person means any individual, partnership, corporation, limited liability company, unincorporated organization, trust or other agency or political subdivision thereof or any other entity.

Piggyback Registration has the meaning set forth in Section 2.03(a).

Prospectus means the prospectus included in any Registration Statement, all amendments and supplements to such prospectus and post-effective amendments to such Registration Statement, and all other material incorporated by reference in such prospectus.

Registrable Securities means any Company Shares and any securities that may be issued or distributed or be issuable in substitution for, any Company Shares by way of conversion, exercise, dividend, stock split or other distribution, merger, recapitalization or reclassification or similar transaction, in each case whether now owned or hereinafter acquired; provided that Registrable Securities shall cease to be Registrable Securities to the extent (i) a Registration Statement with respect to the sale of such securities is effective under the Securities Act and such security has been disposed of in accordance with the plan of distribution set forth in such Statement, (ii) such security may be publicly sold without limitation (including volume limitations) pursuant to Rule 144 under the Securities Act or is otherwise freely transferrable to the public without further registration under the Securities Act to be outstanding.

Registration means a registration with the SEC of the Company's securities for offer and sale to the public under a Registration Statement. Register shall have a correlative meaning.

Registration Expenses has the meaning set forth in Section 2.08.

Registration Statement means any registration statement of the Company filed with, or to be filed with, the SEC under the Securities Act, including the related Prospectus, amendments and supplements to such registration statement and post-effective amendments, and all exhibits and all material incorporated by reference in such registration statement; provided that

Registration Statement without reference to a time includes such Registration Statement as amended by any post-effective amendments to the first contract of sale for the Registrable Securities.

Representatives means, with respect to any Person, any of such Person's officers, directors, employees, agents, attorneys, accountants, consultants, equity financing partners or financial advisors or other Person associated with, or acting on behalf of, such Person.

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Rule 144 means Rule 144 (or any successor provisions) under the Securities Act.

Sabine Investor Holdings Operating Agreement means the Amended and Restated Operating Agreement of Sabine In

SEC means the Securities and Exchange Commission.

Securities Act means the Securities Act of 1933, as amended, and any successor thereto, and any rules and regulations under the same shall be in effect from time to time.

Shelf Holder has the meaning set forth in Section 2.02(c).

Shelf Notice has the meaning set forth in Section 2.02(a).

Shelf Period has the meaning set forth in Section 2.02(b).

Shelf Registration means a Registration effected pursuant to Section 2.02.

Shelf Registration Statement means a Registration Statement of the Company filed with the SEC on either (i) Form S-3 (or any appropriate form under the Securities Act) or (ii) if the Company is not permitted to file a Registration Statement on Form S-3, a Registration Statement on Form S-1 (or any successor form or other appropriate form under the Securities Act), in each case for an offering on a continuous basis pursuant to Rule 415 (or any successor provision) under the Securities Act covering all or any portion of the offering, as applicable.

Shelf Suspension has the meaning set forth in Section 2.02(d).

Shelf Take-Down has the meaning set forth in Section 2.02(e).

Short-Form Registration has the meaning set forth in Section 2.01(a).

Special Registration has the meaning set forth in Section 2.12.

Subsidiary means, with respect to any Person, any entity of which (i) a majority of the total voting power of shares of any class of interests entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, trustees or members of the applicable governing body thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of its direct or indirect subsidiaries, or (ii) if no such governing body exists at such entity, a majority of the total voting power of the entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of its direct or indirect subsidiaries. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a company, partnership, association or other business entity if such Person or Persons shall be allocated (or has the right to be allocated) membership interests, partnership interests or otherwise) a majority of limited liability company, partnership, association or other business entity losses or shall be or control the managing member or general partner of such limited liability company, partnership, association or other business entity.

Underwritten Offering means a Registration in which securities of the Company are sold to an underwriter or underwriters for reoffering to the public.

Underwritten Shelf Take-Down Notice has the meaning set forth in Section 2.02(e).

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WKSI means a well-known seasoned issuer as defined in Rule 405 promulgated under the Securities Act and which is a well-known seasoned issuer under paragraph (1)(i)(A) of such definition or (ii) is a well-known seasoned issuer under paragraph (1)(i)(B) of such definition and has not registered a primary offering of its Securities relying on General Instruction I.B.1 of Form S-3 or Form F-3 under the Securities Act.

SECTION 1.02 Other Interpretive Provisions. (a) In this Agreement, except as otherwise provided:

(i) A reference to an Article, Section, Schedule or Exhibit is a reference to an Article or Section of, or Schedule or Exhibit to, this Agreement. All references to this Agreement include any recital in or Schedule or Exhibit to this Agreement.

(ii) The Schedules and Exhibits form an integral part of and are hereby incorporated by reference into this Agreement.

(iii) Headings and the Table of Contents are inserted for convenience only and shall not affect the construction or interpretation of this Agreement.

(iv) Unless the context otherwise requires, words importing the singular include the plural and vice versa, words importing the masculine include the feminine and vice versa, and words importing persons include corporations, associations, partnerships, joint ventures and individuals and vice versa.

(v) Unless the context otherwise requires, the words hereof and herein, and words of similar meaning refer to this Agreement and the particular Article, Section or clause. The words include, includes and including shall be deemed to be followed by "and all things necessary to carry out the same."

(vi) A reference to any legislation or to any provision of any legislation shall include any successor legislation and any amendment, modification, re-enactment thereof and any legislative provision substituted therefor.

(vii) All determinations to be made by First Reserve hereunder may be made by First Reserve in its sole discretion, and First Reserve may, in its sole discretion, whether or not to take actions that are permitted, but not required, by this Agreement to be taken by First Reserve with the consent of First Reserve. All actions of First Reserve hereunder require the consent of First Reserve.

(b) The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or inconsistency in the interpretation or construction of this Agreement arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or construction shall be applied favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

ARTICLE II.

REGISTRATION RIGHTS

SECTION 2.01 Demand Registration.

(a) Demand by First Reserve. On or after the Effective Time (as defined in the Merger Agreement), First Reserve may, from time to time, make a written request (a Demand Notice) to the Company for Registration of all or part of the Registrable Securities held by First Reserve (including Shares not yet issued, issuable to) the First Reserve Parties (i) on Form S-1 (a Long-Form Registration) or (ii) on Form S-3 (a Short-Form Registration) if the Company qualifies to use such short form for the Registration of such Registrable Securities on behalf of the First Reserve. First Reserve may request Long-Form Registration or

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Short-Form Registration, a Demand Registration). Each Demand Notice shall specify the aggregate amount of Registrable Securities to be registered and the intended methods of disposition thereof. Subject to Section 2.11, after delivery of such Demand Notice, the Company (x) shall file promptly (and, in any event, within (i) ninety (90) days in the case of a request for a Long-Form Registration Statement and (ii) ninety (90) days in the case of a request for a Short-Form Registration, in each case, following delivery of such Demand Notice) with the SEC a Demand Registration Statement to such Demand Registration (a Demand Registration Statement), and (y) shall use its reasonable best efforts to cause such Demand Registration Statement to promptly be declared effective under (i) the Securities Act and (ii) the Blue Sky laws of such jurisdiction, if any, underwriter, if any, reasonably requests.

(b) Demand Withdrawal. First Reserve may withdraw the Registrable Securities from a Demand Registration Statement and suspend the effectiveness of the applicable Demand Registration Statement. Upon delivery of a notice by First Reserve to such effect, the Company shall cease all efforts to secure effectiveness of the applicable Demand Registration Statement, and, notwithstanding Section 2.11, such Demand Registration Statement nonetheless shall be deemed a Demand Registration with respect to First Reserve for purposes of Section 2.11 unless (i) First Reserve has reimbursed the Company for its pro rata share of all reasonable and documented out-of-pocket fees and expenses incurred by the Company with the Registration of such withdrawn Registrable Securities (based on the number of securities First Reserve sought to be registered to the total number of securities included on such Demand Registration Statement) or (ii) the withdrawal is made (A) following an Adverse Change or (B) because the Registration would require the Company to make an Adverse Disclosure. In addition, if First Reserve requested its Registrable Securities be included in a Demand Registration pursuant to Section 2.01(d) may withdraw its Demand Registration at any time prior to the effectiveness of the applicable Demand Registration Statement.

(c) Effective Registration. The Company shall be deemed to have effected a Demand Registration with respect to First Reserve Registrable Securities Section 2.11 if the Demand Registration Statement is declared effective by the SEC and remains effective for not less than the period as shall terminate when all Registrable Securities of the First Reserve Parties covered by such Registration Statement are withdrawn, or if such Registration Statement relates to an Underwritten Offering, such longer period as, in the opinion of the Company and its underwriters, a Prospectus is required by law to be delivered in connection with sales of Registrable Securities by an underwriter during the applicable period, the Demand Period). No Demand Registration shall be deemed to have been effected for purposes of Section 2.11 if the Demand Period such Registration or the successful completion of the relevant sale is prevented by any stop order, injunction, or requirement of the SEC or other governmental agency or court or (ii) the conditions to closing specified in the underwriting agreement are not satisfied into in connection with such Registration are not satisfied other than by reason of a wrongful act, misrepresentation or breach of the underwriting agreement by First Reserve.

(d) Demand Company Notice. Subject to Section 2.11, promptly upon delivery of any Demand Notice pursuant to Section 2.01(d) (other than two (2) Business Days thereafter), the Company shall deliver a written notice (a Demand Company Notice) of such Demand Notice to all such Registrable Security Holders (other than the First Reserve Parties) and the Company shall include in such Demand Registration all such Registrable Securities if the Company has received a written request for inclusion therein within ten (10) Business Days after the date that such Demand Notice has been delivered to such Holders. All requests made pursuant to this Section 2.01(d) shall specify the aggregate amount of Registrable Securities of each Holder requested to be registered.

(e) Delay in Filing; Suspension of Registration. If the Company shall furnish to the Participating Holders a certificate signed by the Chief Financial Officer or other senior executive officer of the Company stating that the filing, effectiveness or continued use of a Demand Registration Statement require the Company to make an Adverse Disclosure, then the Company may delay the filing (but not the preparation of)

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of, or suspend use of, the Demand Registration Statement (a Demand Suspension); provided that the Company, unless First Reserve, shall not be permitted to exercise aggregate Demand Suspensions and Shelf Suspensions more than once, ninety (90) days, in each case, during any twelve (12) month period; provided further that in the event of a Demand Suspension shall terminate at such time as the Company would no longer be required to make any Adverse Disclosure. First Reserve shall keep confidential the fact that a Demand Suspension is in effect, the certificate referred to above and its contents unless: (A) the Company, except (A) for disclosure to such Holder's Affiliates, and its and their respective employees, agents and persons who reasonably need to know such information for purposes of assisting the Holder with respect to its investment in the Company, (B) for disclosures to the extent required in order to comply with reporting obligations to its limited partners and investors who have agreed to keep such information confidential, (C) if and to the extent such matters (i) are publicly disclosed by its Subsidiaries or any other Person that, to the actual knowledge of such Holder, was not subject to an obligation or duty of confidentiality to the Company and its Subsidiaries or (ii) are disclosed by the Company or any of its Subsidiaries or any other Person on a non-confidential basis, (D) for disclosures that are necessary to comply with legal obligations, including formal and informal investigations or requests from any regulatory authority, (E) for disclosures to potential lenders and transferees of a Holder who have agreed to keep such information confidential and (F) for disclosures to potential transferees of a Holder who have agreed to keep such information confidential. In the case of a Demand Suspension, the Holders agree to suspend use of the Prospectus and any Issuer Free Writing Prospectus in connection with any sale or purchase of, or offer to sell or purchase, Registrable Securities and the notice referred to above. The Company shall promptly notify the Holders upon the termination of any Demand Suspension and any Issuer Free Writing Prospectus, if necessary, so it does not contain any untrue statement or omission of material fact, and the number of copies of the Prospectus and any Issuer Free Writing Prospectus as so amended or supplemented as the Holders may request. Upon the termination of any Demand Suspension, the Company agrees, if necessary, to supplement or make amendments to the Demand Registration Statement if required by the registration form used by the Company for the applicable Registration or by the instructions to the registration form or by the Securities Act or the rules or regulations promulgated thereunder, or as may reasonably be requested by First Reserve.

(f) Underwritten Offering. If First Reserve so requests, an offering of Registrable Securities pursuant to a Demand Registration shall be an Underwritten Offering, and First Reserve shall have the right to select the managing underwriter or underwriters to administer such offering. Any such managing underwriter or underwriters shall be reasonably acceptable to the Company. If a First Reserve Party intends to offer Registrable Securities covered by First Reserve's Demand Registration by means of an Underwritten Offering, First Reserve shall include such information in its Demand Notice, and the Company shall include such information in the Demand Company Notice.

(g) Priority of Securities Registered Pursuant to Demand Registrations. If the managing underwriter or underwriters of a Demand Registration of the Registrable Securities included in a Demand Registration advise the Company in writing that, in its or their opinion,

(i) the number of securities requested to be included in such Demand Registration exceeds the number which can be sold without being likely to have a significant adverse effect on the price, timing or distribution of the securities offered or the market for the securities to be included in such Demand Registration (A) first, shall be allocated pro rata among the Holders that have registered their Demand Registration based on the relative number of Registrable Securities requested to be included in such Demand Registration; provided that any securities thereby allocated to a Holder that exceed such Holder's request shall be reallocated among the Holders in a like manner; provided further that First Reserve may freely re-allocate any number of Registrable Securities held by the Company (or any of their Permitted Assignees) which may be included in such Demand Registration to any of their respective Affiliates (or any of their Permitted Assignees) for purposes of determining the pro

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rata allocation of securities to be included in such Demand Registration, (B) second, and only if all the securities referred to in such Registration, the number of securities that the Company proposes to include in such Registration that, in the opinion of the managing underwriter or underwriters, can be sold without having such adverse effect and (C) third, and only if all of the securities referred to in such Registration, any other securities eligible for inclusion in such Registration that, in the opinion of the managing underwriters, can be sold without having such adverse effect; or

(ii) the participation of any Active Management Holder in such Demand Registration is reasonably likely to have a significant adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, such Active Management Holder's participation in such Demand Registration shall be limited to the extent necessary to avoid such adverse effect; provided that First Reserve shall have had discussions with the managing underwriter or underwriters with a view toward facilitating the participation of such Active Management Holder in such adverse effect.

(h) In the event any Holder requests to participate in a Demand Registration pursuant to this Section 2.01 in connection with the offering of Securities to its partners or members, the Registration Statement shall provide for resale by such partners or members, if applicable.

SECTION 2.02 Shelf Registration.

(a) Filing. On or after the Effective Time (as defined in the Merger Agreement), First Reserve may, subject to Section 2.01, cause to be filed (by Shelf Notice) to the Company to file a Shelf Registration Statement, which Shelf Notice shall specify whether such Registration shall be a Long-Form Registration or, if the Company qualifies to use such short form, a Short-Form Registration, the aggregate amount of Registrable Securities to be registered therein and the intended methods of distribution thereof. Following the delivery of a Shelf Notice, the Company shall file promptly (and, in any event, within (i) ninety (90) days in the case of a request for a Long-Form Registration or (ii) ten (10) days in the case of a request for a Short-Form Registration, in each case, following delivery of such Shelf Notice) with the SEC such Shelf Registration Statement. Such Shelf Registration Statement shall be an Automatic Shelf Registration Statement if the Company qualifies at such time to file an Automatic Shelf Registration Statement. The Company shall use its reasonable best efforts to cause the offer and sale of all Registrable Securities requested for inclusion therein by First Reserve and, to the extent requested by such Holders, other Holders from time to time in accordance with the methods of distribution elected by such Holders (to the extent permitted by applicable law, rule or regulation) set forth in the Shelf Registration Statement and (y) shall use its reasonable best efforts to cause such Shelf Registration Statement to be declared effective under the Securities Act (including upon the filing thereof if the Company qualifies to file an Automatic Shelf Registration Statement) provided that any request for a Marketed Underwritten Offering shall be deemed to be, for purposes of Section 2.11, a Demand Registration. First Reserve and subject to the limitations set forth therein.

(b) Continued Effectiveness. The Company shall use its reasonable best efforts to keep any Shelf Registration Statement continuously effective under the Securities Act in order to permit the Prospectus forming a part thereof to be usable by the Company and its Holders. (i) the date as of which all Registrable Securities have been sold pursuant to the Shelf Registration Statement or another offering under the Securities Act (but in no event prior to the applicable period referred to in Section 4(3) of the Securities Act and (ii) such shorter period as First Reserve with respect to such Shelf Registration shall agree in writing (such period of effectiveness shall be subject to Section 2.02(d)), the Company shall not be deemed to have used its reasonable best efforts to keep the Shelf Registration Statement continuously effective during the Shelf Period if the Company voluntarily takes any action or omits to take any action that would result in Shelf Registration Statement being suspended or withdrawn and sell any Registrable Securities pursuant to such Shelf Registration Statement during the Shelf Period, unless such action is a Suspension permitted pursuant to Section 2.02(d) or (y) required by applicable law, rule or regulation.

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(c) **Company Notices.** Promptly upon delivery of any Shelf Notice pursuant to Section 2.02(a) (but in no event more than thereafter), the Company shall deliver a written notice of such Shelf Notice to all Holders other than (A) the First Reserve, any Shelf Take-Down (other than a Marketed Underwritten Shelf Take-Down), any other Holder who is actively employed by the Company or its Subsidiaries as of the date such written notice is delivered (such other Holder, an Excluded Holder), and the Company shall add such Registrable Securities of such Holders (other than with respect to any Shelf Take-Down (other than a Marketed Underwritten Shelf Take-Down), any Excluded Holder) which the Company has received written requests for inclusion therein within five (5) business days after the written notice is delivered to such Holders (each such Holder delivering such a request (excluding for the avoidance of doubt, a request made more than in the case of a Marketed Underwritten Shelf Takedown), together with the First Reserve Parties, a Shelf Holder and the Company's underwriter or underwriters of any proposed Underwritten Offering of Registrable Securities included in a Shelf Registration Statement) to the Holders that have requested to participate in such Shelf Registration in writing that, in its or their opinion, the participation of such Active Management Holder in such Shelf Registration is reasonably likely to have a significant adverse effect on the price, timing or availability of the securities offered or the market for the securities offered, such Active Management Holder's participation in such Shelf Registration to the extent necessary to avoid such adverse effect; provided further that First Reserve shall engage in good faith discussions with the underwriter or underwriters with a view toward facilitating the participation of such Active Management Holder without such participation if the Company is permitted by applicable law, rule or regulation to add selling stockholders to a Shelf Registration Statement. If, at any time after the filing of an amendment, a Holder may request the inclusion of an amount of such Holder's Registrable Securities in such Shelf Registration Statement, and the Company shall add such Registrable Securities to the Shelf Registration Statement as promptly as reasonably practicable, and such Holder shall be deemed a Shelf Holder.

(d) **Suspension of Registration.** If the Company shall furnish to the Shelf Holders a certificate signed by the Chief Executive Officer or other executive officer of the Company stating that the continued use of a Shelf Registration Statement filed pursuant to Section 2.02(a) by the Company to make an Adverse Disclosure, then the Company may suspend use of the Shelf Registration Statement (a Shelf Suspension). The Company, unless otherwise approved in writing by First Reserve, shall not be permitted to exercise aggregate Demand Note Suspensions more than once, or for more than an aggregate of ninety (90) days, in each case, during any twelve (12)-month period. In the event of a Shelf Suspension, such Shelf Suspension shall terminate at such time as the Company would no longer be required to make an Adverse Disclosure. Each Shelf Holder shall keep confidential the fact that a Shelf Suspension is in effect, the certificate referred to above, and until otherwise notified by the Company, except (A) for disclosure to such Shelf Holder's Affiliates, and its and the Company's directors and professional advisers who reasonably need to know such information for purposes of assisting the Holder with respect to the Company Shares and agree to keep it confidential, (B) for disclosures to the extent required in order to comply with reporting requirements to partners or other direct or indirect investors who have agreed to keep such information confidential, (C) if and to the extent such information is disclosed by the Company or any of its Subsidiaries or any other Person that, to the actual knowledge of such Shelf Holder, such information is an obligation or duty of confidentiality to the Company and its Subsidiaries or (ii) are disclosed by the Company or any of its Subsidiaries or any other Person on a non-confidential basis without breach of any confidentiality obligations by such disclosing party, (D) for disclosures to comply with any law, rule or regulation, including formal and informal investigations or requests from any regulatory authority, (E) for disclosures to potential limited partners or investors of a Shelf Holder who have agreed to keep such information confidential and (F) for disclosures to transferees of a Shelf Holder's Registrable Securities who have agreed to keep such information confidential. In the case of a Shelf Suspension, the Holders agree to suspend use of the applicable Prospectus and any Issuer Free Writing Prospectus in connection with any offer to buy, sell or purchase, Registrable Securities, upon delivery of the notice referred to above. The Company shall promptly notify the Holders of the termination of any Shelf Suspension, amend or supplement the Prospectus and any Issuer Free Writing Prospectus, if necessary.

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not contain any untrue statement or omission and furnish to the Shelf Holders such numbers of copies of the Prospectus and Prospectus as so amended or supplemented as the Shelf Holders may reasonably request. The Company agrees, if necessary, to file amendments to the Shelf Registration Statement if required by the registration form used by the Company for the applicable offering, or the instructions applicable to such registration form or by the Securities Act or the rules or regulations promulgated thereunder, as requested by First Reserve.

(e) Shelf Take-Downs.

(i) An offering or sale of Registrable Securities pursuant to a Shelf Registration Statement (each, a Shelf Take-Down) initiated at any time on or after the Effective Time (as defined in the Merger Agreement) by First Reserve. Except as set forth in this Section, with respect to Marketed Underwritten Shelf Take-Downs, First Reserve shall not be required to permit the offer and sale of Registrable Securities to Shelf Holders in connection with any such Shelf Take-Down initiated by First Reserve.

(ii) Subject to Section 2.11, if First Reserve elects by written request to the Company, a Shelf Take-Down shall be in the form of an Offering (an Underwritten Shelf Take-Down Notice) and the Company shall amend or supplement the Shelf Registration Statement as soon as practicable. First Reserve shall have the right to select the managing underwriter or underwriters to administer such Offering and such managing underwriter or underwriters shall be reasonably acceptable to the Company. The provisions of Section 2.01(g) shall apply to an Offering pursuant to this Section 2.02(e), notwithstanding that Section 2.01(g) refers only to Demand Registrations.

(iii) If the plan of distribution set forth in any Underwritten Shelf Take-Down Notice includes a customary road show (or other substantial marketing effort by the Company and the underwriters over a period expected to exceed forty (40) days (a Underwritten Shelf Take-Down), promptly upon delivery of such Underwritten Shelf Take-Down Notice (but in no event later than ten (10) Days thereafter), the Company shall promptly deliver a written notice (a Marketed Underwritten Shelf Take-Down Notice) to all Shelf Holders (other than the First Reserve Parties), and, subject to Section 2.02(e), in such Marketed Underwritten Shelf Take-Down all such Registrable Securities of such Shelf Holders that are Registrable Securities under the Shelf Registration Statement for which the Company has received written requests, which requests must specify the aggregate amount of such Registrable Securities such Holder to be offered and sold pursuant to such Marketed Underwritten Shelf Take-Down, for inclusion therein within ten (10) Days of the date that such Marketed Underwritten Shelf Take-Down Notice has been delivered. The provisions of Section 2.01(g) shall apply to an Underwritten Shelf Take-Down pursuant to this Section 2.02(e)(iii), notwithstanding that Section 2.01(g) only refers to Demand Registrations.

SECTION 2.03 Piggyback Registration.

(a) Participation. If the Company at any time on or after the Effective Time (as defined in the Merger Agreement) proposes to file a Registration Statement with respect to any offering of its equity securities for its own account or for the account of any other Persons, it shall, under Section 2.01 or 2.02, it being understood that this clause (i) does not limit the rights of Holders to make written requests under Section 2.01 or 2.02 or the right of the Holders to request that their Registrable Securities be included in any Registration under Section 2.01 or 2.02 to Section 2.01(d) or Section 2.02(c), as applicable, or otherwise limit the applicability thereof, (ii) a Registration Statement under any other similar successor forms then in effect under the Securities Act), (iii) a registration of securities solely relating to an offering to directors or consultants of the Company or its Subsidiaries pursuant to any employee stock plan or other employee benefit plan, or (iv) a registration not otherwise covered by clause (ii) above pursuant to which the Company is offering to exchange its own securities.

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(v) a Registration Statement relating solely to dividend reinvestment or similar plans, or (vi) a Shelf Registration Statement for the initial purchasers and subsequent transferees of debt securities of the Company or any of its Subsidiaries that are convertible into Company Shares and that are initially issued pursuant to Rule 144A and/or Regulation S (or any successor provisions) or any other such notes and sell the Company Shares into which such notes may be converted or exchanged) (a Company Public Sale); provided, however, that if practicable, the Company shall give written notice of such proposed filing to the Holders (other than the First Reserve Parties) and offer each such Holder the opportunity to Register under such Registration Statement such number of Registrable Securities as requested in writing within five (5) days of delivery of such written notice by the Company; provided, however that in the case of a Piggyback Registration, such requests must be made within one (1) business day after the delivery of any such written notice by the Company. Section 2.03(c), the Company shall include in such Registration Statement all such Registrable Securities that are requested by Holders in compliance with the immediately foregoing sentence (a Piggyback Registration); provided that if at any time after giving notice to Register any equity securities and prior to the effective date of the Registration Statement filed in connection with such Piggyback Registration, the Company shall determine for any reason not to Register or to delay Registration of the equity securities covered by such Piggyback Registration, the Company shall give written notice of such determination to each Holder that had requested to Register its, his or her Registrable Securities in connection with such Registration Statement and, thereupon, (1) in the case of a determination not to Register, shall be relieved of its obligation to Register such Registrable Securities in connection with such Registration (but not from its obligation to pay the Registration Expenses in connection with such Registration); however, to the rights of First Reserve to request that such Registration be effected as a Demand Registration under Section 2.03(d); (2) a determination to delay Registering, in the absence of a request by First Reserve to request that such Registration be effected as a Demand Registration under Section 2.01, shall be permitted to delay Registering any Registrable Securities, for the same period as the delay in Registering securities covered by such Piggyback Registration. If the offering pursuant to such Registration Statement is to be underwritten, the Company shall advise the Holders as a part of the written notice given pursuant to this Section 2.03(a), and each Holder making a request to Register pursuant to this Section 2.03(a) must, and the Company shall make such arrangements with the managing underwriter or underwriters that each Holder may, participate in such Underwritten Offering, subject to the conditions of Section 2.03(b) and (c). If the offering pursuant to such Registration Statement is to be on any other basis, the Company shall so advise the Holders as part of the written notice given pursuant to this Section 2.03(a), and each Holder making a request for a Piggyback Registration pursuant to this Section 2.03(a) must, and the Company shall make such arrangements that each such Holder may, participate in such offering on such basis, subject to the conditions of Section 2.03(b) and (c). Each Holder may withdraw all or part of its Registrable Securities from a Piggyback Registration at any time prior to the effectiveness of such Registration; provided, that such withdrawal shall be irrevocable and, after making such withdrawal, a Holder shall no longer have any Registrable Securities in the Piggyback Registration as to which such withdrawal was made.

(b) Priority of Piggyback Registration. If the managing underwriter or underwriters of any proposed Underwritten Offering pursuant to such Registration Statement included in a Piggyback Registration informs the Company and the Holders that have requested to participate in such Piggyback Registration that, in its or their opinion:

(i) the number of securities which such Holders and any other Persons intend to include in such offering exceeds the number of securities to be included in such offering without being likely to have a significant adverse effect on the price, timing or distribution of the securities offered, then the securities to be included in such Registration shall be (A) first, 100% of the securities that the Company is offering pursuant to Section 2.07) any Person (other than a Holder) exercising a contractual right to demand Registration, as the case may be; (B) second, and only if all the securities referred to in clause (A) have been included, the number of Registrable Securities that the managing underwriter or underwriters, can be sold without having such adverse effect in such Registration, with such number of securities to be sold among such Holders (including the First Reserve Parties so long as any of the First Reserve

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Parties are a Holder, and, subject to Section 2.03(b)(ii), including any other Holder so long as such other Holder is eligible for inclusion in such Registration pursuant to the terms hereof) that have requested to participate in such Registration based on the relative number of Registrable Securities requested to be included in such Piggyback Registration by each such Holder; provided that any securities thereby allocated to such Holder's request shall be reallocated among the remaining requesting Holders in like manner; provided further that First Reserve Parties shall not be permitted to include any number of Registrable Securities held by the First Reserve Parties (or any of their Permitted Assignees) which may be allocated to any of their respective Affiliates (or any of their respective Permitted Assignees) for purposes of determining the pro rata share of Registrable Securities included in such Registration and (C) third, and only if all of the Registrable Securities referred to in clause (B) have been included in such Registration and no other securities eligible for inclusion in such Registration that, in the opinion of the managing underwriter or underwriters, would have such adverse effect in such Registration; or

(ii) the participation of any Active Management Holder in such Piggyback Registration is reasonably likely to have a significant adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, such Active Management Holder's participation in such Piggyback Registration shall be limited to the extent necessary to avoid such adverse effect; provided that the Company shall consult in advance with discussions with the managing underwriter or underwriters with a view toward facilitating the participation of such Active Management Holder in such adverse effect.

(c) Restrictions on Certain Holders. Notwithstanding any provisions contained herein to the contrary, (i) Holders shall not be permitted to participate in a Piggyback Registration except in compliance with this Section 2.03; (ii) Holders, other than (A) the First Reserve Parties and (B) Holders who are actively employed by the Company or any of its Subsidiaries on the date such Management Holder exercises his or her right to a Piggyback Registration, shall not be able to exercise the right to a Piggyback Registration unless such Registration is a Marketed Underwriting.

(d) No Effect on Demand Registrations. No Registration of Registrable Securities effected pursuant to a request under this Section shall be deemed to have been effected pursuant to Sections 2.01 or 2.02 or shall relieve the Company of its obligations under Sections 2.01 and 2.02.

SECTION 2.04 Black-out Periods.

(a) Black-out Periods for Holders. In the event of any Company Public Sale of the Company's equity securities in an Underwritten Offering, limiting the rights of the Holders set forth in Section 2.03, each of the Holders agrees, if requested by the managing underwriter, not to (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is reasonably expected to, result in the disposition by any person at any time in the future of) any Company Shares (including Company Shares held by the undersigned to be beneficially owned by the undersigned in accordance with the rules and regulations of the SEC and Company Shares held by the undersigned in exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for Company Shares, (2) enter into any derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such securities, or (3) such transaction described in clause (1) or (2) above is to be settled by delivery of Company Shares or other securities, in each case, if any demand for or exercise any right or cause to be filed a Registration Statement, including any amendments thereto, with respect to any Company Shares or securities convertible into or exercisable or exchangeable for Company Shares or any other securities convertible into or exercisable or exchangeable for Company Shares, such Holder agrees that such Registration Statement or amendment thereto need not be filed until the expiration of the period set forth in Section 2.04 or (4) publicly disclose the intention to do any of the foregoing, in each case, during the period beginning on the date of such restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions.

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not limited to, the restrictions contained in the FINRA rules or any successor provisions or amendments thereto) after the agreement entered into in connection with such Company Public Sale, to the extent timely notified in writing by the Company or the managing underwriter or underwriters. If requested by the managing underwriter or underwriters of any such Company Public Sale, the Company may enter into a separate agreement to the foregoing effect. The Company may impose stop-transfer instructions with respect to the Company Public Sale subject to the foregoing restriction until the end of the period referenced above.

(b) **Black-out Period for the Company and Others.** In the case of an offering of Registrable Securities pursuant to Section 2.03 or Section 2.04 of this Agreement, the Company and each of the Holders agree, if requested by First Reserve or the managing underwriter or underwriters, with respect to such Marketed Underwritten Offering, not to (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any Company Shares that may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the SEC (including that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for any such securities into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits of such securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Company Shares, cash or otherwise, (3) make any demand for or exercise any right or cause to be filed a Registration Statement, including amendments thereto, with respect to the registration of any Company Shares or securities convertible into or exercisable or exchangeable for any such securities of the Company unless such Holder agrees that such Registration Statement or amendment thereto need not be filed during the period described in this Section 2.04 or (4) publicly disclose the intention to do any of the foregoing, in each case, during the period beginning 45 days before, and ending 45 days (or (a) such lesser period as may be agreed by First Reserve or, if applicable, the managing underwriter or (b) such other period as may be reasonably requested by First Reserve or the managing underwriter or underwriters to the Company) after the restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, contained in the restrictions contained in the FINRA rules or any successor provisions or amendments thereto) after, the date of the agreement entered into in connection with such Marketed Underwritten Offering, to the extent timely notified in writing by First Reserve or the managing underwriter or underwriters, as the case may be. Notwithstanding the foregoing, the Company may effect a public sale or distribution of Company Shares above and during the periods described above if such sale or distribution is made pursuant to Registrations on Form S-4 or other such Forms or as part of any Registration of securities for offering and sale to employees, directors or consultants of the Company or pursuant to any employee stock plan or other employee benefit plan arrangement. The Company agrees to use its reasonable efforts to ensure that each holder of restricted securities of the Company which securities are the same as or similar to the Registrable Securities of the Company, restricted securities convertible into or exchangeable or exercisable for any of such securities, an agreement not to effect a public sale of such securities during any such period referred to in this paragraph, except as part of any such Registration, if permitted. (but subject to Section 2.07), if after the date hereof the Company grants any Person (other than a Holder) any rights to acquire Company Shares, Registration, the Company agrees that the agreement with respect thereto shall include such Person's agreement to comply with the requirements required by this Section as if it were a Holder hereunder. If requested by the managing underwriter or underwriters of any such Company Public Offering, the Holders shall execute a separate agreement to the foregoing effect. The Company may impose stop-transfer instructions with respect to Company Shares (or other securities) subject to the foregoing restriction until the end of the period referenced above.

(c) **Management Lock-Up.** Notwithstanding anything in this Agreement to the contrary, each Holder who is a Management Holder agrees that he/she may be subject to a black-out period of longer duration than that applicable to the First Reserve Parties to such Underwritten

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Offering; provided that such black-out period shall be no more restrictive than that applicable to individual officers and Subsidiaries generally. If requested by the managing underwriter or underwriters of any such Underwritten Offering, such execute a separate agreement to the foregoing effect.

SECTION 2.05 Registration Procedures.

(a) In connection with the Company's Registration obligations under Sections 2.01, 2.02 and 2.03 and subject to the app forth therein, the Company shall use its reasonable best efforts to effect such Registration to permit the sale of such Regi with the intended method or methods of distribution thereof as expeditiously as reasonably practicable, and in connection

(i) prepare the required Registration Statement including all exhibits and financial statements required under the Security before filing a Registration Statement, Prospectus or any Issuer Free Writing Prospectus, or any amendments or supplement underwriters, if any, and First Reserve copies of all such documents, which documents shall be subject to the review of s Reserve and their respective counsel and (y) except in the case of a Registration under Section 2.03, not file any Registrat amendments or supplements thereto to or use any Issuer Free Writing Prospectus to which First Reserve or the underwri object;

(ii) as promptly as practicable file with the SEC a Registration Statement relating to the Registrable Securities including statements required by the SEC to be filed therewith, and use its reasonable best efforts to cause such Registration Stater the Securities Act as soon as practicable;

(iii) prepare and file with the SEC such pre- and post-effective amendments to such Registration Statement, supplements amendments or supplements to any Issuer Free Writing Prospectus as may be (x) reasonably requested by First Reserve, other Participating Holder (to the extent such request relates to information relating to such Holder), or (z) necessary to k for the period of time required by this Agreement, and comply with provisions of the applicable securities laws with resp disposition of all securities covered by such Registration Statement during such period in accordance with the intended r by the sellers thereof set forth in such Registration Statement;

(iv) notify the Participating Holders and the managing underwriter or underwriters, if any, and (if requested) confirm suc copies of the relevant documents, as soon as reasonably practicable after notice thereof is received by the Company (A) Statement or any amendment thereto has been filed or becomes effective, and when the applicable Prospectus or Issuer F amendment or supplement thereto has been filed, (B) of any written comments by the SEC or any request by the SEC or governmental authority for amendments or supplements to such Registration Statement, Prospectus or Issuer Free Writin information, (C) of the issuance by the SEC of any stop order suspending the effectiveness of such Registration Statemen any other regulatory authority preventing or suspending the use of any preliminary or final Prospectus or any Issuer Free initiation or threatening of any proceedings for such purposes, (D) if, at any time, the representations and warranties of th underwriting agreement cease to be true and correct in all material respects, (E) of the receipt by the Company of any no suspension of the qualification of the Registrable Securities for offering or sale in any jurisdiction and (F) of the receipt t notification with respect to the initiation or threatening of any proceeding for the suspension of the qualification of the R or sale in any jurisdiction;

(v) promptly notify the Participating Holders and the managing underwriter or underwriters, if any, when the Company b of any event as a result of which the applicable

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Registration Statement, the Prospectus included in such Registration Statement (as then in effect) or any Issuer Free Writing Prospectus, which contains a material misstatement or omission or an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein (in the case of a preliminary Prospectus or any Issuer Free Writing Prospectus, in light of the circumstances under which they were made) or which, in the case of an Issuer Free Writing Prospectus includes information that may conflict with the information contained in the Registration Statement, for any reason it shall be necessary during such time period to amend or supplement such Registration Statement, Prospectus or Issuer Free Writing Prospectus in order to comply with the Securities Act and, in either case as promptly as reasonably practicable thereafter, prepare and file with the Commission without charge to the Participating Holders and the managing underwriter or underwriters, if any, an amendment or supplement to such Registration Statement, Prospectus or Issuer Free Writing Prospectus which shall correct such misstatement or omission or effect such

(vi) use its reasonable best efforts to prevent, or obtain the withdrawal of, any stop order or other order suspending the sale of the Registrable Securities, Prospectus or any Issuer Free Writing Prospectus;

(vii) promptly incorporate in a prospectus supplement, Issuer Free Writing Prospectus or post-effective amendment to the Registration Statement such reasonable information as the managing underwriter or underwriters and First Reserve agree should be included in the plan of distribution with respect to such Registrable Securities, and make all required filings of such prospectus supplement, Issuer Free Writing Prospectus or post-effective amendment as soon as reasonably practicable after being notified of the matters to be incorporated in such prospectus supplement, Issuer Free Writing Prospectus or post-effective amendment;

(viii) furnish to each Participating Holder and each underwriter, if any, without charge, as many conformed copies as such Holder or underwriter reasonably request of the applicable Registration Statement and any amendment or post-effective amendment thereto, including all schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference);

(ix) deliver to each Participating Holder and each underwriter, if any, without charge, as many copies of the applicable Prospectus (including any preliminary Prospectus), any Issuer Free Writing Prospectus and any amendment or supplement thereto as such Holder or underwriter reasonably request (it being understood that the Company consents to the use of such Prospectus, any Issuer Free Writing Prospectus or supplement thereto by such Holder and the underwriters, if any, in connection with the offering and sale of the Registrable Securities and other documents as such Holder or underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities by such Holder or underwriter;

(x) on or prior to the date on which the applicable Registration Statement is declared effective, use its reasonable best efforts to cooperate with the Participating Holders, the managing underwriter or underwriters, if any, and their respective counsel, to obtain the registration or qualification of such Registrable Securities for offer and sale under the securities or "Blue Sky" laws of each state in the United States as any Participating Holder or managing underwriter or underwriters, if any, or their respective counsel may request, and do any and all other acts or things reasonably necessary or advisable to keep such registration or qualification in effect in each such jurisdiction, Section 2.01(c) or 2.02(b), whichever is applicable, provided that the Company shall not be required to qualify generally in any such jurisdiction where it is not then so qualified or to take any action which would subject it to taxation or general service of process in such jurisdiction where it is not then so subject;

(xi) use its reasonable best efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered or qualified for sale by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter to consummate the disposition of such Registrable Securities;

(xii) make such representations and warranties to the Participating Holders and the underwriters or agents, if any, in form and content as is customarily made by issuers in secondary underwritten public offerings;

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(xiii) enter into such customary agreements (including underwriting and indemnification agreements) and take all such of the managing underwriter or underwriters, if any, reasonably request in order to expedite or facilitate the registration and Securities;

(xiv) obtain for delivery to the underwriter or underwriters, if any, an opinion or opinions from counsel for the Company Registration Statement or, in the event of an Underwritten Offering, the date of the closing under the underwriting agreement and substance, which opinions shall be reasonably satisfactory to such underwriters and their respective counsel;

(xv) in the case of an Underwritten Offering, obtain for delivery to the Company and the managing underwriter or under Participating Holders, a cold comfort letter from the Company's independent certified public accountants in customary type the type customarily covered by cold comfort letters as the managing underwriter or underwriters reasonably request, date underwriting agreement and brought down to the closing under the underwriting agreement;

(xvi) cooperate with each Participating Holder and each underwriter, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the FINRA;

(xvii) use its reasonable best efforts to comply with all applicable securities laws and make available to its security holders, in a practicable, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and the rules and regulations thereunder;

(xviii) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities;

(xix) make available upon reasonable notice at reasonable times and for reasonable periods for inspection by First Reserve Bank, N.A. or any other person participating in any disposition to be effected pursuant to such Registration Statement and by any attorney, accountant, public accountant, or agent retained by First Reserve or any such underwriter, all pertinent financial and other records, pertinent corporate documents of the Company, and cause all of the Company's officers, directors and employees and the independent public accountants who prepare the statements to make themselves available to discuss the business of the Company and to supply all information reasonably requested in connection with such Registration Statement as shall be necessary to enable them to exercise their due diligence responsibilities;

(xx) in the case of an Underwritten Offering, cause the senior executive officers of the Company to participate in the customary road show that may be reasonably requested by the managing underwriter or underwriters in any such Underwritten Offering and to participate with, and participate in each proposed offering contemplated herein and customary selling efforts related thereto;

(xxi) take no direct or indirect action prohibited by Regulation M under the Exchange Act;

(xxii) take all reasonable action to ensure that any Issuer Free Writing Prospectus utilized in connection with any registration of securities under Section 2.02 or Section 2.03 complies in all material respects with the Securities Act, is filed in accordance with the Securities Act, thereby, is retained in accordance with the Securities Act to the extent required thereby and, when taken together with the other information contained therein, do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xxiii) take all reasonable actions to ensure that the information available to investors at the time of pricing includes all information required by applicable law (including the information required by Sections 12(a)(2) and 17(a)(2) of the Securities Act); and

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(xxiv) take all such other commercially reasonable actions as are necessary or advisable in order to expedite or facilitate Registrable Securities in accordance with the terms hereof.

(b) If the Issuer files any Shelf Registration Statement, the Issuer agrees that it shall include in such Shelf Registration Statement the names of all selling security holders to be required by Rule 430B under the Securities Act (referring to the unnamed selling security holders in a generic manner in the offering of the securities to the Holders) in order to ensure that the Holders may be added to such Shelf Registration Statement by filing of a prospectus supplement rather than a post-effective amendment.

(c) The Company may require each Participating Holder to furnish to the Company such information regarding the distribution of Registrable Securities and such other information relating to such Holder and its ownership of Registrable Securities as the Company may from time to time request in writing. Each Participating Holder agrees to furnish such information to the Company and to cooperate with the Company to enable the Company to comply with the provisions of this Agreement.

(d) Each Participating Holder agrees that, upon delivery of any notice by the Company of the occurrence of any event of Section 2.05(a)(iv)(C), (D), or (E) or Section 2.05(a)(v), such Holder will forthwith discontinue disposition of Registrable Securities under the Registration Statement until (i) such Holder's receipt of the copies of the supplemented or amended Prospectus or Issuer Free Writing Prospectus contemplated by Section 2.05(a)(v), (ii) such Holder is advised in writing by the Company that the use of the Prospectus or Issuer Free Writing Prospectus, as the case may be, may be resumed, (iii) such Holder is advised in writing by the Company of the termination of such order or suspension referenced in Section 2.05(a)(iv)(C) or (E) or (iv) such Holder is advised in writing by the Company that the representations and warranties of the Company in such applicable underwriting agreement are true and correct in all material respects. If such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in the possession of the Company of the Prospectus or any Issuer Free Writing Prospectus covering such Registrable Securities current at the time of delivery of such notice, the Company shall give any such notice, the period during which the applicable Registration Statement is required to be maintained shall be extended by the number of days during the period from and including the date of the giving of such notice to and including the date that the Registrable Securities covered by such Registration Statement either receives the copies of the supplemented or amended Prospectus or Issuer Free Writing Prospectus contemplated by Section 2.05(a)(v) or is advised in writing by the Company that the use of the Prospectus or Issuer Free Writing Prospectus may be resumed.

(e) To the extent that First Reserve or any of its Affiliates is deemed to be an underwriter of Registrable Securities pursuant to the policies or otherwise, the Company agrees that (1) the indemnification and contribution provisions contained in this Agreement shall be for the benefit of First Reserve or its Affiliates in its role as deemed underwriter in addition to their capacity as Holder and (2) First Reserve or its Affiliates shall be entitled to conduct such activities which it would normally conduct in connection with satisfying its due diligence obligations in connection with an offering of securities registered under the Securities Act, including conducting due diligence and the preparation of prospectuses and comfort letters.

SECTION 2.06 Underwritten Offerings.

(a) Demand and Shelf Registrations. If requested by the underwriters for any Underwritten Offering requested by First Reserve or its Affiliates under Section 2.01 or Section 2.02, the Company shall enter into an underwriting agreement with such underwriters for such Underwritten Offering that shall be reasonably satisfactory in substance and form to the Company, First Reserve and the underwriters, and to contain such other terms as requested by the Company and such other terms as are generally prevailing in agreements of that type, including indemnities no less favorable to the Company than those provided in Section 2.09.

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First Reserve shall cooperate with the Company in the negotiation of such underwriting agreement and shall give consideration to the suggestions of the Company regarding the form thereof. The Participating Holders shall be parties to such underwriting agreement and such underwriting agreement shall (i) contain such representations and warranties by, and the other agreements on the part of, the Company and the Participating Holders as are customarily made by issuers to selling stockholders in secondary underwritten public offerings and (ii) provide that all of the conditions precedent to the obligations of such underwriters under such underwriting agreement also shall be conditions precedent to the obligations of such Participating Holders. Any such Participating Holder shall not be required to make any representations or warranties to, or agreements with the Company or the underwriters in connection with such underwriting agreement other than representations, warranties or agreements regarding such Participating Holder, such Registrable Securities, such Participating Holder's authority to sell the Registrable Securities, such Participating Holder's intended method of distribution, absence of liens with respect to the Registrable Securities, enforceability of the applicable underwriting agreement as against such Participating Holder, receipt of all consents and approvals with respect to the entry into such underwriting agreement and the sale of such Registrable Securities by such Participating Holder or any other representations required to be made by such Participating Holder under applicable law, rule or regulation, and the aggregate amount of the liability of such Participating Holder in connection with such underwriting agreement shall not exceed such Participating Holder's net proceeds from such Underwritten Offering (less underwriting discounts and commissions).

(b) **Piggyback Registrations.** If the Company proposes to register any of its securities under the Securities Act as contemplated by this Underwritten Offering and such securities are to be distributed in an Underwritten Offering through one or more underwriters, the Company shall, if required by applicable law, rule or regulation, use its reasonable best efforts to arrange for such securities to be offered on the same terms and conditions that apply to the other sellers in such Registration all the Registrable Securities to be offered in such Registration and the securities of the Company to be distributed by such underwriters in such Registration. The Participating Holders shall be parties to such underwriting agreement between the Company and such underwriters, which underwriting agreement shall (i) contain such representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such Participating Holders as are customarily made by issuers to selling stockholders in secondary underwritten public offerings and (ii) provide that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement also shall be conditions precedent to the obligations of such Participating Holders. Any such Participating Holder shall not be required to make any representations or warranties to, or agreements with the Company or the underwriters in connection with such underwriting agreement other than representations, warranties or agreements regarding such Participating Holder, such Registrable Securities, such Participating Holder's authority to sell the Registrable Securities, such Participating Holder's intended method of distribution, absence of liens with respect to the Registrable Securities, enforceability of the applicable underwriting agreement as against such Participating Holder, receipt of all consents and approvals with respect to the entry into such underwriting agreement and the sale of such Registrable Securities by such Participating Holder or any other representations required to be made by such Participating Holder under applicable law, rule or regulation, and the aggregate amount of the liability of such Participating Holder in connection with such underwriting agreement shall not exceed such Participating Holder's net proceeds from such Underwritten Offering (less underwriting discounts and commissions).

(c) **Participation in Underwritten Registrations.** Subject to the provisions of Sections 2.06(a) and (b) above, no Person shall participate in such Underwritten Offering hereunder unless such Person (i) agrees to sell such Person's securities on the basis provided in a prospectus approved by the Persons entitled to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, underwriting agreements and other documents required under the terms of such underwriting arrangements.

(d) **Price and Underwriting Discounts.** In the case of an Underwritten Offering under Section 2.01 or 2.02, the price, and other financial terms for the Registrable Securities shall be determined by

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First Reserve in such Registration. In addition, in the case of any Underwritten Offering, each of the Holders may withdraw the registration pursuant to Section 2.01, 2.02 or 2.03 after being advised of such price, discount and other terms and shall not be bound by any agreements or documentation that would require otherwise.

SECTION 2.07 No Inconsistent Agreements; Additional Rights. The Company is not currently a party to, and shall not be a party to, without the prior written consent of First Reserve, any agreement with respect to its securities that is inconsistent with the rights granted in the Registration Agreement, including allowing any other holder or prospective holder of any securities of the Company (a) registration rights substantially in the nature of those set forth in Section 2.01, Section 2.02 or Section 2.03 that would have priority over or (b) Registrable Securities with respect to the inclusion of such securities in any Registration (except to the extent such registration is in the nature of those set forth in Section 2.03(a)(ii) through (iv)) or (b) demand registration rights in the nature of those set forth in Section 2.01 or Section 2.02 that are exercisable prior to or at such time as First Reserve can first exercise its registration rights or Section 2.02.

SECTION 2.08 Registration Expenses. All expenses incident to the Company's performance of or compliance with this Registration Agreement, including (i) all registration and filing fees, and any other fees and expenses associated with filings required to be made and if applicable, the fees and expenses of any qualified independent underwriter, as such term is defined in Rule 272 of the Securities Dealers, Inc. (or any successor provision), and of its counsel, (ii) all fees and expenses in connection with compliance with Blue Sky laws (including fees and disbursements of counsel for the underwriters in connection with Blue Sky qualification of Registrable Securities), (iii) all printing, duplicating, word processing, messenger, telephone, facsimile and delivery expenses (including the cost of certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company and of printing and mailing of Writing Prospectuses), (iv) all fees and disbursements of counsel for the Company and of all independent certified public accountants (including the expenses of any special audit and cold comfort letters required by or incident to such performance), (v) Securities and Casualty or similar insurance if the Company so desires or the underwriters so require in accordance with then-customary underwriting practices, (vi) all expenses incurred in connection with the listing of Registrable Securities on any securities exchange or quotation of the Registrable Securities on an inter-dealer quotation system, (vii) all applicable rating agency fees with respect to the Registrable Securities, (viii) all reasonable fees and disbursements of one legal counsel (the Majority Holder Counsel) and one accounting firm as selected by the holders of a majority of the Registrable Securities included in such Registration, (ix) any reasonable fees and disbursements of underwriters customarily paid by issuers of securities and expenses of any special experts or other Persons retained by the Company in connection with any Registration, (xi) all reasonable expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties), (xii) all expenses of a road-show for any Underwritten Offering, including all travel, meals and lodging and (xiii) any other fees and disbursements of issuers of securities. All such expenses are referred to herein as Registration Expenses. The Company shall not be required to pay any discounts and commissions and transfer taxes, if any, attributable to the sale of Registrable Securities.

SECTION 2.09 Indemnification.

(a) **Indemnification by the Company.** The Company agrees to indemnify and hold harmless, to the full extent permitted by law, each of their respective direct or indirect partners, members or shareholders and each of such partner's, member's or shareholder's, and with respect to all of the foregoing Persons, each of their respective Affiliates, employees, directors, officers and each Person who controls (within the meaning of the Securities Act or the Exchange Act) such Persons and each of their respective Affiliates, employees, directors, officers and against any and all losses, penalties, judgments, suits, costs, claims, damages, liabilities and expenses, joint or several, including reasonable investigation and legal expenses) (each, a Loss and collectively Losses) arising out of or based upon (i) any untrue

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alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities were sold (including any final, preliminary or summary Prospectus contained therein or any amendment or supplement thereto or any document incorporated by reference therein), any Issuer Free Writing Prospectus or amendment or supplement thereto, or any other document filed by or on behalf of the Company or any of its Subsidiaries including reports and other documents filed under the Exchange Act, or any alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein true (including any preliminary Prospectus or Issuer Free Writing Prospectus, in light of the circumstances under which they were made) nor any alleged violation by the Company of any federal, state or common law rule or regulation applicable to the Company in connection with any such registration, qualification, compliance or sale of Registrable Securities, (iv) any failure to register Registrable Securities in any state where the Company or its agents have affirmatively undertaken or agreed in writing that the Company or its underwriter being attributed to the Company) will undertake such registration or qualification on behalf of the Holders of such Registrable Securities) or (v) any actions or inactions or proceedings in respect of the foregoing whether or not such indemnified party or parties such Registration Statement, Prospectus, preliminary Prospectus, Issuer Free Writing Prospectus or other document is issued or otherwise, and the Company will reimburse, as incurred, each such Holder and each of their respective direct or indirect partners, members or shareholders and each of such partner s, member s or shareholder s partners members or shareholders and, with respect to each of their respective Affiliates, employees, directors, officers, trustees or agents and controlling Persons and each of their respective Affiliates, employees, directors, officers, trustees or agents and controlling Persons for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, but provided, that the Company shall not be liable to any particular indemnified party to the extent that any such Loss arises from an untrue statement or alleged untrue statement or omission or alleged omission made in any such Registration Statement or Prospectus upon and in conformity with written information furnished to the Company by such indemnified party expressly for use in such Registration Statement or Prospectus (B) an untrue statement or omission in a preliminary Prospectus relating to Registrable Securities, if a Prospectus (as amended and supplemented) that would have cured the defect was furnished to the indemnified party from whom the Person asserting the claim giving rise to such Loss of Registrable Securities at least five days prior to the written confirmation of the sale of the Registrable Securities to such Person or such Prospectus (as amended and supplemented) was not sent or given by or on behalf of such indemnified party to such Person prior to the confirmation of the sale of the Registrable Securities to such Person. This indemnity shall be in addition to any liability that such Person may have. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Person and shall survive the transfer of such securities by such Holder. The Company shall also indemnify underwriters (including investment bankers or Holders) deemed to be underwriters by the SEC), selling brokers, dealer managers and similar securities industry professionals in connection with the distribution, their officers and directors and each Person who controls such Persons (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the indemnified parties.

(b) Indemnification by the Participating Holders. Each Participating Holder agrees (severally and not jointly) to indemnify the Company to the fullest extent permitted by law, the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act or the Exchange Act), and each other Holder, each of such other Holder s respective direct or indirect partners, members or shareholders and each of such partner s, member s or shareholder s partners, members or shareholders and, with respect to all of the foregoing Indemnified Parties, their Affiliates, employees, directors, officers, trustees or agents and each Person who controls (within the meaning of the Securities Act) such Persons and each of their respective Representatives from and against any Losses resulting from (i) any untrue statement or alleged untrue statement or omission or alleged omission made in any such Registration Statement under which such Registrable Securities were Registered under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment or supplement thereto or any documents incorporated by reference therein).

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Writing Prospectus or amendment or supplement thereto, or (ii) any omission to state therein a material fact required to be stated to make the statements therein (in the case of a Prospectus, preliminary Prospectus or Issuer Free Writing Prospectus, in light of the circumstances in which they were made) not misleading, in each case to the extent, but only to the extent, that (x) such untrue statement of fact or information furnished in writing by such Holder to the Company specifically for inclusion in such Registration Statement or other writing subsequent writing prior to or concurrently with the sale of the Registrable Securities to the Person asserting the claim, and (y) such alleged untrue statement) or omission (or alleged omission) was made in such Registration Statement, prospectus, offering circular, prospectus or other document, in reliance upon and in conformity with written information furnished to the Company by such Holder therein. In no event shall the liability of such Holder hereunder be greater in amount than the dollar amount of the net proceeds (after discounts and commissions) received by such Holder under the sale of Registrable Securities giving rise to such indemnification. The Company shall be entitled to receive indemnities from underwriters, selling brokers, dealer managers and similar securities dealers participating in the distribution, to the same extent as provided above (with appropriate modification) with respect to information furnished by such Persons specifically for inclusion in any Prospectus, Issuer Free Writing Prospectus or Registration Statement.

(c) **Conduct of Indemnification Proceedings.** Any Person entitled to indemnification under this **Section 2.09** shall (i) give written notice to the indemnifying party of any claim with respect to which it seeks indemnification (**provided** that any delay or failure to so notify shall relieve the indemnifying party of its obligations hereunder only to the extent, if at all, that it is actually and materially caused by such delay or failure) and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnifying party; **provided** that any Person entitled to indemnification hereunder shall have the right to select and employ separate counsel for the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person unless (A) the indemnifying party has agreed in writing to pay such fees or expenses, (B) the indemnifying party shall have failed to assume the defense of such claim within a reasonable time after delivery of notice of such claim from the Person entitled to indemnification hereunder and employ counsel reasonably satisfactory to the indemnified party, (C) the indemnified party has reasonably concluded (based upon advice of its counsel) that there may be legal defenses available to the indemnified parties that are different from or in addition to those available to the indemnifying party, or (D) in the reasonable opinion of the Person (based upon advice of its counsel) a conflict of interest may exist between such Person and the indemnifying party. In either case, if the Person notifies the indemnifying party in writing that such Person elects to employ separate counsel at its expense, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person). If the indemnifying party assumes the defense, the indemnifying party shall not have the right to settle such action, consent to entry of any judgment or entry of any judgment in such case without the prior written consent of the indemnified party, unless the entry of such judgment or settlement (i) includes a release of the claimant thereof the giving by the claimant or plaintiff to such indemnified party of an unconditional release from all liability in respect of such claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of such indemnified party that any sums payable in connection with such settlement are paid in full by the indemnifying party. If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its prior written consent unless such settlement is unreasonably withheld. It is understood that the indemnifying party or parties shall not, except as specifically set forth in this prospectus, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and costs of more than one separate firm admitted to practice in such jurisdiction at any one time unless (x) the employment of more than one firm is specifically stated in writing by the indemnifying party or parties, (y) an indemnified party has reasonably concluded (based on the advice of its counsel) that legal defenses available to it that are different from or in addition to those available to the other indemnified parties, or (z) a conflict of interest exists or may exist (based upon advice of counsel to an indemnified party) between such indemnified party and the other indemnified parties.

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indemnified parties, in each of which cases the indemnifying party shall be obligated to pay the reasonable fees and expenses of the indemnified party or its attorneys or counsels.

(d) **Contribution**. If for any reason the indemnification provided for in paragraphs (a) and (b) of this Section 2.09 is unavailable or insufficient in respect of any Losses referred to therein, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such Loss in such proportion as is appropriate to reflect the relative fault of the indemnifying party or the indemnified party or parties on the other hand in connection with the acts, statements or omissions that resulted in such Loss, taking into account all relevant equitable considerations. In connection with any Registration Statement filed with the SEC by the Company, the relative contribution of the indemnifying party on the one hand and the indemnified party on the other hand shall be determined by reference to, among other things, the nature, extent and timing of the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to disclose such statement or omission. The parties hereto agree that it would not be just or equitable if contribution pursuant to this Section 2.09(d) is determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations set forth in Section 2.09(d). No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be required to make contribution from any Person who was not guilty of such fraudulent misrepresentation. The amount paid or payable by a party as a result of the Losses referred to in Sections 2.09(a) and 2.09(b) shall be deemed to include, subject to the limitations set forth above, the amount of reasonable attorneys' fees and expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding to the contrary in this Section 2.09(d), in connection with any Registration Statement filed by the Company, a Participating Holder shall not be required to contribute an amount in excess of the dollar amount of the net proceeds (less underwriting discounts and commissions) received by such Holder from the sale of Registrable Securities giving rise to such contribution obligation less any amount paid by such Holders pursuant to Section 2.09(c). If the amount available under this Section 2.09, the indemnifying parties shall indemnify each indemnified party to the full extent provided in Section 2.09(b) hereof without regard to the provisions of this Section 2.09(d).

(e) **No Exclusivity**. The remedies provided for in this Section 2.09 are not exclusive and shall not limit any rights or remedies available to any indemnified party at law or in equity or pursuant to any other agreement.

(f) **Survival**. The indemnities provided in this Section 2.09 shall survive the transfer of any Registrable Securities by such party.

SECTION 2.10 Rules 144 and 144A and Regulation S; Form S-3. The Company covenants that it will file the reports required by the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder, and it will take such steps as may be necessary, at the request of First Reserve may reasonably request, to enable the Holders to sell Registrable Securities without Registration under the Securities Act, or to rely on the exemptions provided by (i) Rules 144, 144A or Regulation S under the Securities Act, as such Rules may be amended from time to time, or (ii) a similar rule or regulation hereafter adopted by the SEC; or (y) is necessary to qualify the Company to file registration statements under the Securities Act.

SECTION 2.11 Limitation on Registrations and Underwritten Offerings.

(a) Notwithstanding the rights and obligations set forth in Sections 2.01 and 2.02, in no event shall the Company be obligated to file a Demand Registration or any Marketed Underwritten Shelf Take-Down at the request of First Reserve (and its Affiliates) after the Company has effected four (4) Demand Registrations and/or Marketed Underwritten Shelf Take-Downs at the request of First Reserve, its Affiliates and Permitted Assignees.

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(b) Notwithstanding the rights and obligations set forth in Sections 2.01 and 2.02, in no event shall the Company be obligated to effect more than one (1) Marketed Underwritten Offering in any consecutive 90-day period or (ii) effect any Underwritten Offering if the Reserve Parties propose to sell Registrable Securities in such Underwritten Offering having a reasonably anticipated net proceeds (after payment of underwriter commissions and offering expenses) of at least \$10,000,000 or 100% of the Registrable Securities then held by the Company if the value of such Registrable Securities is reasonably anticipated to have a net aggregate price of less than \$10,000,000).

(c) For the avoidance of doubt, First Reserve shall have the right to obligate the Company to effect an unlimited number of Marketed Underwritten Shelf Take-Downs.

SECTION 2.12 In-Kind Distributions. If any Holder seeks to effectuate an in-kind distribution of all or part of its Company Preferred Shares to its direct or indirect equityholders, the Company will, subject to applicable lockups pursuant to Section 2.10, with and assist such Holder, such equityholders and the Company's transfer agent to facilitate such in-kind distribution of Company Shares or Company Preferred Shares as requested by such Holder (including the delivery of instruction letters by the Company or its counsel to the Company's transfer agent to facilitate the distribution of Company Shares or Company Preferred Shares without restrictive legends, to the extent no longer applicable).

SECTION 2.13 Section 16 Matters. The Company and Sabine Investor Holdings hereby agree to take all such steps as may be necessary to qualify for exemption under Rule 16b-3(d) or (e), as applicable, under the Exchange Act, and be exempt for purposes of the Exchange Act, any acquisitions or dispositions of Company Shares or Company Preferred Shares by the Holders in connection with the transactions contemplated by the Merger Agreement, this Agreement or the Sabine Investor Holdings Operating Agreement, by each Holder, which are expected to be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company (including specifying the name of each such Holder whose acquisition or disposition of securities is to be exempted and the number of securities acquired and disposed of by each such person pursuant to the Merger Agreement, this Agreement or the Sabine Investor Holdings Operating Agreement).

ARTICLE III.

MISCELLANEOUS

SECTION 3.01 Term.

(a) This Agreement shall terminate with respect to any Holder at such time as such Holder (or its Permitted Assignees) (i) is not entitled to receive any Registrable Securities and (ii) is not entitled to receive any Registrable Securities upon the conversion of any outstanding Registrable Securities. Notwithstanding the foregoing, the provisions of Sections 2.09, 2.10 and 2.12 and all of this Article III shall survive any termination. Notwithstanding the foregoing, upon the written request of the Company, each Holder agrees to promptly deliver a certificate to the Company setting forth the name of the Holder then beneficially owned by such Holder.

(b) This Agreement shall terminate if the Effective Time (as defined in the Merger Agreement) has not occurred and the Company has not terminated this Agreement in accordance with its terms.

SECTION 3.02 Injunctive Relief. It is hereby agreed and acknowledged that it will be impossible to measure in money the damage suffered if the parties fail to comply with any of the obligations herein imposed on them and that in the event of any such failure, the parties will be irreparably damaged and will not have an adequate remedy at law. Any such Person shall, therefore, be entitled (to the extent to which it may be entitled in law or in equity) to injunctive relief, including specific performance.

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performance, to enforce such obligations, and if any action should be brought in equity to enforce any of the provisions of this Agreement, the parties hereto shall raise the defense that there is an adequate remedy at law.

SECTION 3.03 Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement or which is asserted as a defense, the successful party shall, to the extent permitted by applicable law, be entitled to recover reasonable attorneys' fees and any other available remedy.

SECTION 3.04 Notices. In the event a notice or other document is required to be sent hereunder to the Company or any other party, such document shall be in writing and shall be considered given and received, in all respects when personally delivered, or by electronic mail or service or United States registered or certified mail, return receipt requested and postage and other fees prepaid, or by electronic mail. If a notice or document is personally delivered or delivered by electronic mail or on the third Business Day following the day of delivery, such document is delivered to any such commercial delivery service as aforesaid. Any notice and document shall be addressed to the party to whom such notice or other document (a) in the case of the Company or First Reserve, at such Person's address shown below and in the case of any other party hereto, at such party's address shown on the signature pages hereto, or in each case at such other address as any such party may in writing notify in a notice sent to the Company. Any party hereto or its legal representatives may effect a change of address for purposes of this Agreement by giving notice of such change to the Company, and the Company shall, upon the request of any party hereto, notify such party of such change as provided herein. Until such notice of change of address is properly given, the addresses set forth herein shall be effective for all purposes.

To the Company prior to the Effective Time:

Forest Oil Corporation
707 17th Street

Suite 3600

Denver, Colorado 80202

Telephone: (303) 812-1461
Email: RWSchelin@forestoil.com
Attention: General Counsel

With a copy (which shall not constitute notice) to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street

New York, New York 10019

Telephone: (212) 403-1000
Email: MGordon@wlrk.com

DKLam@wlrk.com
Attention: Mark Gordon and David K. Lam

To the Company following the Effective Time:

Sabine Oil & Gas Corporation
1415 Louisiana Street

Suite 1600

Houston, Texas 77002

Telephone: (832) 242-9600

Email: tyang@sabineoil.com

Attention: General Counsel

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With a copy (which shall not constitute notice) to:

Vinson & Elkins LLP
1001 Fannin, Suite 2500

Houston, Texas 77007

Telephone: (713) 758-3616

Email: dmcwilliams@velaw.com

mpacey@velaw.com

Attention: Douglas E. McWilliams and Matthew R. Pacey

To any First Reserve Party:

First Reserve Corporation
One Lafayette Place

Greenwich, CT 06830

Facsimile: (203) 661-6729

Attention: General Counsel

Email: aschwartz@firstreserve.com

with a copy (which shall not constitute notice) to:

Gibson, Dunn & Crutcher LLP
1801 California St., Suite 4200

Denver, CO 80202

Facsimile: (303) 313-2839

Attention: Beau Stark

Email: bstark@gibsondunn.com

SECTION 3.05 Amendment. The terms and provisions of this Agreement may only be amended, modified or waived at by a writing executed by the Company and First Reserve (for so long as the First Reserve Parties hold any Registrable S amendment, modification or waiver that would, by its terms, be materially and disproportionately adverse to the other H First Reserve shall require the prior written consent of such other Holders holding a majority of the Registrable Securities provided that the immediately foregoing clause shall not apply with respect to amendments, modifications or waivers of the extent that they are not available to, or do not apply to, any other Holder. For the avoidance of doubt, any amendment adverse to (y) First Reserve or (z) the other Holders as a group, shall be deemed to be materially and disproportionately adverse to the purposes of this Section 3.05.

SECTION 3.06 Successors, Assigns and Transferees. Each Holder may assign all or a portion of its rights hereunder to a (each such Person, a Permitted Assignee); provided that such transferee shall only be admitted as a party hereunder upon delivery of a joinder agreement, in form and substance acceptable to First Reserve and the Company, agreeing to be bound by the terms of this Agreement as if such Person were a party hereto (together with any other documents First Reserve or the Company

make such Person a party hereto), whereupon such Person will be treated as a Holder for all purposes of this Agreement, and obligations hereunder as the transferring Holder with respect to the transferred Registrable Securities.

SECTION 3.07 Binding Effect. Except as otherwise provided in this Agreement, the terms and provisions of this Agreement inure to the benefit of each of the parties hereto and their respective successors.

SECTION 3.08 Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended or shall be construed as a party hereto (other than those Persons entitled to indemnity or contribution under Section 2.09, each of whom shall be entitled to any right, remedy or claim under or by virtue of this Agreement.

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SECTION 3.09 Governing Law; Jurisdiction. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN THE INTERNAL LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES. ANY ACTION OR PROCEEDING AGAINST THE PARTIES RELATING IN ANY WAY TO THIS AGREEMENT MAY BE ENFORCED EXCLUSIVELY IN THE CHANCERY COURT OF THE STATE OF DELAWARE LOCATED IN WILMINGTON, DELAWARE. IF THE CHANCERY COURT OF THE STATE OF DELAWARE DECLINES TO ACCEPT JURISDICTION OVER ANY SUCH ACTION, ANY STATE COURT LOCATED IN WILMINGTON, DELAWARE OR THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE) AND APPELLATE COURTS THEREOF. THE PARTIES HEREBY IRREVOCABLY WAIVE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION BROUGHT IN SUCH COURT OR ANY DEFENSE OF INCONVENIENT FORUM FOR THE BRANCHING OFFICE ACTION.

SECTION 3.10 Waiver of Jury Trial. EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT THE LITIGATION WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT QUESTIONS OF LAW. EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT ANY OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER. EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH SUCH PARTY HAS ENTERED INTO THIS AGREEMENT VOLUNTARILY, AND (IV) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 3.10.

SECTION 3.11 Severability. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 3.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to constitute one and the same agreement. Facsimile signatures will, for all purposes, be treated as originals.

SECTION 3.13 Headings. The heading references herein and in the table of contents hereto are for convenience purposes only and shall not be deemed to limit or affect any of the provisions hereof.

SECTION 3.14 Joinder. Any Person that holds Company Shares or Company Preferred Shares may, with the prior written consent of the Company, be admitted as a party to this Agreement upon its execution and delivery of a joinder agreement, in form and substance approved by the Company, and the Company, agreeing to be bound by the terms and conditions of this Agreement as if such Person were a party thereto. First Reserve determines are necessary to make such Person a party hereto), whereupon such Person will be bound for all purposes of this Agreement; provided that if such Person is a Permitted Assignee of a Holder, neither the consent of First Reserve nor the Company will be required to permit such Person to execute and deliver such joinder agreement.

SECTION 3.15 Existing Registration Statements. Notwithstanding anything herein to the contrary and subject to applicable law, the Company may satisfy any obligation hereunder to file a Registration Statement or to have a Registration Statement become effective by designating, by notice to

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the Holders, a registration statement that previously has been filed with the SEC or become effective, as the case may be. This Agreement shall be construed according to the Registration Statement for purposes of satisfying such obligation, and all references to any such obligation shall be construed according to the Registration Statement previously filed registration statement may be amended to add the number of Registrable Securities, and, to the extent necessary, to the extent necessary to protect the interests of stockholders those Holders demanding the filing of a Registration Statement pursuant to the terms of this Agreement. To the extent necessary, the Issuer shall, in lieu of then filing or having such registration statements become effective, designated a previously filed or effective registration statement for such purposes in accordance with the preceding sentence, such references shall be construed to refer to such registration statement.

SECTION 3.16 Other Activities. Notwithstanding anything in this Agreement, none of the provisions of this Agreement shall prohibit the Issuer or any of its Affiliates from engaging in any brokerage, investment advisory, financial advisory, anti-raid advisory, principal underwriting, financing, asset management, trading, market making, arbitrage, investment activity and other similar activities conducted in the ordinary course of business.

SECTION 3.17 Time of the Essence. The parties agree that time shall be of the essence in the performance of this Agreement.

[Remainder of Page Intentionally Blank]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMPANY

FOREST OIL CORPORATION

By: /s/ Patrick R. McDonald
Name: Patrick R. McDonald
Title: President

SABINE INVESTOR HOLDINGS

SABINE INVESTOR HOLDINGS LLC

By: /s/ David J. Sambrooks
Name: David J. Sambrooks
Title: Chief Executive Officer

AIV HOLDINGS

FR XI ONSHORE AIV, LLC

By: /s/ Michael G. France
Name: Michael G. France
Title: Authorized Person

[Signature Page to Registration Rights Agreement]

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FORM OF
CERTIFICATE OF AMENDMENT
of
THE CERTIFICATE OF INCORPORATION
of
FOREST OIL CORPORATION

(Pursuant to Section 805 of the Business Corporation Law)

It is hereby certified that:

FIRST: The name of the corporation is Forest Oil Corporation (hereinafter called the Corporation).

SECOND: The Certificate of Incorporation of the Corporation was filed by the Department of State on the 13th day of May, 1978, and restated Certificates of Incorporation were filed by the Department of State on the 12th day of May, 1978, the 19th day of May, 1983, the 19th day of October, 1993 and the 11th day of October, 2012.

THIRD: This Certificate of Amendment creates a new subdivision D of subdivision II of Article 3 of the Certificate of Incorporation and a new series of Preferred Stock designated as the Series A Senior Common-Equivalent Preferred Stock [**and a new subdivision E of the Certificate of Incorporation respecting a new series of Preferred Stock designated as the Series B Senior Common-Equivalent Preferred Stock.**]

FOURTH: To effect the foregoing, subdivision II of Article 3 of the Certificate of Incorporation, relating to Preferred Stock, is hereby amended to add the following as new subdivisions D [and E] of subdivision II of Article 3:

D. Series A Senior Common-Equivalent Preferred Stock. There is hereby created out of the 7,350,000 shares of Senior Preferred Stock, Per Share, of the Corporation presently authorized, a series of 1,664,249 shares to be designated as the Series A Senior Common-Equivalent Preferred Stock, which series shall have the following designations, relative rights, preferences and limitations, in addition to those set forth in the Restated Certificate of Incorporation of the Corporation.

(1) Designation and Amount. The shares of such series of Senior Preferred Stock shall be designated as Series A Senior Common-Equivalent Preferred Stock (the Series A Senior Common-Equivalent Preferred Stock) and the number of shares constituting such series of Senior Preferred Stock may be increased or decreased by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of Senior Common-Equivalent Preferred Stock to a number less than that of the shares then outstanding plus the number of shares of Senior Preferred Stock outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

(2) Dividends and Distributions. Subject to the provision for adjustment set forth in paragraph (11) of this subdivision D, the Corporation shall pay a dividend or distribution on Common Stock, whether such dividend or distribution is payable in cash, securities or other property, and shall simultaneously declare and pay a dividend on the Series A Senior Common-Equivalent Preferred Stock on a pro rata basis.

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the Common Stock equal to (x) 100 (the Series A Conversion Ratio) multiplied by the aggregate per share amount of paid on the Common Stock, plus (y) the Series A Conversion Ratio multiplied by the aggregate per share amount (payable dividends or other distributions declared or paid on the Common Stock other than a dividend payable in shares of Common Stock subdivision of the outstanding shares of Common Stock (by reclassification or otherwise). Notwithstanding anything else shall the Series A Senior Common-Equivalent Preferred Stock be entitled to any dividend or distribution, and the Corporation any dividend or distribution on the Series A Senior Common-Equivalent Preferred Stock, other than (a) any such dividend pro rata basis with the Common Stock in accordance with the prior sentence and (b) any distribution upon liquidation, dissolution or winding up of the Corporation in accordance with paragraph (6) of this subdivision D.

(3) Voting Rights. The holders of shares of Series A Senior Common-Equivalent Preferred Stock shall have the following:

(i) Subject to the provision for adjustment set forth in paragraph (11) of this subdivision D, each share of Series A Senior Common-Equivalent Preferred Stock shall entitle the holder thereof to [1] votes on all matters submitted to a vote of the shareholders of the Corporation.

(ii) Except as otherwise provided herein or by law, the holders of shares of Series A Senior Common-Equivalent Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(iii) Except as set forth herein, holders of Series A Senior Common-Equivalent Preferred Stock shall have no special voting rights and shall not be required (except to the extent they are entitled to vote with holders of Common Stock and any other capital stock of the Corporation) to exercise general voting rights as set forth herein) for taking any corporate action.

(4) Certain Restrictions.

(i) Whenever quarterly dividends or other dividends or distributions payable on the Series A Senior Common-Equivalent Preferred Stock in accordance with paragraph (2) of this subdivision D are in arrears, thereafter and until all accrued and unpaid dividends and distributions, and all shares of Series A Senior Common-Equivalent Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(a) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Senior Common-Equivalent Preferred Stock;

(b) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Senior Common-Equivalent Preferred Stock, except dividends paid ratably on the Series A Senior Common-Equivalent Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the shares of all such shares are then entitled;

(c) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Senior Common-Equivalent Preferred Stock, provided that the Corporation may at any time and from time to time otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Senior Common-Equivalent Preferred Stock; or

¹ To equal the Series A Voting Ratio as calculated in accordance with the Merger Agreement.

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(d) purchase or otherwise acquire for consideration any shares of Series A Senior Common-Equivalent Preferred Stock, a parity with the Series A Senior Common-Equivalent Preferred Stock, except in accordance with a purchase offer made determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after considering annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good equitable treatment among the respective series or classes.

(ii) The Corporation shall not, without the prior written consent of holders of a majority of the outstanding shares of Series A Senior Common-Equivalent Preferred Stock, (a) issue or authorize the issuance of any Common Stock or any equity securities convertible or exchangeable for Common Stock, or any rights, warrants, calls or options to acquire any such securities, (b) declare or pay a dividend on Common Stock payable in shares of Common Stock, or (c) effect any subdivision of the outstanding shares of Common Stock (by conversion or exchangeable securities so issued), the Corporation would have insufficient authorized but unissued shares of Common Stock if all outstanding shares of Series A Senior Common-Equivalent Preferred Stock into Common Stock pursuant to the plan of subdivision D.

(iii) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of Series A Senior Common-Equivalent Preferred Stock of the Corporation unless the Corporation could, under subparagraph (i) of this paragraph (4) of this subdivision D, purchase or otherwise acquire at such time and in such manner.

(5) Reacquired Shares. Any shares of Series A Senior Common-Equivalent Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their retirement be converted into but unissued shares of Senior Preferred Stock and may be reissued as part of a new series of Senior Preferred Stock to be determined by the resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

(6) Liquidation, Dissolution or Winding Up. Subject to the provision for adjustment set forth in paragraph (11) of this subdivision D, in the event of liquidation, dissolution or winding up of the Corporation, the holders of the Series A Senior Common-Equivalent Preferred Stock will be entitled to receive for each share of Series A Senior Common-Equivalent Preferred Stock, out of the net assets of the Corporation available for distribution to shareholders (subject to the rights of the holders of any stock of the Corporation then outstanding ranking senior to the Series A Senior Common-Equivalent Preferred Stock in respect of distributions upon any such liquidation, dissolution or winding up), a liquidating distribution to be paid or distributed with respect to holders of any stock of the Corporation then outstanding ranking junior to the Series A Senior Common-Equivalent Preferred Stock in respect of distributions upon any such liquidation, dissolution or winding up), a liquidating distribution to be paid or distributed greater of (x) the amount equal to the sum of (A) \$0.01 and (B) the amount of any accrued and unpaid dividends on such shares of Series A Senior Common-Equivalent Preferred Stock through the date of such liquidating distribution (the Series A Accumulated Dividend) multiplied by (B) the aggregate amount to be distributed per share to holders of Common Stock assuming all outstanding shares of Series A Senior Common-Equivalent Preferred Stock had been converted to Common Stock pursuant to paragraph (8) of this subdivision D.

(7) Consolidation, Merger, etc. Subject to the provision for adjustment set forth in paragraph (11) of this subdivision D, in the event the Corporation enters into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for cash, stock or securities, cash and/or any other property, then in any such case the shares of Series A Senior Common-Equivalent Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to the

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Series A Conversion Ratio multiplied by the aggregate amount of stock, securities, cash and/or any other property (payable into which or for which each share of Common Stock is changed or exchanged; provided, however, that in connection with any other transaction contemplated by this paragraph (7) solely among or between the Corporation and one or more subsidiaries), one share of Series A Senior Common-Equivalent Preferred Stock shall, at the option of the holder thereof, shall be exchanged for one share of Common Stock in the ultimate surviving parent entity in such transaction, having substantially the same designations, relative rights and preferences as the Series A Senior Common-Equivalent Preferred Stock.

(8) Conversion at the Option of the Holder. Subject to the provision for adjustment set forth in paragraph (11) of this subdivision D, shares of the Series A Senior Common-Equivalent Preferred Stock are convertible, in whole or in part, at the option of the holder of Series A Senior Common-Equivalent Preferred Stock, into the number of whole shares of Common Stock equal to the Series A Conversion Ratio per one (1) share of Series A Senior Common-Equivalent Preferred Stock, with such adjustment or cash payment for fractional shares as the Corporation may elect pursuant to paragraph (10)(vi) of this subdivision D; provided, that such conversion shall not be permitted if the Corporation lacks sufficient authorized but unissued shares of Common Stock to convert such Series A Senior Common-Equivalent Preferred Stock into shares of Common Stock.

(9) Automatic Conversion. Subject to the provision for adjustment set forth in paragraph (11) of this subdivision D and to the provisions of this subdivision D, upon the first trading day after a Series A Conversion Event (as defined below) (the Series A Automatic Conversion Event), the Series A Senior Common-Equivalent Preferred Stock shall automatically be converted into the number of whole shares of Common Stock equal to the Series A Conversion Ratio per one (1) share of Series A Senior Common-Equivalent Preferred Stock, with such adjustment for fractional shares as the Corporation may elect pursuant to paragraph (10)(vi) of this subdivision D; provided, that if a Series A Conversion Event occurs at any time when the Corporation lacks sufficient authorized but unissued shares of Common Stock to convert all of the Series A Senior Common-Equivalent Preferred Stock into shares of Common Stock, (i) such conversion shall not occur at such time, and shall occur immediately upon the first time thereafter at which the Corporation has sufficient authorized but unissued shares of Common Stock to convert all of the outstanding Series A Senior Common-Equivalent Preferred Stock into shares of Common Stock and (ii) the Series A Conversion Ratio shall be permanently reduced to the number equal to the Conversion Ratio.

A Series A Conversion Event means the first time at which the initial holders of the Series A Senior Common-Equivalent Preferred Stock (the Series A Senior Common-Equivalent Preferred Holders) do not hold, together with their affiliates, shares of Series A Senior Common-Equivalent Preferred Stock[, **Series B Senior Common-Equivalent Preferred Stock**] and Common Stock, and any other capital stock of the Corporation which, together with the general voting rights, that, together, entitle the Initial Series A Senior Common-Equivalent Preferred Holders, together with their affiliates, to at least two-thirds of the votes entitled to be voted on all matters submitted to a vote of shareholders of the Corporation generally.

(10) Conversion Procedure.

(i) *For the holders*. To exercise the conversion rights described in paragraph (8) of this subdivision D, a holder of Series A Senior Common-Equivalent Preferred Stock shall:

(a) deliver a written notice to the Corporation at its principal office or, if so advised by the Corporation, at the office of the Corporation maintained for such purpose (a Series A Transfer Agent) specifying the number (in whole shares) of shares of Series A Senior Common-Equivalent Preferred Stock to be converted, the name(s) in which the certificate(s) for shares of Common Stock issued in connection with the conversion shall be issued, and the total number of shares of Common Stock beneficially owned by such holder and its affiliates as of the date of the notice.

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(b) surrender the certificates for such shares of Series A Senior Common-Equivalent Preferred Stock to the Corporation as applicable, accompanied, if so required by the Corporation or the Series A Transfer Agent, by a written instrument(s) satisfactory to the Corporation or the Series A Transfer Agent duly executed by the holder or its attorney duly authorized

(c) pay any stock transfer, documentary, stamp or similar taxes payable in respect of the conversion that are not payable paragraph (10)(iv) of this subdivision D.

The date on which a Holder complies with the procedures in this paragraph (10)(i) of this subdivision D shall be the Se. Immediately upon conversion, the rights of the Holders of Series A Senior Common-Equivalent Preferred Stock shall ce receive the shares of Common Stock, upon the conversion of such shares of Series A Senior Common-Equivalent Prefer purposes as having become beneficial owners of such shares of Common Stock.

(ii) *Conversion.* Conversion of shares of Series A Senior Common-Equivalent Preferred Stock into shares of Common S prior to 5:00 p.m. New York City time, on the Series A Automatic Conversion Date or the Series A Holder Conversion I

(iii) *Effect of Conversion.* All shares of Series A Senior Common-Equivalent Preferred Stock converted as provided in th subdivision D shall no longer be deemed outstanding as of the Series A Automatic Conversion Date or the Series A Hold applicable, and all rights with respect to such shares shall immediately cease and terminate as of such time, other than th shares of Common Stock and payment in lieu of any fraction of a share in exchange therefor and the right of the holder t dividends. For the avoidance of doubt, until 5:00 p.m. New York City time on the applicable conversion date, a holder o Common-Equivalent Preferred Stock shall not have any rights with respect to the shares of Common Stock issuable upon Series A Senior Common-Equivalent Preferred Stock, including voting rights, transfer or other disposition rights or right other distributions with respect to such shares of Common Stock and such shares of Common Stock shall not be deemed purpose.

(iv) *Payment of Taxes.* The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes (exclud any taxes measured in whole or in part by reference to income or gain) imposed under the laws of the United States or an respect of the issuance or delivery of shares of Common Stock on the conversion of shares of Series A Senior Common- pursuant to paragraph (8) or paragraph (9) of this subdivision D; provided, however, that the Corporation shall not be rec may be payable in respect of any registration or transfer involved in the issuance or delivery of shares of Common Stock registered holder of Series A Senior Common-Equivalent Preferred Stock converted or to be converted, and no such issu unless and until the Person requesting such issue has paid to the Corporation the amount of any such tax, or has establish Corporation, that such tax has been paid or is not payable.

(v) *Available Shares.* Subject to paragraph (13) of this subdivision D, the Corporation shall at all times [**following a Ser** reserve and keep available for issuance upon the conversion of the Series A Senior Common-Equivalent Preferred Stock but unissued shares of Common Stock as will from time to time be sufficient to permit the conversion of all outstanding Common-Equivalent Preferred Stock pursuant to any applicable provision of this subdivision D, and shall take all action calling and holding one or more special meetings of the Board of Directors and the stockholders of the Company until su accordance with applicable law or regulation and the Certificate of Incorporation is so amended) to increase the authoriz

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of Common Stock if at any time there shall be insufficient unissued shares of Common Stock to permit such reservation outstanding shares of Series A Senior Common-Equivalent Preferred Stock.

(vi) *No Fractional Shares.* No fractional shares of Common Stock or securities representing fractional shares of Common Stock shall be issued upon conversion, whether voluntary or automatic, of the Series A Senior Common-Equivalent Preferred Stock. Instead, the Corporation shall make a cash payment to each holder of Series A Senior Common-Equivalent Preferred Stock that would otherwise be entitled to receive such fractional share on the Closing Sale Price of such fractional share determined as of the second Trading Day immediately prior to the payment of such cash payment, the number of shares of Common Stock to be issued to any particular holder of Series A Senior Common-Equivalent Preferred Stock upon conversion shall be rounded up to the next whole share.

(vii) *Payment of Series A Accumulated Dividends.* Upon conversion, whether voluntary or automatic, of the Series A Senior Common-Equivalent Preferred Stock, if there are then any Series A Accumulated Dividends with respect to such Series A Senior Common-Equivalent Preferred Stock, the Corporation shall not pay such Series A Accumulated Dividends at the time of such conversion, and instead, such Series A Accumulated Dividends shall continue to be payable in accordance with the terms of, and at the time specified in, the original declaration of such Series A Senior Common-Equivalent Preferred Stock to such lawful owners of record of such Series A Senior Common-Equivalent Preferred Stock on the record date (or, if applicable, the date of payment) of Series A Accumulated Dividends.

(viii) *Closing Sale Price.* For purposes of this paragraph (10) of this subdivision D, Closing Sale Price of the Common Stock shall mean the closing sale price per share (or if no closing sale price is reported, the average of the closing bid and ask prices or, if more than one market is used, the average of the average closing bid and the average closing ask prices) on such date as reported on the principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, the principal United States securities exchange on which the Common Stock is traded, or if the Common Stock is not listed on a United States national or regional securities exchange, the fair value of the Common Stock.

(11) Adjustments to the Conversion Rate and Series A Voting Ratio. In the event the Corporation shall at any time after the date of this Certificate of Incorporation effect a dividend on Common Stock payable in shares of Common Stock, or effect subdivision or combination or consolidation of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such event the Conversion Ratio and the Series A Voting Ratio shall be adjusted by multiplying such amount by a fraction the numerator of which shall be the number of shares of Common Stock (together with any other shares so reclassified) outstanding immediately after such event and the denominator of which shall be the number of shares of Common Stock that were outstanding immediately prior to such event.

(12) Amendment. The Restated Certificate of Incorporation of the Corporation shall not be amended in any manner which would change the powers, preferences or special rights of the Series A Senior Common-Equivalent Preferred Stock (a) so as to affect them unfavorably relative to the Common Stock without the affirmative vote of the holders of two-thirds of the outstanding shares of Series A Senior Common-Equivalent Preferred Stock of a single class or (b) so as to affect them favorably relative to the Common Stock (including, without limitation, to increase the voting rights or liquidation preference of the Series A Senior Common-Equivalent Preferred Stock) without the affirmative vote of the holders of a majority of the outstanding shares of Common Stock not held by holders of Series A Senior Common-Equivalent Preferred Stock or Series B Senior Common-Equivalent Preferred Stock or by any of their Affiliates.

(13) Insufficient Authorized and Unissued Shares of Common Stock. Notwithstanding anything to the contrary contained herein, in the event of doubt, the Series A Senior Common-Equivalent Preferred

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Stock is not entitled to convert into shares of Common Stock and no such conversion shall occur, at any time when the C authorized but unissued shares of Common Stock to convert such Series A Senior Common-Equivalent Preferred Stock and, at any time prior to a Series B Conversion Event, any such insufficiency of authorized and unissued shares of Common Stock (restriction on the conversion of Series A Senior Common-Equivalent Preferred Stock) shall not, in itself, be deemed to be a violation of the provision hereof, including, without limitation, paragraphs (8), (9) or (10) of this subdivision D, or entitle the holder of a share of Common-Equivalent Preferred Stock to damages as a result of such insufficiency and prohibition on conversion.

[E. Series B Senior Common-Equivalent Preferred Stock.]² There is hereby created out of the 7,350,000 shares of Series A Senior Common-Equivalent Preferred Stock, \$0.01 Per Share, of the Corporation presently authorized, a series of 1,137,113 shares to be designated as the Series B Senior Common-Equivalent Preferred Stock, which series shall have the following designations, relative rights, preferences and limitations, in addition to those set forth in Article 3 of the Restated Certificate of Incorporation of the Corporation.

(1) Designation and Amount. The shares of such series of Senior Preferred Stock shall be designated as Series B Senior Common-Equivalent Preferred Stock (the Series B Senior Common-Equivalent Preferred Stock) and the number of shares constituting such series shall be 1,137,113 shares, which number of shares may be increased or decreased by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of Series B Senior Common-Equivalent Preferred Stock to a number less than that of the shares then outstanding plus the number of shares of Series B Senior Common-Equivalent Preferred Stock outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

(2) Dividends and Distributions.

(i) Subject to the provision for adjustment set forth in this paragraph (2) and paragraph (11) of this subdivision E, if the Corporation declares a dividend or distribution on Common Stock, whether such dividend or distribution is payable in cash, securities or other property, the Corporation shall simultaneously declare and pay a dividend on the Series B Senior Common-Equivalent Preferred Stock on a pro rata basis with the Common Stock to (x) the Series B Conversion Ratio multiplied by the aggregate per share amount of all such cash dividends declared or paid on the Common Stock, plus (y) the Series B Conversion Ratio multiplied by the aggregate per share amount (payable in kind) of all such non-cash dividends declared or paid on the Common Stock, other than a dividend payable in shares of Common Stock of the Corporation, divided by the number of outstanding shares of Common Stock (by reclassification or otherwise). The Series B Conversion Ratio shall initially be 0.10 in accordance with this paragraph (2). Notwithstanding anything else contained herein, in no event shall the Series B Senior Common-Equivalent Preferred Stock be entitled to any dividend or distribution, and the Corporation shall not declare or pay any dividend or distribution on the Series B Senior Common-Equivalent Preferred Stock, other than (a) any such dividend or distribution payable on a pro rata basis with the Common Stock with the prior sentence, (b) pursuant to clause (ii) below of this paragraph (2) of this subdivision E, or (c) any distribution payable on the winding up of the Corporation in accordance with paragraph (6) of this subdivision E.

Commencing [], 201³(Grace Period Expiration Date) and terminating upon a Series B Conversion Vote, in addition to the dividend or distribution payable in accordance with the prior paragraph (i), the holders of the Series B Senior Common-Equivalent Preferred Stock shall be entitled to receive a dividend on each outstanding share of Series B Senior Common-Equivalent Preferred Stock at the rate of (x) 0.10 (one-tenth) of a share of Series A Senior Common-Equivalent Preferred Stock.

² Amendments related to subdivision E and the creation of the Series B Senior Common-Equivalent Preferred Stock shall be subject to the approval of the Board of Directors. If the Board of Directors' approval of the Series B Senior Common-Equivalent Preferred Stock Authorized Share Amendment (as defined in the Merger Agreement) is not approved at the Forest Stockholder Meeting, the Series B Senior Common-Equivalent Preferred Stock Authorized Share Amendment (as defined in the Merger Agreement) and the condition requiring such approval is waived.

³ To be the date that is 3-months after the Closing.

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Senior Common-Equivalent Preferred Stock per annum per share multiplied by (y) the Series A Adjustment Factor, from any shares of the Series B Senior Common-Equivalent Preferred Stock (the Issue Date), which shall be payable solely on the Series B Conversion Ratio on March 31, June 30, September 30 and December 31 of each year (each a Dividend Payment Date) and if declared by the Board of Directors, in accordance with the preference and priority described in this paragraph (2) in respect to any payment of any dividend on the Common Stock or any other class or series of stock of the Corporation. A Series B Senior Common-Equivalent Preferred Stock shall be paid only by means of an adjustment to the Series B Conversion Ratio (in cash, other securities, property or additional shares of Series B Senior Common-Equivalent Preferred Stock) and only up to the Series B Senior Common-Equivalent Preferred Stock in accordance with the provisions of paragraphs (6), (8) and (9) and that for all purposes of this subdivision E, such adjustment to the Series B Conversion Ratio shall be deemed to occur on the next Dividend Payment Date. Such dividends shall accrue on a daily basis from the Issue Date, whether or not in any period the Corporation makes the payment of such dividends and whether or not such dividends are declared. Notwithstanding any other provision to the contrary, dividends shall be payable or accrue on the Series B Senior Common-Equivalent Preferred Stock if the Series B Automatic Conversion Event (as defined in paragraph (9) of this subdivision E, occurs before the Grace Period Expiration Date. Dividends shall be calculated on the basis of the Series B Conversion Ratio as of the last preceding Dividend Payment Date (or the Issue Date in respect to the first dividend payable on [] Dividend Payment Date or any final distribution date relating to conversion or redemption or to a dissolution, liquidation or other winding up of the Corporation. Dividends payable on the shares of Series B Senior Common-Equivalent Preferred Stock for any period of less than a year shall be prorated for the partial year on the basis of a 360-day year of twelve, 30-day months.

The Series A Adjustment Factor as of any date, shall be a fraction, (x) the numerator of which is the sum of (A) the total number of shares of Series A Senior Common-Equivalent Preferred Stock as of such date and (B) the total number of outstanding shares of Series B Senior Common-Equivalent Preferred Stock as of such date and (y) the denominator of which is the total number of outstanding shares of Series A Senior Common-Equivalent Preferred Stock as of such date.

A Series B Conversion Vote means the approval by the shareholders of the Corporation (in accordance with the requirements of the Corporation's Amended and Restated Certificate of Incorporation and Bylaws) of an amendment to the Amended and Restated Certificate of Incorporation of the Corporation increasing the number of shares of Common Stock that the Corporation is authorized to issue, or the number of authorized, unissued and unreserved shares necessary to convert all of the shares of Series A Senior Common-Equivalent Preferred Stock, together with any other securities outstanding at such time that are convertible into Common Stock, into Common Stock.

(3) Voting Rights. The holders of shares of Series B Senior Common-Equivalent Preferred Stock shall have the following rights:

(i) Subject to the provision for adjustment set forth in paragraph (11) of this subdivision E, each share of Series B Senior Common-Equivalent Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Corporation.

(ii) Except as otherwise provided herein or by law, the holders of shares of Series B Senior Common-Equivalent Preferred Stock, together with the holders of shares of Series A Senior Common-Equivalent Preferred Stock, Common Stock and any other capital stock of the Corporation shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(iii) Except as set forth herein, holders of Series B Senior Common-Equivalent Preferred Stock shall have no special voting rights and shall not be required (except to the extent they are entitled to vote with holders of Common Stock and any other capital stock of the Corporation) to exercise general voting rights as set forth herein) for taking any corporate action.

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(4) Certain Restrictions.

(i) Whenever quarterly dividends or other dividends or distributions payable on the Series B Senior Common-Equivalent Preferred Stock pursuant to paragraph (2) of this subdivision E are in arrears, thereafter and until all accrued and unpaid dividends and distributions, and all shares of Series B Senior Common-Equivalent Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(a) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Senior Common-Equivalent Preferred Stock;

(b) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Senior Common-Equivalent Preferred Stock, except dividends paid ratably on the Series B Senior Common-Equivalent Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the shares of such stock on which the holders of all such shares are then entitled;

(c) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Senior Common-Equivalent Preferred Stock, provided that the Corporation may at any time redeem or purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Senior Common-Equivalent Preferred Stock; or

(d) purchase or otherwise acquire for consideration any shares of Series B Senior Common-Equivalent Preferred Stock, or any shares of stock ranking on a parity with the Series B Senior Common-Equivalent Preferred Stock, except in accordance with a purchase offer made by the Corporation (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consulting with legal counsel, shall determine in good faith to be equitable treatment among the respective series and classes, shall determine in good faith to be equitable treatment among the respective series or classes.

(ii) The Corporation shall not, without the prior written consent of holders of a majority of the outstanding shares of Series B Senior Common-Equivalent Preferred Stock, (a) issue or authorize the issuance of any Common Stock or any equity securities convertible into or exchangeable for Common Stock, or any rights, warrants, calls or options to acquire any such securities, (b) declare or pay dividends on Common Stock payable in shares of Common Stock, or (c) effect any subdivision of the outstanding shares of Common Stock (by splitting or otherwise) into a greater number of shares of Common Stock, in the case of each of the foregoing if immediately following such issuance or subdivision (assuming the exercise of any convertible or exchangeable securities so issued), the Corporation would have insufficient unissued shares of Common Stock to permit the conversion of all outstanding shares of Series B Senior Common-Equivalent Preferred Stock into Common Stock pursuant to the applicable provisions of this subdivision E.

(iii) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of Series B Senior Common-Equivalent Preferred Stock unless the Corporation could, under subparagraph (i) of this paragraph (4) of this subdivision E, purchase or otherwise acquire such shares at such time and in such manner.

(5) Reacquired Shares. Any shares of Series B Senior Common-Equivalent Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their retirement be deemed to be unissued shares of

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Senior Preferred Stock and may be reissued as part of a new series of Senior Preferred Stock to be created by resolution of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

(6) **Liquidation, Dissolution or Winding Up.** Subject to the provision for adjustment set forth in paragraphs (2) and (11) of this subdivision E, upon liquidation, dissolution or winding up of the Corporation, the holders of the Series B Senior Common-Equivalent Preferred Stock will be entitled to receive for each share of Series B Senior Common-Equivalent Preferred Stock, out of the net assets of the Corporation available for distribution to shareholders (subject to the rights of the holders of any stock of the Corporation then outstanding ranking senior to the Series B Senior Common-Equivalent Preferred Stock in respect of distributions upon any such liquidation, dissolution or winding up), the amount to be paid or distributed with respect to holders of any stock of the Corporation then outstanding ranking junior to the Series B Senior Common-Equivalent Preferred Stock in respect of distributions upon any such liquidation, dissolution or winding up), a liquidating distribution to the holder of such share greater of (x) the amount equal to the sum of (A) \$0.01 and (B) the amount of any accrued and unpaid dividends pursuant to subdivision E on such share of Series B Senior Common-Equivalent Preferred Stock through the date of such liquidating, dissolution or winding up, less the amount of any **Accumulated Dividend**) or (y) (A) the Series B Conversion Ratio multiplied by (B) the aggregate amount to be distributed to the holders of Common Stock assuming all Series B Senior Common-Equivalent Preferred Stock had been converted to Common Stock at the time of this subdivision E.

(7) **Consolidation, Merger, etc.** Subject to the provision for adjustment set forth in paragraphs (2) and (11) of this subdivision E, if the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for, or otherwise combined with, other stock or securities, cash and/or any other property, then in any such case the shares of Series B Senior Common-Equivalent Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to the Series B Conversion Ratio multiplied by the amount of such stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Series B Senior Common-Equivalent Preferred Stock is exchanged or exchanged.

(8) **Conversion at the Option of the Holder.** Subject to the provision for adjustment set forth in paragraphs (2) and (11) of this subdivision E, and paragraph (13) of this subdivision E, shares of the Series B Senior Common-Equivalent Preferred Stock are convertible, at the option of each holder of Series B Senior Common-Equivalent Preferred Stock, into the number of whole shares of Common Stock equal to the Series B Conversion Ratio per one (1) share of Series B Senior Common-Equivalent Preferred Stock, with such adjustment or cash payment as the Corporation may elect pursuant to paragraph (10)(vi) of this subdivision E; provided that such conversion shall not be required if the Corporation lacks sufficient authorized but unissued shares of Common Stock to convert such Series B Senior Common-Equivalent Preferred Stock into shares of Common Stock.

(9) **Automatic Conversion.** Subject to the provision for adjustment set forth in paragraphs (2) and (11) of this subdivision E, upon the first trading day after a **Series B Conversion Event** (as defined below) (the **Series B Automatic Conversion Event**), the Series B Senior Common-Equivalent Preferred Stock shall automatically be converted into the number of whole shares of Common Stock equal to the Series B Conversion Ratio per one (1) share of Series B Senior Common-Equivalent Preferred Stock, with such adjustment for fractional shares as the Corporation may elect pursuant to paragraph (10)(vi) of this subdivision E.

A **Series B Conversion Event** means the approval by the shareholders of the Corporation, and filing with the Department of State, New York (in each case, in accordance with the requirements of the NYBCL and the Corporation's Amended and Restated Certificate of Incorporation and Bylaws) of an amendment to the Amended and Restated Certificate of Incorporation of the Corporation increasing the number of shares of Common Stock authorized to be issued by the Corporation.

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of shares of Common Stock that the Corporation is authorized to issue to at least the amount of authorized, unissued and convert all of the shares of Series A Senior Common-Equivalent Preferred Stock and Series B Senior Common-Equivalent any other securities outstanding at such time that are convertible or exchangeable into Common Stock, into Common Stock

(10) Conversion Procedure.

(i) *For the holders.* To exercise the conversion rights described in paragraph (8) of this subdivision E, a holder of Series B Senior Common-Equivalent Preferred Stock shall:

(a) deliver a written notice to the Corporation at its principal office or, if so advised by the Corporation, at the office of the Corporation maintained for such purpose (a Series B Transfer Agent) specifying the number (in whole shares) of shares of Series B Senior Common-Equivalent Preferred Stock to be converted, the name(s) in which the certificate(s) for shares of Common Stock issued in connection with the conversion shall be issued, and the total number of shares of Common Stock beneficially owned by such holder and its affiliates as of the date of the notice.

(b) surrender the certificates for such shares of Series B Senior Common-Equivalent Preferred Stock to the Corporation or the Series B Transfer Agent, as applicable, accompanied, if so required by the Corporation or the Series B Transfer Agent, by a written instrument(s) satisfactory to the Corporation or the Series B Transfer Agent duly executed by the holder or its attorney duly authorized to execute such instrument(s).

(c) pay any stock transfer, documentary, stamp or similar taxes payable in respect of the conversion that are not payable under paragraph (10)(iv) of this subdivision E.

The date on which a Holder complies with the procedures in this paragraph (10)(i) of this subdivision E shall be the Series B Senior Common-Equivalent Preferred Stock Conversion Date. Immediately upon conversion, the rights of the Holders of Series B Senior Common-Equivalent Preferred Stock, other than the right to receive accrued but unpaid dividend pursuant to paragraph (2)(i) of this subdivision E, shall cease and the Persons entitled to receive dividends on such Stock, upon the conversion of such shares of Series B Senior Common-Equivalent Preferred Stock, shall be treated for all purposes as the beneficial owners of such shares of Common Stock.

(ii) *Conversion.* Conversion of shares of Series B Senior Common-Equivalent Preferred Stock into shares of Common Stock shall occur prior to 5:00 p.m. New York City time, on the Series B Automatic Conversion Date or Series B Holder Conversion Date.

(iii) *Effect of Conversion.* All shares of Series B Senior Common-Equivalent Preferred Stock converted as provided in this subdivision E shall no longer be deemed outstanding as of the Series B Automatic Conversion Date or Series B Holder Conversion Date and all rights with respect to such shares shall immediately cease and terminate as of such time, other than the right of the holder to receive dividends on such Common Stock and payment in lieu of any fraction of a share in exchange therefor and the right of the holder to receive dividends. For the avoidance of doubt, until 5:00 p.m. New York City time on the applicable conversion date, a holder of Series B Senior Common-Equivalent Preferred Stock shall not have any rights with respect to the shares of Common Stock issuable upon conversion of such Series B Senior Common-Equivalent Preferred Stock, including voting rights, transfer or other disposition rights or rights to receive dividends or other distributions with respect to such shares of Common Stock and such shares of Common Stock shall not be deemed outstanding for any purpose.

(iv) *Payment of Taxes.* The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes (excluding any taxes measured in whole or in part by reference to income or gain) imposed under the laws of the United States or any other jurisdiction in respect of the conversion.

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issuance or delivery of shares of Common Stock on the conversion of shares of Series B Senior Common-Equivalent Preferred Stock pursuant to paragraph (8) or paragraph (9) of this subdivision E; provided, however, that the Corporation shall not be required to pay any tax that may be payable in respect of any registration or transfer involved in the issuance or delivery of shares of Common Stock in a name other than the name of a registered holder of Series B Senior Common-Equivalent Preferred Stock converted or to be converted, and no such issue shall be made unless and until the Person requesting such issue has paid to the Corporation the amount of any such tax, or has established to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(v) *Available Shares*. Subject to paragraph (13) of this subdivision D, the Corporation shall take all action required (including holding one or more special meetings of the Board of Directors and the stockholders of the Company until such increase is authorized by applicable law or regulation and the Certificate of Incorporation is so amended) to increase the authorized number of shares of Common Stock to the extent there shall be insufficient unissued shares of Common Stock to permit such reservation or to permit the conversion of Series B Senior Common-Equivalent Preferred Stock.

(vi) *No Fractional Shares*. No fractional shares of Common Stock or securities representing fractional shares of Common Stock shall be issued on conversion, whether voluntary or automatic, of the Series B Senior Common-Equivalent Preferred Stock. Instead, the Corporation shall make a cash payment to each holder of Series B Senior Common-Equivalent Preferred Stock that would otherwise be entitled to such shares on the Closing Sale Price of such fractional share determined as of the second Trading Day immediately prior to the payment of such cash payment, the number of shares of Common Stock to be issued to any particular holder of Series B Senior Common-Equivalent Preferred Stock on conversion shall be rounded up to the next whole share.

(vii) *Payment of Series B Accumulated Dividends*. Upon conversion, whether voluntary or automatic, of the Series B Senior Common-Equivalent Preferred Stock, if there are then any Series B Accumulated Dividends with respect to such Series B Senior Common-Equivalent Preferred Stock, in the case of any Series B Accumulated Dividends declared or payable pursuant to clause (i) of paragraph (2) of this subdivision E, the Corporation shall not pay such Series B Accumulated Dividends at the time of such conversion, and instead, such Series B Accumulated Dividends shall be payable in accordance with the terms of, and at the time specified in, the original declaration of such Series B Accumulated Dividends to the owners of record of such Series B Senior Common-Equivalent Preferred Stock on the record date (or, if applicable, record date) of such Series B Accumulated Dividends and (b) in the case of any Series B Accumulated Dividends declared or payable pursuant to clause (ii) of paragraph (2) of this subdivision E, such Series B Accumulated Dividends shall be paid only by means of an adjustment to the Series B Conversion Rate (whether of cash, other securities, property or additional shares of Series B Senior Common-Equivalent Preferred Stock) as provided in paragraph (2) of this subdivision E.

(viii) *Closing Sale Price*. For purposes of this paragraph (10) of this subdivision E, Closing Sale Price of the Common Stock shall mean the closing sale price per share (or if no closing sale price is reported, the average of the closing bid and ask prices or, if more than one market is reported, the average of the average closing bid and the average closing ask prices) on such date as reported on the principal United States national securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, the principal United States national securities exchange on which the Common Stock is traded, or if the Common Stock is not listed on a United States national or regional securities exchange, the fair value of the Common Stock.

(11) Adjustments to the Conversion Rate and Series B Voting Ratio. In the event the Corporation shall at any time after the conversion of any dividend on Common Stock payable in shares of Common Stock, or effect subdivision or combination or consolidation of the Common Stock (by

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reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case, the Series B Voting Ratio shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Series B Senior Common-Equivalent Preferred Stock (together with any other shares so reclassified) outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(12) **Amendment.** The Restated Certificate of Incorporation of the Corporation shall not be amended in any manner which would change the powers, preferences or special rights of the Series B Senior Common-Equivalent Preferred Stock (a) so as to require the affirmative vote of the holders of two-thirds of the outstanding shares of Series B Senior Common-Equivalent Preferred Stock of a single class or (b) so as to affect them favorably relative to the Common Stock (including, without limitation, to increase the voting rights or liquidation preference of the Series B Senior Common-Equivalent Preferred Stock) without the affirmative vote of the holders of a majority of the outstanding shares of Common Stock not held by holders of Series A Senior Common-Equivalent Preferred Stock or Series B Senior Common-Equivalent Preferred Stock or any of their Affiliates.

(13) **Insufficient Authorized and Unissued Shares of Common Stock.** Notwithstanding anything to the contrary contained herein, in the event of doubt, the Series B Senior Common-Equivalent Preferred Stock is not entitled to convert into shares of Common Stock if such conversion occurs, at any time when the Corporation lacks sufficient authorized but unissued shares of Common Stock to convert such shares of Series B Senior Common-Equivalent Preferred Stock into shares of Common Stock and, at any time prior to a Series B Conversion Event, the Corporation does not have sufficient authorized and unissued shares of Common Stock (and the related restriction on the conversion of Series B Senior Common-Equivalent Preferred Stock) shall not, in itself, be deemed to be a breach or default of any provision hereof, including, without limitation, paragraphs 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 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FIFTH: This amendment to the Certificate of Incorporation was authorized, pursuant to Section 502 of the New York Business Corporation Law, by the Board of Directors of the Corporation, pursuant to Section 502 of the New York Business Corporation Law, by a vote of the Board of Directors. Pursuant to Section 502 of the New York Business Corporation Law, no vote of the stockholders was necessary for adoption of this amendment. The Board of Directors adopted this amendment authorizing the amendment of the Certificate of Incorporation to, pursuant to Section 502(c) of the Business Corporation Law, create two new series of Preferred Stock, state the designation of such series as the **Series A Senior Common-Equivalent Preferred Stock** [and the **Series B Senior Common-Equivalent Preferred Stock**] and[, in each case,] the number of shares thereof, the voting rights, preferences, and limitations thereof as set forth above in new subdivision D [or E, as applicable,] of subdivision

⁴ Note to Draft: Insert date of the resolutions

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IN WITNESS WHEREOF, we have subscribed this document on this [] day of [], 2014 and do hereby affirm, under t
statements contained therein have been examined by me and are true and correct.

Patrick R. McDonald
President and Chief Executive

Richard W. Schelin
Vice President and General

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May 5, 2014

The Board of Directors

Forest Oil Corporation

707 17th Street

Denver, CO 80202

Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to the holders of common stock, par value \$0.0001 (the "Company Common Stock"), of Forest Oil Corporation (the "Company") of the Exchange Ratio (as defined below) in connection with the Merger (as defined below) with Sabine Investor Holdings LLC (the "Merger Partner"). Pursuant to the Agreement and Plan of Merger, dated May 5, 2014 (the "Agreement"), by and among the Company, New Forest Oil Inc., a wholly owned subsidiary of the Company ("New Forest Oil Inc."), a wholly owned subsidiary of New Forest ("Merger Sub"), Sabine Oil & Gas Holdings LLC ("Sabine"), Sabine Oil & Gas Holdings LLC and the Merger Partner, the following will occur (collectively, the "Transaction"):

Merger Sub will merge with and into the Company (the "Merger") and the Company will become a wholly owned subsidiary of New Forest and each outstanding share of Company Common Stock (other than shares of Company Common Stock held by New Forest or Merger Sub) will be converted into the right to receive 0.1 of a share (the "Exchange Ratio") of New Forest Common Stock (the "New Forest Common Stock"); and

Concurrently with the consummation of the Merger, the Merger Partner will contribute (the "Contribution") to New Forest its equity interests in Sabine and all of its equity interests in certain other subsidiaries of the Merger Partner (the "Contributed Corporations"), with Sabine becoming a wholly owned subsidiary of New Forest and such other subsidiaries of the Merger Partner becoming wholly owned subsidiaries of New Forest, in exchange for 33,013,641 shares of New Forest Common Stock.

Following the Merger and the Contribution, (i) the Contributed Corporations will be merged with and into the Company, (ii) the Merger Partner will contribute all of the issued and outstanding capital stock of the Company to Sabine, with the Company becoming a wholly owned subsidiary of Sabine and (iii) certain other subsidiaries of Sabine will be merged with and into the Company, with the Company becoming a wholly owned subsidiary of Sabine in such merger.

In connection with preparing our opinion, we have (i) reviewed the Agreement; (ii) reviewed certain publicly available information concerning the Company and the Merger Partner and the industries in which they operate; (iii) compared the performance of the Company and the Merger Partner with publicly available information concerning certain other companies in the same or similar industries; (iv) reviewed the current and historical market prices of the Company Common Stock and certain publicly traded securities of the Company and the Merger Partner; (v) reviewed certain internal financial analyses and forecasts prepared by or at the direction of the managements of the Company and the Merger Partner relating to their respective businesses, as well as the estimated amount and timing of the cost savings and related expenses

383 Madison Avenue, New York, New York 10179

J.P. Morgan Securities LLC

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expected to result from the Transaction (the Synergies); and (v) performed such other financial studies and analyses and information as we deemed appropriate for the purposes of this opinion.

In addition, we have held discussions with certain members of the management of the Company and the Merger Partner regarding the Transaction, and the past and current business operations of the Company and the Merger Partner, the financial condition and operations of the Company and the Merger Partner, the effects of the Transaction on the financial condition and future performance of the Merger Partner, and certain other matters we believed necessary or appropriate to our inquiry.

In giving our opinion, we have relied upon and assumed the accuracy and completeness of all information that was publicly available or discussed with us by the Company and the Merger Partner or otherwise reviewed by or for us, and we have not independently assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. We have not provided with any valuation or appraisal of any assets or liabilities, nor have we evaluated the solvency of the Company under state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts prepared therefrom, including the Synergies, we have assumed that they have been reasonably prepared based on assumptions reflecting the most available estimates and judgments by management as to the expected future results of operations and financial condition of the Merger Partner to which such analyses or forecasts relate. We express no view as to such analyses or forecasts (including the Synergies) or the assumptions upon which they were based. We have also assumed that the Transaction and the other transactions contemplated by the Agreement will be consummated as described in the Agreement for United States federal income tax purposes, and will be consummated as described in the Agreement. We have assumed that the representations and warranties made by the Company and the Merger Partner in the Agreement and the related agreements are correct in all respects material to our analysis. We are not legal, regulatory or tax experts and have relied on the assessments of the Company with respect to such issues. We have further assumed that all material governmental, regulatory or other consequences of the consummation of the Transaction will be obtained without any adverse effect on the Company or the Merger Partner from the consummation of the Transaction.

Our opinion is necessarily based on economic, market and other conditions as in effect on the date of this opinion, and the information made available hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to reaffirm this opinion. Our opinion is limited to the fairness, from a financial point of view, to the holders of the Company Common Stock of the Exchange Ratio in the proposed Transaction and we express no opinion as to the fairness of any consideration to be paid in the Transaction to the holders of any other class of securities, creditors or other constituencies of the Company or as to the advisability of the Company to engage in the Transaction. Furthermore, we express no opinion with respect to the amount or nature of any compensation payable to directors, or employees of any party to the Transaction, or any class of such persons relative to the Exchange Ratio applicable to the Company Common Stock in the Transaction or with respect to the fairness of any such compensation. We are expressing no opinion as to the price at which the Company Common Stock or the New Forest Common Stock will trade at any future time.

We have acted as financial advisor to the Company with respect to the proposed Transaction and will receive a fee from the Company, a substantial portion of which will become payable only if the proposed Transaction is consummated. In addition, the Company will be responsible for certain liabilities arising out of our engagement. Please be advised that during the two years preceding the date of this letter, our affiliates have had any material financial advisory or other material commercial or investment banking relationships with the Company. For the two years preceding the date of this letter, we and our affiliates have had commercial or investment banking relationships with the portfolio companies of First Reserve Corporation, the controlling shareholder of the Merger Partner (First Reserve), for which we have received customary compensation. Such services during such period have included acting as

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(i) joint bookrunner on an offering of the Company's debt securities in September 2012 and as the Company's financial advisor for certain of its oil and gas assets to Templar Energy LLC in November 2013 and (ii) financial advisor for certain transactions involving the Company's offerings of debt and equity securities and arranger on certain credit facilities for certain portfolio companies of First Republic Bank, a commercial banking affiliate is an agent bank and a lender under outstanding credit facilities of the Company, for which the Company may receive compensation or other financial benefits. In the ordinary course of our businesses, we and our affiliates may actively trade securities of the Company for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in securities.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the Exchange Ratio in the proposed transaction is fair, from a financial point of view, to the holders of the Company Common Stock.

The issuance of this opinion has been approved by a fairness opinion committee of J.P. Morgan Securities LLC. This letter is intended to assist the Directors of the Company (in its capacity as such) in connection with and for the purposes of its evaluation of the Transaction. It does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote with respect to the Transaction. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose without our prior written approval. This opinion may be reproduced in full in any proxy or information statement mailed to shareholders of the Company, but may not otherwise be disclosed publicly in any manner without our prior written approval.

Very truly yours,

J.P. MORGAN SECURITIES LLC

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FOREST OIL CORPORATION

2014 Long Term Incentive Plan

1. **Purpose.** The purpose of the Forest Oil Corporation 2014 Long Term Incentive Plan (the **Plan**) is to provide a means whereby the Corporation, a New York corporation (the **Company**), and its Subsidiaries may attract and retain able persons as employees of the Company, and its Subsidiaries, and to provide a means whereby those persons upon whom the responsibilities of the management of the Company, and its Subsidiaries, rest, and whose present and potential contributions to the welfare of the Company and its Subsidiaries, are of importance, can acquire and maintain stock ownership, or awards the value of which is tied to the performance of the Company, thereby strengthening their concern for the welfare of the Company, and its Subsidiaries, and their desire to remain employed by the Company. The Plan is to provide such employees, directors and consultants with additional incentive and reward opportunities designed to encourage the growth of the Company. Accordingly, this Plan provides for Options, Restricted Stock Awards, Restricted Stock Units, Stock Appreciation Rights, Dividend Equivalents, Bonus Stock, Other Stock-Based Awards, Annual Incentive Awards, Performance Awards, or any combination thereof, as is best suited to the circumstances of the particular individual as provided herein.

2. **Definitions.** For purposes of this Plan, the following terms shall be defined as set forth below, in addition to such terms defined in the Company's Charter and Bylaws.

(a) **Annual Incentive Award** means a conditional right granted to an Eligible Person under Section 8(c) hereof to receive an Annual Incentive Award, unless otherwise determined by the Committee, after the end of a specified year.

(b) **Award** means any Option, SAR, Restricted Stock Award, Restricted Stock Unit, Bonus Stock, Dividend Equivalent, Stock Appreciation Right, Performance Award or Annual Incentive Award, together with any other right or interest granted to a Participant under this Plan.

(c) **Beneficiary** means one or more persons, trusts or other entities which have been designated by a Participant, in his or her beneficiary designation filed with the Committee, to receive the benefits specified under this Plan upon such Participant's death. If no other rights are transferred if and to the extent permitted under Section 10(a) hereof. If, upon a Participant's death, there is no surviving designated Beneficiary, then the term Beneficiary means the persons, trusts or other entities entitled by will or intestate distribution to receive such benefits.

(d) **Board** means the Company's Board of Directors.

(e) **Bonus Stock** means Stock granted as a bonus pursuant to Section 6(f).

(f) **Business Day** means any day other than a Saturday, a Sunday, or a day on which banking institutions in the state of New York are closed by law or executive order to close.

(g) **Change in Control** means, except as otherwise provided in an Award Agreement, the occurrence of any of the following:

(i) The consummation of an agreement to acquire or the consummation of a tender offer for beneficial ownership (within the meaning of the Exchange Act) by any Person, of 50% or more of either (x) the then-outstanding shares of Stock of the Company or (y) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors of the Company (Outstanding Company Voting Securities); provided, however, that for purposes of this subsection (i), the following do not constitute a Change in Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by a plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company or (D) any acquisition of the Company that complies with clauses (A), (B) and (C) of paragraph (iii) below;

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(ii) Individuals who constitute the Incumbent Board cease for any reason to constitute at least a majority of the Board;

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another entity (a Business Combination), in each case, unless, following such Business Combination, the then-outstanding Company Voting Securities and Outstanding Company Voting Securities immediately prior to such Business Combination represent or are convertible into more than 50% of, respectively, the then-outstanding shares of common stock or common equity interests of the Company or the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors or similar governing body of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such Business Combination is the Company, or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (B) the then-outstanding Company Voting Securities (or related trust) of the Company or the entity resulting from such Business Combination) beneficially owned by the Company or 20% or more of, respectively, the then-outstanding shares of common stock or common equity interests of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors or similar governing body of such entity except to the extent that such ownership results solely from ownership of the Company or the entity resulting from such Business Combination, and (C) at least a majority of the members of the board of directors or similar governing body of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action resulting in such Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, with respect to an Award that provides for a deferral of compensation under the Nonqualified Deferred Compensation Rules and with respect to which a Change in Control would accelerate vesting or settlement, to the extent required in order to avoid penalties under the Nonqualified Deferred Compensation Rules, Change in Control shall mean an event that qualifies as a Change in Control defined in this Section 2(g) as well as a change in ownership, change in effective control or change in ownership of the Company, in each case as defined in the Nonqualified Deferred Compensation Rules.

(h) Code means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and any other regulations thereto.

(i) Committee means a committee of two or more directors designated by the Board to administer this Plan; provided that if the number of directors determined by the Board, the Committee shall consist solely of two or more directors, each of whom shall be a Qualified Director; and the administration of this Plan by outside directors is not then required in order to qualify for tax deductibility under section 170(e).

(j) Covered Employee means an Eligible Person who is a Covered Employee as specified in Section 8(e) of this Plan.

(k) Dividend Equivalent means a right, granted to an Eligible Person under Section 6(g), to receive cash, Stock, or other property having value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments.

(l) Effective Date means the date immediately prior to the date upon which the transactions contemplated by the Amended Plan of Merger, dated July 9, 2014, by and among the Company, Sabine Investor Holdings LLC, Sabine Oil & Gas Holdings I LLC, Sabine Oil & Gas Holdings II LLC, Sabine Oil & Gas LLC, and FR XI Onshore AIV, LLC are consummated.

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(m) **Eligible Person** means all officers and employees of the Company or of any of its Subsidiaries, and other persons of the Company or any of its Subsidiaries, including directors of the Company. An employee on leave of absence may be considered an Eligible Person of the Company or any of its Subsidiaries for purposes of eligibility for participation in this Plan.

(n) **Exchange Act** means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and any rules thereto.

(o) **Fair Market Value** means, as of any specified date, (i) if the Stock is listed on a national securities exchange, the closing sale price reported on the stock exchange composite tape on that date (or if no sales occur on that date, on the last preceding date on which sales are so reported); (ii) if the Stock is not traded on a national securities exchange but is traded over the counter at the time a determination of value is required to be made under the Plan, the average between the reported high and low bid and asked prices of the Stock on the date which Stock was publicly traded; (iii) in the event Stock is not publicly traded at the time a determination of its value is required under the Plan, the amount determined by the Committee in its discretion in such manner as it deems appropriate, taking into account all factors it deems appropriate including, without limitation, the Nonqualified Deferred Compensation Rules; or (iv) on the date of a public offering of Stock, the offering price under such Qualifying Public Offering. Notwithstanding the foregoing, for purposes of determining the date of vesting in connection with settlement of an Award and any associated tax withholding, the specified date shall, unless a violation of the Nonqualified Compensation Rules would result, be deemed to be the date immediately preceding the vesting or exercise, as applicable.

(p) **Incentive Stock Option** or **ISO** means any Option intended to be and designated as an incentive stock option under Section 83 of the Code or any successor provision thereto.

(q) **Incumbent Board** means the portion of the Board constituted of the individuals who are members of the Board as of the Effective Date and any individual who becomes a director of the Company after the Effective Date and whose election or appointment by the Board or by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board. For this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person shall be deemed a member of the Board.

(r) **Nonqualified Deferred Compensation Rules** means the limitations or requirements of section 409A of the Code and any rules thereunder promulgated thereunder.

(s) **Option** means a right, granted to an Eligible Person under Section 6(b) hereof, to purchase Stock or other Awards during specified time periods.

(t) **Other Stock-Based Awards** means Awards granted to an Eligible Person under Section 6(i) hereof.

(u) **Participant** means a person who has been granted an Award under this Plan which remains outstanding, including an Eligible Person.

(v) **Performance Award** means a right, granted to an Eligible Person under Section 8 hereof, to receive Awards based on performance by the Committee.

(w) **Person** means any person or entity of any nature whatsoever, specifically including an individual, a firm, a company, a partnership, a limited liability company, a trust or other entity; a Person, together with that Person's Affiliates and Associates (as those terms are defined under the

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Exchange Act, provided that registrant as used in Rule 12b-2 shall mean the Company), and any Persons acting as a partner, joint venture, association, syndicate or other group (whether or not formally organized), or otherwise acting jointly or in a consciously parallel manner (whether or not pursuant to any express agreement), for the purpose of acquiring, holding, or disposing of the Company with such Person, shall be deemed a single Person.

(x) **Qualifying Public Offering** means a firm commitment underwritten public offering of Stock for cash where the securities listed on a national securities exchange.

(y) **Qualified Member** means a member of the Committee who is a nonemployee director within the meaning of Rule 162(m) within the meaning of Treasury Regulation 1.162-27 under section 162(m) of the Code and independent within the meaning of the exchange listing rules or similar regulatory authority.

(z) **Restricted Stock** means Stock granted to an Eligible Person under Section 6(d) hereof, that is subject to certain restrictions.

(aa) **Restricted Stock Unit** means a right, granted to an Eligible Person under Section 6(e) hereof, to receive Stock, cash, or other property at the end of a specified period.

(bb) **Rule 16b-3** means Rule 16b-3, promulgated by the Securities and Exchange Commission under section 16 of the Securities Act, in effect and applicable to this Plan and Participants.

(cc) **Securities Act** means the Securities Act of 1933 and the rules and regulations promulgated thereunder, or any successor statute, from time to time.

(dd) **Stock** means the Company's Common Stock, par value \$0.01 per share, and such other securities as may be substituted pursuant to Section 9.

(ee) **Stock Appreciation Right** or **SAR** means a right granted to an Eligible Person under Section 6(c) hereof.

(ff) **Subsidiary** means with respect to the Company, any corporation or other entity of which a majority of the voting securities or equity interest is owned, directly or indirectly, by the Company.

3. Administration.

(a) **Authority of the Committee.** This Plan shall be administered by the Committee except to the extent the Board elects to exercise its authority. All case references herein to the Committee shall be deemed to include references to the Board. Subject to the express authority of the Board, the Committee shall have the authority, in its sole and absolute discretion, to (i) adopt, amend, and rescind administrative regulations relating to the Plan; (ii) determine the Eligible Persons to whom, and the time or times at which, Awards shall be made, the amount of cash and/or the number of shares of Stock, as applicable Stock Appreciation Rights, Restricted Stock Units, Restricted Stock, Dividend Equivalents, Bonus Stock, Other Stock-Based Awards, Annual Incentive Awards, Performance Awards, or any combination thereof, shall be the subject of each Award; (iv) determine the terms and provisions of each Award agreement (which need not be identical) defining or otherwise relating to (A) the term and the period or periods and extent of exercisability of the Options, (B) the transferability of shares of Stock issued or transferred pursuant to any Award is restricted, (C) except as otherwise provided, the termination of employment, or the service relationship with the Company, of a Participant on the Award, and (D) the effect of the absence (consistent with any applicable regulations of the Internal Revenue Service); (v) accelerate the time of vesting of

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Award that has been granted; (vi) construe the respective Award agreements and the Plan; (vii) make determinations of the fair market value of the Stock pursuant to the Plan; (viii) delegate its duties under the Plan (including, but not limited to, the authority to grant Awards) to one or more members appointed from time to time, provided that the Committee may not delegate its duties where such delegation would violate the terms of the Plan with respect to making Awards to, or otherwise with respect to Awards granted to, Eligible Persons who are subject to section 16 of the Exchange Act who are Covered Employees receiving Awards that are intended to constitute performance-based compensation within the meaning of section 162(m) of the Code; (ix) subject to Section 10(c), terminate, modify or amend the Plan; and (x) make all other determinations, perform all other powers and authority necessary or advisable for administering the Plan, including the delegation of those ministerial duties that the Committee deems appropriate. Subject to Rule 16b-3 and section 162(m) of the Code, the Committee may correct any error or reconcile any inconsistency in the Plan, in any Award, or in any Award agreement in the manner and to the extent it deems appropriate to carry the Plan into effect, and the Committee shall be the sole and final judge of that necessity or desirability. The determinations made by the Committee on the matters referred to in this Section 3(a) shall be final and conclusive.

(b) **Manner of Exercise of Committee Authority.** At any time that a member of the Committee is not a Qualified Member, the Committee may, with respect to an Award relating to an Award granted or to be granted to an Eligible Person who is then subject to section 16 of the Exchange Act, take any action where such action is not taken by the full Board, or relating to an Award intended by the Committee to qualify as performance-based compensation within the meaning of section 162(m) of the Code and regulations thereunder, may be taken either (i) by a subcommittee of the Committee composed solely of two or more Qualified Members, or (ii) by the Committee but with each such member who is not a Qualified Member recusing himself or herself from such action; **provided, however,** that, upon such abstention or recusal, the Committee may take such action with one or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of one or more Member(s), shall be the action of the Committee for purposes of this Plan. Any action of the Committee shall be final, conclusive and non-appealable for all Persons, including the Company, its Subsidiaries, stockholders, Participants, Beneficiaries, and transferees under Section 16 of the Exchange Act claiming rights from or through a Participant. The express grant of any specific power to the Committee, and the taking of such action, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or directors of the Company, or of any of its Subsidiaries, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform all administrative functions, as the Committee may determine, to the extent that such delegation will not result in the loss of the Company's eligibility for 16b-3(d)(1) for Awards granted to Participants subject to section 16 of the Exchange Act in respect of the Company and its Subsidiaries to qualify as performance-based compensation under section 162(m) of the Code to fail to so qualify. The Committee shall be the sole and final judge in administering the Plan.

(c) **Limitation of Liability.** The Committee and each member thereof shall be entitled to, in good faith, rely or act upon any information furnished to him or her by any officer or employee of the Company or any of its Subsidiaries, the Company's legal counsel, accountants, consultants or any other agents assisting in the administration of this Plan. Members of the Committee and any officer or director of the Company or any of its Subsidiaries acting at the direction or on behalf of the Committee shall not be personally liable for any action or determination made in good faith with respect to this Plan, and shall, to the fullest extent permitted by law, be indemnified and held harmless from and against any such action or determination.

4. Stock Subject to Plan.

(a) **Overall Number of Shares Available for Delivery.** Subject to adjustment in a manner consistent with any adjustment to the total number of shares of Stock reserved and available for issuance in connection with Awards under this Plan, the total number of shares of Stock available for the issuance of Incentive Stock Options shall not be less than the total number of shares of Stock that will be available for the issuance of Incentive Stock Options.

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(b) Application of Limitation to Grants of Awards. Subject to Section 4(c), no Award may be granted if the number of shares in connection with such Award exceeds the number of shares of Stock remaining available under this Plan minus the number of shares of Stock settled or relating to then-outstanding Awards. The Committee may adopt reasonable counting procedures to ensure no double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares differs from the number of shares previously counted in connection with an Award.

(c) Availability of Shares Not Issued under Awards. Shares of Stock subject to an Award under this Plan that expire or are exchanged, settled in cash or otherwise terminated, including shares forfeited with respect to Restricted Stock, will again be available under this Plan, except that if any such shares could not again be available for Awards to a particular Participant under any applicable Award, such shares shall be available exclusively for Awards to Participants who are not subject to such limitation. For purposes of clawback, withheld in payment of any exercise or purchase price of, or taxes relating to, an Award will not again be available for Awards.

(d) Stock Offered. The shares to be delivered under the Plan shall be made available from (i) authorized but unissued shares of Stock, (ii) the treasury of the Company, or (iii) previously issued shares of Stock reacquired by the Company, including shares purchased on the open market.

5. Eligibility; Per Person Award Limitations. Awards may be granted under this Plan only to Persons who are Eligible Persons under the Plan. In each calendar year, during any part of which this Plan is in effect, a Covered Employee may not be granted (a) an Award that would qualify as performance-based compensation for purposes of section 162(m) of the Code (other than Options and Stock Appreciation Rights the value of which is not based on a number of shares of Stock) relating to more than 1,000,000 shares of Stock, subject to adjustment consistent with any adjustment made pursuant to Section 9, (b) Options and Stock Appreciation Rights relating to more than 1,000,000 shares of Stock, subject to adjustment in a manner consistent with any adjustment made pursuant to Section 9 and (c) Awards that are intended to be performance-based compensation for purposes of section 162(m) of the Code and the value of which is not based on a number of shares of Stock a value determined on the date of grant in excess of \$5,000,000.

6. Specific Terms of Awards.

(a) General. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may, at the time of grant or exercise thereof, at the date of grant or thereafter (subject to Section 10(c)), such additional terms and conditions, not inconsistent with this Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination or expiration of or termination of the Participant's service relationship with the Company, and terms permitting a Participant to make early exercise of an Award. The Committee shall retain full power and discretion to accelerate, waive or modify, at any time, any term or condition of an Award mandatory under this Plan; provided, however, that the Committee shall not have any discretion to accelerate, waive or modify the terms of an Award that is intended to qualify as performance-based compensation for purposes of section 162(m) of the Code and the value of which is not based on a number of shares of Stock. An Award to not so qualify or to accelerate the terms of payment of any Award that provides for a deferral of compensation shall be subject to the Deferred Compensation Rules if such acceleration would subject a Participant to additional taxes under the Nonqualified Deferred Compensation Rules.

(b) Options. The Committee is authorized to grant Options to Eligible Persons on the following terms and conditions:

(i) Exercise Price. Each Option agreement shall state the exercise price per share of Stock (the "Exercise Price"); provided, that the Exercise Price per share of Stock subject to an Option shall not be

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less than the greater of (A) the par value per share of the Stock or (B) 100% of the Fair Market Value per share of the Stock or (C) the Exercise Price of the Option (or in the case of an ISO granted to an individual who owns stock possessing more than 10 percent of the total classes of stock of the Company or its parent or any subsidiary, 110% of the Fair Market Value per share of the Stock or (C) the Exercise Price of the Option).

(ii) **Time and Method of Exercise.** The Committee shall determine the time or times at which or the circumstances under which the Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the Exercise Price may be paid or deemed to be paid, the form of such payment, including without limitation cash, Stock, or other property, or under other plans of the Company or any Subsidiary, or other property (including notes or other contractual obligations of the Company or any Subsidiary on a deferred basis), and the methods by or forms in which Stock will be delivered or deemed to be delivered to the Participant, and the delivery of Restricted Stock subject to Section 6(d). In the case of an exercise whereby the Exercise Price is paid in cash, the Exercise Price shall be valued as of the date of exercise.

(iii) **ISOs.** The terms of any ISO granted under this Plan shall comply in all respects with the provisions of section 422 of the Code. The Plan shall be granted to Eligible Persons who are employees of the Company or employees of a parent or Subsidiary corporation of the Company. Notwithstanding the foregoing, provided in Section 9, no term of this Plan relating to ISOs (including any SAR in tandem therewith) shall be interpreted to limit or restrict in any discretion or authority granted under this Plan be exercised, so as to disqualify either this Plan or any ISO under section 422 of the Code if a Participant has first requested the change that will result in such disqualification. ISOs shall not be granted more than ten years after the adoption of this Plan or the approval of this Plan by the Company's stockholders. Notwithstanding the foregoing, the Fair Market Value of the Stock subject to an ISO and the aggregate Fair Market Value of shares of stock of any parent or subsidiary corporation (within the meaning of sections 424(e) and (f) of the Code) subject to any other ISO (within the meaning of section 422 of the Code) of the Company or any parent or subsidiary corporation (within the meaning of sections 424(e) and (f) of the Code) that first becomes purchasable by a Participant in the aggregate (with respect to that Participant) exceed \$100,000, or such other amount as may be prescribed under section 422 of the Code, shall be determined from time to time. As used in the previous sentence, Fair Market Value shall be determined as of the date the ISO is exercised. This provision shall not impair the enforceability or exercisability of any Option, but shall cause the excess amount to be paid in accordance with the Code.

(c) **Stock Appreciation Rights.** The Committee is authorized to grant SARs to Eligible Persons on the following terms and conditions:

(i) **Right to Payment.** An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR as determined by the Committee. The exercise price per share of Stock of an SAR shall not be less than the greater of (A) the par value per share of the Stock or (B) 100% of the Fair Market Value of one share of the Stock as of the date of grant of the SAR.

(ii) **Rights Related to Options.** An SAR granted pursuant to an Option shall entitle a Participant, upon exercise, to surrender the Option, to the extent unexercised, and to receive payment of an amount computed pursuant to Section 6(c)(ii)(B). That Option shall be exercisable to the extent surrendered. SARs granted in connection with an Option shall be subject to the terms of the Award Agreement for the Option, which shall comply with the following provisions in addition to those applicable to Options:

(A) An SAR granted in connection with an Option shall be exercisable only at such time or times and only to the extent that the Option is exercisable and shall not be transferable except to the extent that the related Option is transferable.

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(B) Upon the exercise of an SAR related to an Option, a Participant shall be entitled to receive payment from the Company multiplying:

(1) the difference obtained by subtracting the Exercise Price with respect to a share of Stock specified in the related Option of a share of Stock on the date of exercise of the SAR, by

(2) the number of shares as to which that SAR has been exercised.

(iii) Right Without Option. An SAR granted independent of an Option shall be exercisable as determined by the Committee under the agreement governing the SAR, which Award agreement shall comply with the following provisions:

(A) Each Award agreement shall state the total number of shares of Stock to which the SAR relates.

(B) Each Award agreement shall state the time or periods in which the right to exercise the SAR or a portion thereof shall vest in shares of Stock for which the right to exercise the SAR shall vest at each such time or period.

(C) Each Award agreement shall state the date at which the SARs shall expire if not previously exercised.

(D) Each SAR shall entitle a Participant, upon exercise thereof, to receive payment of an amount determined by multiplying:

(1) the difference obtained by subtracting the Fair Market Value of a share of Stock on the date of grant of the SAR from the Fair Market Value of a share of Stock on the date of exercise of that SAR, by

(2) the number of shares as to which the SAR has been exercised.

(iv) Terms. Except as otherwise provided herein, the Committee shall determine at the date of grant or thereafter, the time and circumstances under which an SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or through which the SAR shall be delivered or deemed to be delivered to Participants, whether or not an SAR shall be in tandem or in combination with other Awards, and the terms and conditions of any SAR. SARs may be either freestanding or in tandem with other Awards.

(d) Restricted Stock. The Committee is authorized to grant Restricted Stock to Eligible Persons on the following terms and conditions:

(i) Grant and Restrictions. Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions that the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise, as the Committee may determine at the time of grant or thereafter. During the restricted period applicable to the Restricted Stock, the Restricted Stock may not be sold, hypothecated, margined or otherwise encumbered by the Participant.

(ii) Certificates for Stock. Restricted Stock granted under this Plan may be evidenced in such manner as the Committee may determine. If such certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates be registered in the name of the Participant or in the name of a trust or other entity referring to the Participant.

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terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iii) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may require or permit any cash dividends paid on a share of Restricted Stock be automatically reinvested in additional shares of Restricted Stock or additional Awards under this Plan or deferred without interest to the date of vesting of the associated Award of Restricted Stock. To the extent applicable, any such election shall comply with the Nonqualified Deferred Compensation Rules. Unless otherwise specified, Stock distributed in connection with a Stock split or Stock dividend, and other property (other than cash) distributed as a result of such restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property

(e) Restricted Stock Units. The Committee is authorized to grant Restricted Stock Units, which are rights to receive Stock (or other property thereof) at the end of a specified period (which may or may not be coterminous with the vesting schedule of the Award), subject to the following terms and conditions:

(i) Award and Restrictions. Settlement of an Award of Restricted Stock Units shall occur upon expiration of the period specified in the Restricted Stock Unit by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Restricted Stock Units shall be subject to such restrictions (which may include a risk of forfeiture) as the Committee may impose, if any, which restrictions may lapse over a specified period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), in installments or otherwise, as the Committee may determine. Restricted Stock Units shall be satisfied by the amount equal to the Fair Market Value of the specified number of shares of Stock covered by the Restricted Stock Unit, as determined by the Committee at the date of grant or thereafter.

(ii) Dividend Equivalents. Unless otherwise determined by the Committee at date of grant, Dividend Equivalents on the Restricted Stock covered by an Award of Restricted Stock Units shall be either (A) paid with respect to such Restricted Stock Units in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) withheld from the Restricted Stock Units and the amount or value thereof automatically deemed reinvested in additional Restricted Stock Units.

(f) Bonus Stock and Awards in Lieu of Obligations. The Committee is authorized to grant Stock as a bonus, or to grant Stock in lieu of obligations to pay cash or deliver other property under this Plan or under other plans or compensatory arrangements, provided that such grants to Participants subject to section 16 of the Exchange Act, the amount of such grants remains within the discretion of the Committee to ensure that acquisitions of Stock or other Awards are exempt from liability under section 16(b) of the Exchange Act. Such grants hereunder shall be subject to such other terms as shall be determined by the Committee. In the case of any grant of Stock or other property to any of its Subsidiaries in lieu of salary or other cash compensation, the number of shares granted in place of such compensation shall be determined by the Committee.

(g) Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to other Awards, or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other property. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may determine that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, or other property, and subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify.

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(h) **Other Awards.** The Committee is authorized, subject to limitations under applicable law, to grant to Participants such awards denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock, as deemed appropriate, consistent with the purposes of this Plan, including without limitation convertible or exchangeable debt securities, other securities convertible into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or Subsidiaries designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of the Company or Subsidiaries of the Company. The Committee shall determine the terms and conditions of such other Stock-Based Awards. An Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid in such methods, and in such forms, including, without limitation, cash, Stock, other Awards, or other property, as the Committee shall determine. An Award, as an element of or supplement to any other Award under this Plan, may also be granted pursuant to this Section 6(h).

7. Certain Provisions Applicable to Awards.

(a) **Termination of Employment.** Except as provided herein, the treatment of an Award upon a termination of employment or the employment relationship by and between a Participant and the Company or any Subsidiary shall be specified in the agreement controlling the Award.

(b) **Stand-Alone, Additional, Tandem, and Substitute Awards.** Awards granted under this Plan may, in the discretion of the Committee, be granted alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under any other plan of any of its Subsidiaries, or of any business entity to be acquired by the Company or any of its Subsidiaries, or any other right to receive payment from the Company or any of its Subsidiaries. Such additional, tandem and substitute or exchange Awards shall be granted when an Award is granted in substitution or exchange for another Award, the Committee shall require the surrender of such other Award at the time of the grant of the new Award. Awards under this Plan may be granted in lieu of cash compensation, including in lieu of cash compensation plans of the Company or any of its Subsidiaries, in which the value of Stock subject to the Award is equivalent in value to the cash compensation, which the exercise price, grant price or purchase price of the Award in the nature of a right that may be exercised is equal to the value of the underlying Stock minus the value of the cash compensation surrendered. Awards granted pursuant to the preceding sentence shall be valued and settled in a manner that does not result in additional taxes under the Nonqualified Deferred Compensation Rules. Except as provided hereof, the Company may not, without obtaining stockholder approval: (i) amend the terms of outstanding Options or SARs; (ii) cancel outstanding Options or SARs in exchange for Options or SARs with an Exercise Price equal to the Exercise Price of the original Options or SARs; or (iii) cancel outstanding Options or SARs with an Exercise Price equal to the Value of the Stock underlying such Options or SARs in exchange for cash or other securities.

(c) **Term of Awards.** Except as specified herein, the term of each Award shall be for such period as may be determined by the Committee. In no event shall the term of any Option or SAR exceed a period of ten years from the grant date (or such shorter term as may be permitted by ISO under section 422 of the Code).

(d) **Form and Timing of Payment under Awards; Deferrals.** Subject to the terms of this Plan and any applicable Award agreement, any Award granted by the Company or any of its Subsidiaries upon the exercise of an Option or other Award or settlement of an Award may be paid by the Committee shall determine, including without limitation cash, Stock, other Awards or other property, and may be made in installments, or on a deferred basis; **provided, however,** that any such deferred payment will be set forth in the agreement governing the Award and/or otherwise made in a manner that will not result in additional taxes under the Nonqualified Deferred Compensation Rules. Except as provided herein, the settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such Award may be made at the discretion of the Committee or upon occurrence of one or more specified events (including a

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Change in Control). Installment or deferred payments may be required by the Committee (subject to Section 10(c) of this Act and the provisions thereof in the case of any deferral of an outstanding Award not provided for in the original Award agreement) to be paid to the Participant on terms and conditions established by the Committee and in compliance with the Nonqualified Deferred Compensation Plan. The Plan may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments, crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock, or an employee benefit plan for purposes of section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

(e) **Exemptions from Section 16(b) Liability.** It is the intent of the Company that the grant of any Awards to or other transactions subject to section 16 of the Exchange Act shall be exempt from such section pursuant to an applicable exemption (except for those transactions in writing to be non-exempt by such Participant). Accordingly, if any provision of this Plan or any Award agreement does not conform to the requirements of Rule 16b-3 as then applicable to any such transaction, such provision shall be construed or deemed amended to conform to the applicable requirements of Rule 16b-3 so that such Participant shall avoid liability under section 16(b) of the Exchange Act.

(f) **Non-Competition Agreement.** Each Participant to whom an Award is granted under this Plan may be required to agree, as a condition to the granting of such Award, not to engage in conduct in competition with the Company or any of its Subsidiaries for a period of time during the Participant's employment with the Company and its Subsidiaries as determined by the Committee.

8. Performance and Annual Incentive Awards.

(a) **Performance Conditions.** The right of an Eligible Person to receive a grant, and the right of a Participant to exercise or settle any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Committee. The Committee may, in its discretion, apply business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions. The Committee has discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited by the provisions hereof in the case of a Performance Award or Annual Incentive Award intended to qualify under section 162(m) of the Code.

(b) **Performance Awards Granted to Designated Covered Employees.** If the Committee determines that a Performance Award is intended to be granted to a Person who is designated by the Committee as likely to be a Covered Employee is intended to qualify as a performance-qualified award under section 162(m) of the Code, the grant, exercise and/or settlement of such Performance Award shall be contingent upon the achievement of performance goals and shall be subject to the other terms set forth in this Section 8(b).

(i) **Performance Goals Generally.** The performance goals for such Performance Awards shall consist of one or more business performance criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee in this Section 8(b). Performance goals shall be objective and shall otherwise meet the requirements of section 162(m) of the Code (including Treasury Regulation §1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance to be achieved by the Committee result in the achievement of performance goals being substantially uncertain at the time the Committee establishes the performance goal or goals. The Committee may determine that such Performance Awards shall be granted, exercised, and settled only if any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise, or settlement of Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants. The Committee notes that it will exclude the impact of any or all of the following events or occurrences at the time it establishes the performance period, then the following events may be

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appropriately excluded, as applicable: (a) asset write-downs; (b) litigation, claims, judgments or settlements; (c) the effect of such laws or regulations affecting reported results; (d) accruals for reorganization and restructuring programs; (e) any extraordinary nonrecurring items as described in the Accounting Standards Codification Topic 225, as the same may be amended or subsequently amended; (f) any change in accounting principles as defined in the Accounting Standards Codification Topic 250, as the same may change from time to time; (g) any loss from a discontinued operation as described in the Accounting Standards Codification Topic 360, as amended or superseded from time to time; (h) goodwill impairment charges; (i) operating results for any business acquired during the period; and (j) party expenses associated with any acquisition by the Company or any Subsidiary.

(ii) Business and Individual Performance Criteria

(A) **Business Criteria.** One or more of the following business criteria for the Company, on a consolidated basis, and/or for each business or geographical units of the Company (except with respect to the total stockholder return and earnings per share) shall be used by the Committee in establishing performance goals for such Performance Awards: (1) earnings per share; (2) increase in revenue; (3) increase in operating income; (4) increase in cash flow from operations; (5) increase in cash flow return; (6) return on net assets; (7) return on assets; (8) return on capital; (9) return on equity; (10) economic value added; (11) operating margin; (12) contribution margin; (13) operating income per share; (14) pretax earnings; (15) pretax earnings before interest, depreciation and amortization; (16) pretax operating income before expense and before incentives, service fees, and extraordinary or special items; (17) total stockholder return; (18) debt to capitalization ratio; (19) change in the Fair Market Value of the Stock; (20) operating income; (21) operating results; and (22) any of the above on an absolute or relative basis or as compared to the performance of a published or special index deemed applicable by the Committee, limited to, the Standard & Poor's 500 Stock Index or a group of comparable companies. One or more of the foregoing business criteria shall be exclusively used in establishing performance goals for Annual Incentive Awards granted to a Covered Employee under Section 8(b)(ii) intended to qualify as performance-based compensation under section 162(m) of the Code.

(B) **Individual Performance Criteria.** The grant, exercise and/or settlement of Performance Awards may also be contingent upon the achievement of performance goals established by the Committee. If required for compliance with section 162(m) of the Code, such criteria shall be applied to the Company.

(iii) **Performance Period: Timing for Establishing Performance Goals.** Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to ten years, as specified by the Committee. Performance goals shall be established at the beginning of any performance period applicable to such Performance Awards, or at such other date as may be required to qualify as performance-based compensation under section 162(m) of the Code.

(iv) **Performance Award Pool.** The Committee may establish a Performance Award pool, which shall be an unfunded pool of money payable upon the performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be determined upon achievement of a performance goal or goals based on one or more of the criteria set forth in Section 8(b)(ii) hereof during the performance period, as specified by the Committee in accordance with Section 8(b)(iii) hereof. The Committee may specify the amount of the Performance Award pool as a percentage of any of such criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not have any mathematical relationship to such criteria.

(v) **Settlement of Performance Awards; Other Terms.** After the end of each performance period, the Committee shall determine the amount of the Performance Award pool, (A) the Performance Award pool, and the maximum amount of the potential Performance Award payable to each Participant from the pool, or (B) the amount of the potential Performance Award otherwise payable to each Participant. Settlement of such

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Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise such discretion with respect to such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 8(b). The Committee shall determine the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Covered Employee at the end of a performance period or settlement of Performance Awards.

(c) Annual Incentive Awards Granted to Designated Covered Employees. If the Committee determines that an Annual Incentive Award is intended to be paid to an Eligible Person who is designated by the Committee as likely to be a Covered Employee is intended to qualify as performance-based compensation for purposes of section 162(m) of the Code, the grant, exercise and/or settlement of such Annual Incentive Award shall be based upon the achievement of pre-established performance goals and other terms set forth in this Section 8(c).

(i) Potential Annual Incentive Awards. Not later than the end of the 90th day of each applicable year, or at such other date as may be permitted in the case of Awards intended to be performance-based compensation under section 162(m) of the Code, the Committee shall determine the Eligible Persons who will potentially receive Annual Incentive Awards, and the amounts potentially payable thereunder, and shall establish an Annual Incentive Award pool established by such date under Section 8(c)(ii) hereof or as individual Annual Incentive Awards. The amounts potentially payable, with respect to Annual Incentive Awards, shall be based upon the achievement of a performance goal or goals of the business criteria set forth in Section 8(b)(ii) hereof in the given performance year, as specified by the Committee.

(ii) Annual Incentive Award Pool. The Committee may establish an Annual Incentive Award pool, which shall be an Annual Incentive Award measuring performance of the Company in connection with Annual Incentive Awards. The amount of such Annual Incentive Award shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8(b)(ii) hereof, as specified by the Committee in accordance with Section 8(b)(iii) hereof. The Committee may specify the Annual Incentive Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or the amount of such Annual Incentive Award need not bear a strictly mathematical relationship to such business criteria.

(iii) Payout of Annual Incentive Awards. After the end of each applicable year, the Committee shall determine the amount of the Annual Incentive Award pool, and the maximum amount of the potential Annual Incentive Award payable to each Participant in the Annual Incentive Award pool, or (A) the amount of the potential Annual Incentive Award otherwise payable to each Participant. The Committee shall determine that the amount payable to any Participant as a final Annual Incentive Award shall be reduced from the amount of his or her potential Annual Incentive Award, including a determination to make no final Award whatsoever, but may not exercise discretion to increase any such Annual Incentive Award intended to qualify under section 162(m) of the Code. The Committee shall specify the circumstances in which an Annual Incentive Award shall be paid or forfeited in the event of termination of employment by the Participant prior to the end of the performance period or settlement of such Annual Incentive Award.

(d) Written Determinations. All determinations by the Committee as to the establishment of performance goals, the amount of the Annual Incentive Award pool or potential individual Performance Awards, the achievement of performance goals relating to and final settlement of Annual Incentive Awards under Section 8(b), the amount of any Annual Incentive Award pool or potential individual Annual Incentive Awards, the achievement of performance goals relating to and final settlement of Annual Incentive Awards under Section 8(c) shall be made in writing in the case of an Annual Incentive Award intended to qualify under section 162(m) of the Code. The Committee may not delegate any responsibility relating to such Performance Awards.

(e) Status of Section 8(b) and Section 8(c) Awards under Section 162(m) of the Code. It is the intent of the Company that Annual Incentive Awards under Sections 8(b) and 8(c) hereof

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granted to Persons who are designated by the Committee as likely to be Covered Employees within the meaning of section 162(m) of the Code and regulations thereunder (including Treasury Regulation §1.162-27 and successor regulations thereto) shall, if so designated, be performance-based compensation within the meaning of section 162(m) of the Code and regulations thereunder.

Accordingly, the terms of Sections 8(b), (c), (d) and (e), including the definitions of Covered Employee and other terms used herein, shall be construed in a manner consistent with section 162(m) of the Code and regulations thereunder. The foregoing notwithstanding, because it is not possible to determine with certainty whether a given Eligible Person will be a Covered Employee with respect to a fiscal year that has not yet ended, the term Covered Employee as used herein shall mean only a Person designated by the Committee, at the time of grant of a Performance Award or Annual Incentive Award, who is likely to be a Covered Employee with respect to that fiscal year. If any provision of this Plan or the adoption of any agreements relating to Performance Awards or Annual Incentive Awards that are designated as intended to be performance-based compensation within the meaning of section 162(m) of the Code does not comply or is inconsistent with the requirements of section 162(m) of the Code or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

9. Subdivision or Consolidation; Recapitalization; Change in Control; Reorganization.

(a) Existence of Plans and Awards. The existence of this Plan and the Awards granted hereunder shall not affect in any way the authority of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities ahead of or in connection with any thereof, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of the Company or any other corporate act or proceeding. In no event will any action taken by the Committee pursuant to this Section 9 result in any Award being performance-based compensation within the meaning of section 409A of the Code and the regulations and other guidance promulgated thereunder.

(b) Subdivision or Consolidation of Shares. The terms of an Award and the number of shares of Stock authorized pursuant to the Plan shall be subject to adjustment from time to time, in accordance with the following provisions:

(i) If at any time, or from time to time, the Company shall subdivide as a whole (by reclassification, by a Stock split, by a reverse Stock split, or otherwise) or in the event the Company distributes an extraordinary cash dividend the number of shares of Stock then outstanding into a greater number of shares of Stock, then, as appropriate, (A) the maximum number of shares of Stock authorized for issuance in connection with Awards as provided in Sections 4 and 5 shall be increased proportionately, and the kind of shares or other securities subject to the Plan shall be appropriately adjusted, (B) the number of shares of Stock (or other kind of shares or securities) that may be awarded under an outstanding Award shall be increased proportionately, and (C) the price (including the exercise price) for each share of Stock (or other securities) subject to then outstanding Awards shall be reduced proportionately, without changing the aggregate purchase price of the then outstanding Awards remain exercisable or subject to restrictions.

(ii) If at any time, or from time to time, the Company shall consolidate as a whole (by reclassification, by reverse Stock split, or otherwise) the number of shares of Stock then outstanding into a lesser number of shares of Stock, (A) the maximum number of shares of Stock authorized for issuance in connection with Awards as provided in Sections 4 and 5 shall be decreased proportionately, and the kind of shares or other securities subject to the Plan shall be appropriately adjusted, (B) the number of shares of Stock (or other kind of shares or securities) that may be awarded under an outstanding Award shall be decreased proportionately, and (C) the price (including the exercise price) for each share of Stock (or other securities) subject to then outstanding Awards shall be increased proportionately, without changing the aggregate purchase price of the then outstanding Awards remain exercisable or subject to restrictions.

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(iii) Whenever the number of shares of Stock subject to outstanding Awards and the price for each share of Stock subject to be adjusted as provided in this Section 9(b), the Committee shall promptly prepare a notice setting forth, in reasonable detail, the amount of the adjustment, the method by which such adjustment was calculated, and the change in the number of shares of Stock, other securities, cash, or property purchasable subject to each Award after giving effect to the adjustment. The Committee shall promptly provide each affected Participant with such notice.

(iv) Adjustments under Sections 9(b)(i) and (ii) shall be made by the Committee, and its determination as to what adjustment and the extent thereof shall be final, binding, and conclusive. No fractional interest shall be issued under the Plan on account of such adjustments.

(c) Corporate Recapitalization. If the Company recapitalizes, reclassifies its capital stock, or otherwise changes its capital structure without the occurrence of a Change in Control, the number and class of shares of Stock covered by an Award theretofore granted shall thereafter cover the number and class of shares of stock and securities to which the holder would be entitled under the terms of the recapitalization if, immediately prior to the recapitalization, the holder had been the holder of record of the shares covered by such Award and the share limitations provided in Sections 4 and 5 shall be adjusted in a manner consistent with the terms of the recapitalization.

(d) Additional Issuances. Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights theretofore granted, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and the fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock theretofore granted or the purchase price per share, if applicable.

(e) Change in Control. Upon a Change in Control the Committee, acting in its sole discretion without the consent or approval of one or more of the following alternatives, which may vary among individual holders and which may vary among Options and SARs held by any individual holder: (i) accelerate the time at which Grants then outstanding may be exercised so that such Grants may be exercised during a limited period of time on or before a specified date (before or after such Change in Control) fixed by the Committee, and all unexercised Grants and all rights of holders thereunder shall terminate, (ii) require the mandatory surrender to the Company of all of the outstanding Grants held by such holders (irrespective of whether such Grants are then vested or exercisable) as of a date, before or after such Change in Control, specified by the Committee, in which event the Committee shall terminate in respect to shares both for which the Grants are exercisable and/or vested and not exercisable and/or vested) and pay (A) to each exercisable Grant an amount of cash (or other consideration including securities or other property) per share equal to the amount payable calculated in Section 9(f) (the "Change in Control Price") for the shares subject to such Grants over the Exercise Price(s) (except that to the extent the Exercise Price under any such Grant is equal to or exceeds the Change in Control Price, in which event the amount payable with respect to such Grant), or (B) to each holder of any unvested and/or unexercisable Grant, no amount of cash or other consideration, (iii) make such adjustments to Grants then outstanding as the Committee deems appropriate to reflect such Change in Control. The Committee may determine in its sole discretion that no adjustment is necessary to Grants then outstanding; provided, however, that any adjustments to make such adjustments shall include, but not require or be limited to, the modification of Grants such that the holder could purchase or receive (in lieu of the total number of shares of Stock as to which an Option or SAR is exercisable (the "Total Shares") that the holder would otherwise be entitled to purchase or receive under the Grant (the "Total Consideration")), the number of shares of securities, cash or property to which the Total Consideration would have been entitled to in connection with the Change in Control (the "Options"), at an aggregate exercise price equal to the exercise price that would have been payable if the Total Shares had

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been purchased upon the exercise of the Grant immediately before the consummation of the Change in Control and (B) if the Grant had been exercised immediately before the occurrence of the Change in Control.

(f) **Change in Control Price.** The **Change in Control Price** shall equal the amount determined in the following clause (whichever is applicable, as follows: (i) the price per share offered to holders of Stock in any merger or consolidation, (ii) the per share price of the Company immediately before the Change in Control without regard to assets sold in the Change in Control and assuming the Company's net consideration paid for the assets in the case of a sale of the assets, (iii) the amount distributed per share of Stock in a dividend or liquidation, (iv) the per share offered to holders of Stock in any tender offer or exchange offer whereby a Change in Control takes place, or (v) the Fair Market Value of the Company as it occurs other than pursuant to a transaction described in clauses (i), (ii), (iii), or (iv) of this Section 9(f), the Fair Market Value of the Company may otherwise be obtained with respect to such Grants or to which such Grants track, as determined by the Committee and the Committee shall determine the date of cancellation and surrender of such Grants. In the event that the consideration offered to stockholders in a transaction described in this Section 9(f) or in Section 9(e) consists of anything other than cash, the Committee shall determine the portion of the consideration offered which is other than cash and such determination shall be binding on all affected stockholders. This Section 9(f) shall be applicable to Awards held by such Participants.

(g) **Impact of Corporate Events on Awards Generally.** In the event of a Change in Control or changes in the outstanding shares of the Company, recapitalization, reorganization, merger, consolidation, combination, exchange or other relevant change in capitalization of the Company, the grant of any Award and not otherwise provided for by this Section 9, any outstanding Awards and any Award agreement shall be subject to adjustment by the Committee at its discretion, which adjustment may, in the Committee's discretion, be determined by the Committee and may include, but not be limited to, adjustments as to the number and price of shares of Stock or other consideration, accelerated vesting (in full or in part) of such Awards, conversion of such Awards into awards denominated in the securities of a successor Person, the cash settlement of such Awards in exchange for the cancellation thereof, or the cancellation of Awards and the payment of cash consideration. In the event of any such change in the outstanding Stock, the aggregate number of shares of Stock available for the grant of Awards under Section 4 and the per person award limitations provided in Section 5 may be appropriately adjusted by the Committee, which determination shall be conclusive.

10. General Provisions.**(a) Transferability.**

(i) **Permitted Transferees.** The Committee may, in its discretion, permit a Participant to transfer all or any portion of an Award or a portion of an Option or SAR to be granted to an Eligible Person to be on terms which permit transfer by such Participant. In any case the transferee or transferees must be any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any trust for the benefit of the Participant, an individual sharing the Participant's household (other than a tenant or employee of the Company), a trust for the benefit of individuals who have more than fifty percent of the beneficial interest, a foundation in which any of the foregoing individuals have a significant management of assets, and any other entity in which any of the foregoing individuals (or the Participant) own more than a significant interest (collectively, **Permitted Transferees**); provided further that, (X) there may be no consideration for any such transfer of Options or SARs transferred as provided above shall be prohibited except subsequent transfers back to the original holder or to other Permitted Transferees of the original holder. Agreements evidencing Options or SARs with respect to which such transfers are authorized

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at the time of grant must be approved by the Committee, and must expressly provide for transferability in a manner consistent with the following:

(ii) **Qualified Domestic Relations Orders**. An Option, Stock Appreciation Right, Restricted Stock Unit Award, Restricted Stock Award, or Restricted Stock Option may be transferred, to a Permitted Transferee, pursuant to a domestic relations order entered or approved by a court of competent jurisdiction, upon the delivery to the Company of written notice of such transfer and a certified copy of such order.

(iii) **Other Transfers**. Except as expressly permitted by Sections 10(a)(i) and 10(a)(ii), Awards shall not be transferable or subject to descent and distribution. Notwithstanding anything to the contrary in this Section 10, an Incentive Stock Option shall not be subject to will or the laws of descent and distribution.

(iv) **Effect of Transfer**. Following the transfer of any Award as contemplated by Sections 10(a)(i), 10(a)(ii) and 10(a)(iii), the Award shall be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that the terms and conditions shall refer to the Permitted Transferee, the recipient under a qualified domestic relations order, or the estate or heirs of a deceased Participant or transferee, as applicable, to the extent appropriate to enable the Participant to exercise the transferred Award in accordance with the applicable law and (B) the provisions of the Award relating to exercisability shall continue to be applied with respect to the Award following the occurrence of any applicable events described therein the Awards shall be exercisable by the Permitted Transferee, a qualified domestic relations order, or the estate or heirs of a deceased Participant, as applicable, only to the extent and for the period that would have been applicable in the absence of the transfer.

(v) **Procedures and Restrictions**. Any Participant desiring to transfer an Award as permitted under Sections 10(a)(i), 10(a)(ii) and 10(a)(iii) shall file an application therefor in the manner and time specified by the Committee and shall comply with such other requirements as the Committee may determine to assure compliance with all applicable securities laws. The Committee shall not give permission for such a transfer if (A) the transfer would result in a liability under section 16(b) of the Exchange Act or (B) it may not be made in compliance with all applicable federal, state or local laws.

(vi) **Registration**. To the extent the issuance to any Permitted Transferee of any shares of Stock issuable pursuant to Awards under this Section 10(a) is not registered pursuant to the effective registration statement of the Company generally covering the issuance of Awards under this Plan to initial holders of Awards, the Company shall not have any obligation to register the issuance of any such shares of Stock to the transferee.

(b) **Taxes**. The Company and any of its Subsidiaries are authorized to withhold from any Award granted, or any payment made under the Plan, including from a distribution of Stock, amounts of withholding and other taxes due or potentially payable in connection with the Plan involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to comply with the requirements for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to sell or otherwise dispose of or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations, either in whole or in part, at the discretion of the Committee.

(c) **Changes to this Plan and Awards**. The Board may amend, alter, suspend, discontinue or terminate this Plan or the Awards under this Plan without the consent of stockholders or Participants, except that to the extent that any amendment or change to the Plan, including any increase in any share limitation, requires the approval of the Company's stockholders under any federal or state securities laws or rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted, in which case such amendment or change shall not be effective without such approval, and the Board may otherwise, in its discretion, determine to submit other such amendments or changes to the stockholders for approval;

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provided, that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of a Participant under any previously granted and outstanding Award. The Committee may waive any conditions or rights under, or amend, or terminate any Award theretofore granted and any Award agreement relating thereto, except as otherwise provided in this Plan. Without the consent of an affected Participant, no such Committee action may materially and adversely affect the rights of a Participant under any Award. For purposes of clarity, any adjustments made to Awards pursuant to Section 9 will be deemed *not* to materially and adversely affect the rights of any Participant under any previously granted and outstanding Award and therefore may be made without the consent of a Participant.

(d) Limitation on Rights Conferred under Plan. Neither this Plan nor any action taken hereunder shall be construed as (i) depriving a Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or any of its Subsidiaries in any way with the right of the Company or any of its Subsidiaries to terminate any Eligible Person's or Participant's employment at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under this Plan or to be treated as a Participant and/or employees and/or other service providers, or (iv) conferring on a Participant any of the rights of a stockholder and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award.

(e) Unfunded Status of Awards. This Plan is intended to constitute an unfunded plan for certain incentive awards.

(f) Nonexclusivity of this Plan. Neither the adoption of this Plan by the Board nor its submission to the stockholders of the Company shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive awards as may be desirable, including incentive arrangements and awards which do not qualify under section 162(m) of the Code. Nothing in this Plan shall be construed to prevent the Company or any of its Subsidiaries from taking any corporate action which is deemed by the Company to be appropriate or in its best interest, whether or not such action would have an adverse effect on this Plan or any Award made under the Plan. No beneficiary or other person shall have any claim against the Company or any of its Subsidiaries as a result of any such action.

(g) Fractional Shares. No fractional shares of Stock shall be issued or delivered pursuant to this Plan or any Award. The Award may be paid in cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares thereto shall be forfeited or otherwise eliminated.

(h) Severability. If any provision of this Plan is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the other provisions hereof, but such provision shall be fully severable and the Plan shall be construed and enforced as if the illegal provision had not been included herein. If any of the terms or provisions of this Plan or any Award agreement conflict with the requirements of the Code or provisions are applied to Eligible Persons who are subject to section 16(b) of the Exchange Act) or section 422 of the Code (with respect to Stock Options), then those conflicting terms or provisions shall be deemed inoperative to the extent they so conflict with the Code (unless the Board or the Committee, as appropriate, has expressly determined that the Plan or such Award should not conform to section 422 of the Code. With respect to Incentive Stock Options, if this Plan does not contain any provision required to be included in the Code, that provision shall be deemed to be incorporated herein with the same force and effect as if that provision had been included provided, further, that, to the extent any Option that is intended to qualify as an Incentive Stock Option cannot so qualify as an Incentive Stock Option, it shall be deemed an Option not subject to section 422 of the Code for all purposes of the Plan.

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(i) Governing Law. All questions arising with respect to the provisions of the Plan and Awards shall be determined by applicable law of Delaware without giving effect to any conflict of law provisions thereof, except to the extent Delaware law is preempted by the obligation of the Company to sell and deliver Stock hereunder is subject to applicable federal and state laws and to the authority required in connection with the authorization, issuance, sale, or delivery of such Stock.

(j) Conditions to Delivery of Stock. Nothing herein or in any Award granted hereunder or any Award agreement shall require the Company to issue shares with respect to any Award if that issuance would, in the opinion of counsel for the Company, constitute a violation of any applicable law, similar or superseding statute or statutes, any other applicable statute or regulation, or the rules of any applicable securities exchange or association, as then in effect. At the time of any exercise of an Option or Stock Appreciation Right, or at the time of any Award, Restricted Stock Unit, or other Award the Company may, as a condition precedent to the exercise of such Option or the settlement of any Restricted Stock Award, Restricted Stock Unit or other Award, require from the Participant (or in the event of the holder's death, her legal representatives, heirs, legatees, or distributees) such written representations, if any, concerning the holder's intent to retain or disposition of the shares of Stock being acquired pursuant to the Award and such written covenants and agreements of disposal of such shares as, in the opinion of counsel to the Company, may be necessary to ensure that any disposition of the shares (including the holder's death, his or her legal representatives, heirs, legatees, or distributees) will not involve a violation of the Securities Act, any applicable superseding statute or statutes, any other applicable state or federal statute or regulation, or any rule of any applicable securities exchange or association, as then in effect. No Option or Stock Appreciation Right shall be exercisable and no settlement of any Restricted Stock Award or Restricted Stock Unit shall occur with respect to a Participant unless and until the holder thereof shall have paid cash or property to the Company or any of its Subsidiaries that the Committee believes is equal to or greater in value than the par value of the Stock.

(k) Section 409A of the Code. In the event that any Award granted pursuant to this Plan provides for a deferral of compensation, the Nonqualified Deferred Compensation Rules, it is the general intention, but not the obligation, of the Company to design the Award in accordance with the Nonqualified Deferred Compensation Rules and such Award should be interpreted accordingly. Neither this Section of the Plan is or contains a representation to any Participant regarding the tax consequences of the grant, vesting, or sale of the Award (including underlying such Award) granted hereunder, and should not be interpreted as such.

(l) Clawback. This Plan is subject to any written clawback policies of the Company, whether in effect on the Effective Date of the Board, following the Effective Date. Any such policy may subject a Participant's Awards and amounts paid or received under this Plan to reduction, cancelation, forfeiture or recoupment if certain specified events or wrongful conduct occur, including but not limited to accounting restatement due to the Company's material noncompliance with financial reporting regulations or other events specified in any such clawback policy adopted to conform to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and thereunder by the Securities and Exchange Commission and that the Company determines should apply to this Plan.

(m) Plan Effective Date and Term. This Plan was adopted by the Board on _____, 2014 and approved by the stockholders of the Company on _____, 2014, to be effective on the Effective Date. No Awards may be granted under this Plan on and after the Effective Date.