

**Court File No. CV-12-9667-00CL**

**Sino-Forest Corporation**

**NINTH REPORT OF THE MONITOR**

**October 3, 2012**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
SINO-FOREST CORPORATION

**NINTH REPORT TO THE COURT  
SUBMITTED BY FTI CONSULTING CANADA INC.,  
IN ITS CAPACITY AS MONITOR**

**INTRODUCTION**

1. On March 30, 2012 (the "**Filing Date**"), Sino-Forest Corporation (the "**Company**") filed for and obtained protection under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Pursuant to the Order of this Honourable Court dated March 30, 2012 (the "**Initial Order**"), FTI Consulting Canada Inc. was appointed as the Monitor of the Company (the "**Monitor**") in the CCAA proceedings. By Order of this Court dated April 20, 2012, the powers of the Monitor were expanded in order to, among other things, provide the Monitor with access to information concerning the Company's subsidiaries. Pursuant to an Order of this Court made on September 28, 2012, this Court granted an Order extending the Stay Period to October 11, 2012. The proceedings commenced by the Company under the CCAA will be referred to herein as the "**CCAA Proceedings**".
2. On the Filing Date, the Court also issued an Order authorizing the Company to conduct a Sale Process (the "**Sale Process Order**").
3. The purpose of this Ninth Report is:
  - (a) to provide an update on the Company's CCAA Proceedings since the Monitor's eighth report dated September 25, 2012 (the "**Eighth Report**");

- (b) State the Monitor's position with respect to the Plaintiffs' Motions (defined below) returnable October 9 and 10, 2012;
  - (c) Report on the Company's actual receipts and disbursements for the period from September 15, 2012 to September 21, 2012;
  - (d) Report on the Company's post-filing consolidated cash position and liquidity as detailed in the Company's September 22 Forecast (defined below); and
  - (e) Support the Company's motion and recommend that the Court grant an order extending the Stay of Proceedings (the "**Stay Period**") to and including December 3, 2012.
4. The Monitor's Sixth Report dated August 10, 2012 (the "**Sixth Report**") provided a report on the Sino-Forest business and subsidiaries. The Monitor and FTI Consulting (Hong Kong) Limited continue to work with the Company and its advisors with respect to the Sino-Forest business and the financial status of the Sino-Forest Subsidiaries. The Monitor expects to provide further updates with respect to those activities in the future.
5. In preparing this Ninth Report, the Monitor has relied upon unaudited financial information of Sino-Forest, Sino-Forest's books and records, certain financial information prepared by Sino-Forest, the Reports of the Independent Committee of the Company's Board of Directors dated August 10, 2011 (the "**First IC Report**"), November 13, 2011 (the "**Second IC Report**"), and January 31, 2012 (the "**Final IC Report**") and together, the "**IC Reports**"), and discussions with Sino-Forest's management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. In addition, the Monitor notes that on January 10, 2012, the Company issued a press release cautioning that the Company's historic financial statements and related audit reports should not be relied upon. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Ninth Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Ninth Report is based on

management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

6. Unless otherwise stated, all monetary amounts contained herein are expressed in US Dollars.
7. The term "**Sino-Forest**" refers to the global enterprise as a whole but does not include references to the Greenheart Group. "**Sino-Forest Subsidiaries**" refers to all of the direct and indirect subsidiaries of the Company, but does not include references to the Greenheart Group.
8. Capitalized terms not defined in this Ninth Report are defined in the Eighth Report. A copy of the Eighth Report (without appendices) is attached as Appendix A hereto.

## **GENERAL BACKGROUND**

### *Sino-Forest Business*

9. Sino-Forest conducts business as a forest plantation operator in the People's Republic of China ("**PRC**"). Its principal businesses include ownership and management of forest plantation trees, the sale of standing timber and wood logs, and complementary manufacturing of downstream engineered-wood products.
10. The Company is a public holding company whose common shares were listed on the Toronto Stock Exchange ("**TSX**"). Prior to August 26, 2011 (the date of the Cease Trade Order, defined below), the Company had 246,095,926 common shares issued and outstanding and trading under the trading symbol "TRE" on the TSX. Effective May 9, 2012, the common shares were delisted from the TSX.
11. On June 2, 2011, Muddy Waters, LLC ("**MW**"), which held a short position on the Company's shares, issued a report (the "**MW Report**") alleging, among other things, that Sino-Forest is a "ponzi-scheme" and a "near total fraud". The MW Report was issued publicly and immediately caught the attention of the media on a world-wide basis.

12. Subsequent to the issuance of the MW Report, the Company devoted extensive time and resources to investigate and address the allegations in the MW Report as well as responding to additional inquiries from, among others, the Ontario Securities Commission (“OSC”), the Royal Canadian Mounted Police and the Hong Kong Securities and Futures Commission.
13. For the reasons discussed in the Pre-Filing Report and the Initial Order Affidavit, the Company and the business was placed into a stalemate that could not be resolved without the Court supervised solution offered by the CCAA Proceedings.
14. The Pre-Filing Report and the Initial Order Affidavit provide a detailed outline of Sino-Forest’s corporate structure, business, reported assets and financial information as well as a detailed chronology of the Company and its actions since the issuance of the MW Report in June 2011.

## **UPDATE ON THE CCAA PROCEEDINGS**

### *Creditors’ Meeting and the Plan*

15. As set out in the Eighth Report, the Company has now filed a draft Plan and, on August 31, 2012, the Court granted the Meeting Order. As of the date of this Report, the Mailing Date (as defined in the Meeting Order) has not been set. The outside date for the Mailing Date (originally within 20 days of the date of the Meeting Order) was extended to be no later than October 3, 2012. On October 3, 2012, the outside date for the Mailing Date was further extended to be no later than October 12, 2012. As of the date of this Report, the Meeting Date (as defined in the Meeting Order) has not been set.

### *OSC Matters and Personnel Changes*

16. On September 26, 2012, the Company announced that it had received a second enforcement notice from the OSC (the “**Second Enforcement Notice**”). A copy of the press release making this announcement is attached as Appendix B. The Company announced that the Second Enforcement Notice contained a further allegation similar in nature to the allegations in the statement of allegations in relation to the Company. The

Company has advised the Monitor that it is continuing to review the Second Enforcement Notice and considering what steps, if any, are appropriate from the Company to take in response.

17. On September 27, 2012, the Company announced that David Horsley, the former chief financial officer and employee of the Company had ceased to be an employee of the Company. A copy of the press release making this announcement is attached as Appendix C. The Company had previously announced that, in light of the OSC enforcement notices issued in April 2012, Mr. Horsley had resigned as chief financial officer of the Company but remained an employee of the Company. Mr. Horsley thereafter continued as an employee of the Company until September 27, 2012.

*Appeal of Equity Claims Motion.*

18. As set out in the Eighth Report, on August 16, 2012, each of EY, the Underwriters and BDO served notice of their intention to seek leave to appeal the Order in respect of the Company's equity claims motion. On September 10, 2012, the Company and the ad hoc committee of noteholders ("AHC") served reply materials in opposition to the leave motion. The Monitor did not serve any materials, but is supportive of the Company's and the AHC's position. As of the date of this Ninth Report, the Court of Appeal has not issued a decision on whether leave will be granted.

## **MONITOR'S POSITION ON THE PLAINTIFFS' MOTIONS**

*The Plaintiffs' Motions*

19. The ad hoc committee of purchasers of the Company's securities (the "**Plaintiffs**") have brought a motion (the "**Plaintiffs' Motions**") seeking various relief including as follows:
  - (a) *Lift Stay Relief.* The Plaintiffs have sought the following relief relating to the lifting of the stay of proceedings (the "**Stay**"):
    - (i) a lifting of the Stay against all defendants in the proposed class actions (the "**Class Actions**") to permit the Plaintiffs to pursue pending

certification and leave motions in the Class Actions in Ontario and Quebec (the “**Class Action Motions**”);

- (ii) in the alternative, a lifting of the Stay for the Class Action Motions to proceed only against Ernst & Young LLP, BDO Limited, the underwriter defendants, Allen Chan, David Horsley and Kai Kit Poon (collectively, the “**Third Party Defendants**”); and
  - (iii) in the further alternative, a lifting of the Stay against the Third Party Defendants to permit certain filing of materials and cross examinations to be conducted in connection with the Class Action Motions.
- (b) *Production of Documents.* The Plaintiffs have sought an Order directing production of certain documents on a non-confidential basis for use in the Class Action Motions.
- (c) *Representation and Voting Relief.* The Plaintiffs’ have sought an Order appointing the Class Action Plaintiffs (as defined in the Plaintiffs’ Motions) as representatives of the members of the classes in the Class Actions and granting the members of the class leave to vote on the Plan.

*The Monitor’s Position on the Plaintiffs’ Motions*

20. The Monitor’s primary concern with all of the Plaintiffs’ Motions is the potential for distraction from the Company’s restructuring and that time and resources will be diverted to the Class Action Motions if they are allowed to be pursued.
21. As has been previously reported, the Company has limited personnel and dwindling financial resources. The Monitor does not think that the Company or its current board members should have their time or resources spent on matters relating to the Class Action Motions. Instead, the Company and its board should be focussed on the restructuring and moving towards a Plan.
22. The Plaintiffs have also asked for public production of a number of documents that were put in the confidential data room in connection with the Mediation. Those documents

were produced in connection with settlement efforts and subject to confidentiality provisions in both the mediation Order and confidentiality agreements. The Monitor does not think that public production of these documents for use in the Class Action Motions or otherwise is appropriate at this time.

23. With respect to the Plaintiffs' Motion for representation and voting, the Monitor believes that it is premature for this motion to be heard. The Plan does not contemplate that the Plaintiffs either as purchasers of shares or notes, are entitled to vote on the Plan. The Monitor is of the view that to the extent that the Plaintiffs believe they should have been entitled to vote on the Plan, that issue is properly dealt with as a fairness issue at a sanction hearing.

## **RECEIPTS AND DISBURSEMENTS FOR THE PERIOD TO SEPTEMBER 21, 2012**

### **Actual Receipts and Disbursements of the Company for the Period September 15, 2012 to September 21, 2012**

24. The Company's actual net cash flow for the period of September 15, 2012 to September 21, 2012 (the "**Current Period**") together with an explanation of key variances as compared to the September 15 Forecast (as defined in the Monitor's Eighth Report) is described below. Net ending cash balance was approximately CAD\$119,000 lower than forecast and is summarized below:



<b>\$000 CAD</b>	<b>Forecast</b>	<b>Actual</b>	<b>Difference</b>
Cash inflow			
Interest Income	\$ -	\$ -	\$ -
<b>Total cash inflow</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Cash outflow			
Payroll and Benefits	\$ -	\$ -	\$ -
Board & Committee Fees	\$ -	\$ -	\$ -
Travel	\$ 26	\$ 21	\$ (5)
Rent, Communication & Utilities	\$ 1	\$ 9	\$ 8
Taxes & Other	\$ 13	\$ 65	\$ 52
<b>Total cash outflow</b>	<b>\$ 40</b>	<b>\$ 95</b>	<b>\$ 55</b>
<b>Net Operating Cashflow</b>	<b>\$ (40)</b>	<b>\$ (95)</b>	<b>\$ (55)</b>
<b>Restructuring Costs</b>			
Professional Fees	\$ 1,000	\$ 1,064	\$ 64
<b>Total Restructuring Costs</b>	<b>\$ 1,000</b>	<b>\$ 1,064</b>	<b>\$ 64</b>
<b>Net Cash Flow</b>	<b>\$ (1,040)</b>	<b>\$ (1,159)</b>	<b>\$ (119)</b>
Opening Cash Balance	\$ 48,650	\$ 48,650	\$ -
Net Cash Flow	\$ (1,040)	\$ (1,159)	\$ (119)
<b>Ending Cash Balance</b>	<b>\$ 47,610</b>	<b>\$ 47,491</b>	<b>\$ (119)</b>

## THE COMPANY'S CASH FLOW FORECAST

### Cash Flow Projections

25. The Company has prepared a revised cash flow forecast for the period of September 22, 2012 to December 7, 2012 (the “**September 22 Forecast**”). The September 22 Forecast shows a negative net cash flow of approximately CAD\$12.6 million and is summarized below:

	<b>\$000 CAD</b>
Cash inflow	
Interest Income	\$ 412
<b>Total cash inflow</b>	<b>\$ 412</b>
Cash outflow	
Payroll and Benefits	\$ 68
Board & Committee Fees	\$ 483
Travel	\$ 123
Rent, Communication & Utilities	\$ 43
Taxes & Other	\$ 126
<b>Total cash outflow</b>	<b>\$ 843</b>
<b>Net Operating Cashflow</b>	<b>\$ (430)</b>
<b>Restructuring Costs</b>	
Professional Fees	\$ 12,205
<b>Total Restructuring Costs</b>	<b>\$ 12,205</b>
<b>Net Cash Flow</b>	<b>\$ (12,635)</b>
Opening Cash Balance	\$ 47,491
Net Cash Flow	\$ (12,635)
Ending Cash Balance	<b>\$ 34,856</b>

26. A copy of the September 22 Forecast can be found in Appendix D. It is anticipated that the Company's projected liquidity requirements for the proposed extension of the Stay Period will be met by existing cash available to the Company.

#### **EXTENSION OF THE STAY PERIOD**

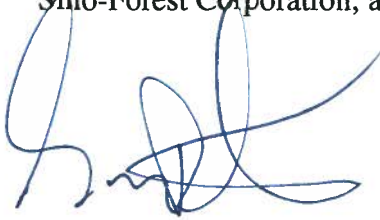
27. Pursuant to an Order of the Court made on September 28, 2012, a short extension of the Stay Period was granted to October 11, 2012 so that the Plaintiffs' Motions relating to the lifting of the Stay could be scheduled and heard. The Company is now seeking a further extension of the Stay Period to December 3, 2012.
28. The Monitor believes that the proposed extension is fair and reasonable in the circumstances. The Company requires further time to progress with its restructuring activities, including: (a) finalizing its Plan; (b) holding the Meeting; and (c) if the Plan is approved by the Required Majority (as defined in the Plan) and sanctioned by the Court, implementing the Plan.
29. The Monitor believes that the Company is acting in good faith and with due diligence in taking steps to facilitate its restructuring.

## **CONCLUSION**

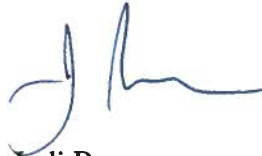
30. For the reasons set out above, the Monitor supports and recommends the Company's request for an extension of the Stay Period to December 3, 2012.

Dated this 3<sup>rd</sup> day of October, 2012.

FTI Consulting Canada Inc.  
In its capacity as Monitor of  
Sino-Forest Corporation, and not in its personal capacity

A handwritten signature in blue ink, appearing to be 'G. Watson', with a large loop at the end.

Greg Watson  
Senior Managing Director

A handwritten signature in blue ink, appearing to be 'J. Porepa', with a large loop at the end.

Jodi Porepa  
Managing Director

**APPENDIX "A" - EIGHTH REPORT  
(WITHOUT APPENDICES)**

*(Please See Attached)*

**Court File No. CV-12-9667-00CL**

**Sino-Forest Corporation**

**EIGHTH REPORT OF THE MONITOR**

**September 25, 2012**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
SINO-FOREST CORPORATION

**EIGHTH REPORT TO THE COURT  
SUBMITTED BY FTI CONSULTING CANADA INC.,  
IN ITS CAPACITY AS MONITOR**

**INTRODUCTION**

1. On March 30, 2012 (the “**Filing Date**”), Sino-Forest Corporation (the “**Company**”) filed for and obtained protection under the Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to the Order of this Honourable Court dated March 30, 2012 (the “**Initial Order**”), FTI Consulting Canada Inc. was appointed as the Monitor of the Company (the “**Monitor**”) in the CCAA proceedings. By Order of this Court dated April 20, 2012, the powers of the Monitor were expanded in order to, among other things, provide the Monitor with access to information concerning the Company’s subsidiaries. Pursuant to an Order of this Court made on May 31, 2012, this Court granted an Order extending the Stay Period to September 28, 2012. The proceedings commenced by the Company under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. On the Filing Date, the Court also issued an Order authorizing the Company to conduct a Sale Process (the “**Sale Process Order**”).
3. The purpose of this Eighth Report is:
  - (a) to provide an update on the Company’s CCAA Proceedings;

- (b) Report on the Company's actual receipts and disbursements for the period from July 21, 2012 to September 14, 2012;
  - (c) Report on the Company's post-filing consolidated cash position and liquidity as detailed in the Company's September 15 Forecast (defined below); and
  - (d) Support the Company's motion and recommend that the Court grant an order extending the Stay of Proceedings (the "**Stay Period**") to and including October 11, 2012.
4. The Monitor's Sixth Report dated August 10, 2012 (the "**Sixth Report**") provided a report on the Sino-Forest business and subsidiaries. The Monitor and FTI Consulting (Hong Kong) Limited continue to work with the Company and its advisors with respect to the Sino-Forest business and the financial status of the Sino-Forest Subsidiaries. The Monitor expects to provide further updates with respect to those activities in the future.
5. In preparing this Eighth Report, the Monitor has relied upon unaudited financial information of Sino-Forest, Sino-Forest's books and records, certain financial information prepared by Sino-Forest, the Reports of the Independent Committee of the Company's Board of Directors dated August 10, 2011 (the "**First IC Report**"), November 13, 2011 (the "**Second IC Report**"), and January 31, 2012 (the "**Final IC Report**" and together, the "**IC Reports**"), and discussions with Sino-Forest's management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. In addition, the Monitor notes that on January 10, 2012, the Company issued a press release cautioning that the Company's historic financial statements and related audit reports should not be relied upon. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Eighth Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Eighth Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.



6. Unless otherwise stated, all monetary amounts contained herein are expressed in US Dollars.
7. The term “**Sino-Forest**” refers to the global enterprise as a whole but does not include references to the Greenheart Group. “**Sino-Forest Subsidiaries**” refers to all of the direct and indirect subsidiaries of the Company, but does not include references to the Greenheart Group.
8. Capitalized terms not defined in this Eighth Report are as defined in the Sixth Report.

## GENERAL BACKGROUND

### *Sino-Forest Business*

9. Sino-Forest conducts business as a forest plantation operator in the People’s Republic of China (“**PRC**”). Its principal businesses include ownership and management of forest plantation trees, the sale of standing timber and wood logs, and complementary manufacturing of downstream engineered-wood products.
10. The Company is a public holding company whose common shares were listed on the Toronto Stock Exchange (“**TSX**”). Prior to August 26, 2011 (the date of the Cease Trade Order, defined below), the Company had 246,095,926 common shares issued and outstanding and trading under the trading symbol “**TRE**” on the TSX. Effective May 9, 2012, the common shares were delisted from the TSX.
11. On June 2, 2011, Muddy Waters, LLC (“**MW**”), which held a short position on the Company’s shares, issued a report (the “**MW Report**”) alleging, among other things, that Sino-Forest is a “ponzi-scheme” and a “near total fraud”. The MW Report was issued publicly and immediately caught the attention of the media on a world-wide basis.
12. Subsequent to the issuance of the MW Report, the Company devoted extensive time and resources to investigate and address the allegations in the MW Report as well as responding to additional inquiries from, among others, the Ontario Securities Commission (“**OSC**”), the Royal Canadian Mounted Police and the Hong Kong Securities and Futures Commission.

13. For the reasons discussed in the Pre-Filing Report and the Initial Order Affidavit, the Company and the business was placed into a stalemate that could not be resolved without the Court supervised solution offered by the CCAA Proceedings.
14. The Pre-Filing Report and the Initial Order Affidavit provide a detailed outline of Sino-Forest's corporate structure, business, reported assets and financial information as well as a detailed chronology of the Company and its actions since the issuance of the MW Report in June 2011.

## **UPDATE ON THE CCAA PROCEEDINGS**

### *Mediation*

15. The Sixth Report set out the material terms of the Mediation Order. As such, a detailed summary of the Mediation is not included herein.
16. Pursuant to the Mediation Order, confidential mediation statements were circulated amongst the Mediation Parties on or before August 27, 2012.
17. The Mediation took place at the offices of Bennett Jones on September 4, 2012 and September 5, 2012. The Honourable Justice Newbould was the Mediator presiding over the two day session. The Mediation was terminated on September 5, 2012 without a successful resolution.
18. The Company, in consultation with the Monitor, is now considering the appropriate next steps to take in the CCAA Proceedings to move forward with the Plan (defined below).

### *Sale Process*

19. As set out in the Fourth Report and the Sixth Report, the Sale Process conducted pursuant to the Sale Process Order was terminated by the Company after no "Qualified Letters of Intent" were received on or before June 28, 2012. The Sixth Report specified that it was the Monitor's view that a confidential summary of the LOIs should be placed in the Data Room to be made available to the Mediation Parties who had signed Mediation Confidentiality Agreements.

20. The Monitor has been informed by the Company and the ad hoc committee of noteholders (the “**AHC**”), that there is some continued interest in purchasing the Company’s assets. The Monitor has not been directly involved, nor has it expressed any views in respect of any ongoing discussions and/or any potential transactions. The Company and the AHC are of the view that disclosure of more details of the bids that were contained in the LOIs that were received may be prejudicial to these discussions at this time.

*Creditors’ Meeting and Plan of Compromise and Reorganization*

21. On August 14, 2012, the Company served its motion seeking a plan filing and meeting order (the “**Meeting Order**”) and filing its plan of compromise and reorganization (the “**Plan**”). The Company filed a form of information circular (the “**Information Circular**”) on August 15, 2012. A revised draft Plan was subsequently filed with the Court on August 27, 2012.
22. On August 31, 2012, the Court granted the Meeting Order which provided for the calling of a creditors’ meeting. Pursuant to the Meeting Order, the Monitor has posted an electronic copy of the Notice to Affected Creditors, the Plan and Information Circular on its website at <http://cfcanada.fticonsulting.com/sfc>.
23. As of the date of this Report, the Mailing Date (as defined in the Meeting Order) has not been set. The outside date for the Mailing Date (originally within 20 days of the date of the Meeting Order) has been extended to be no later than October 3, 2012. As of the date of this Report, the Meeting Date (as defined in the Meeting Order) has not been set.

*Other Matters*

24. In addition to the foregoing, the following events have taken place:
  - (a) *Appeal of Equity Claims Motion.* On August 16, 2012, each of EY, the Underwriters and BDO served notice of their intention to seek leave to appeal the Order in respect of the Company’s equity claims motion. On September 10, 2012, the Company and the AHC served reply materials in opposition to the leave

motion. The Monitor did not serve any materials, but is supportive of the Company's and the AHC's position.

- (b) *Plaintiffs' Motion re Representation.* On August 23, 2012, the Plaintiffs served a motion returnable August 28, 2012 for an Order for representation and declaring that they were entitled to vote on the Plan. Pursuant to an Order of Justice Morawetz dated August 31, 2012, the Plaintiffs' motion was adjourned sine die. Pursuant to a court direction dated September 18, 2012, the date for this motion was set for October 9 and 10, 2012.

## **RECEIPTS AND DISBURSEMENTS FOR THE PERIOD TO SEPTEMBER 14, 2012**

### **Actual Receipts and Disbursements of the Company for the Period July 21, 2012 to September 14, 2012**

25. The Company's actual net cash flow for the period July 21, 2012 to September 14, 2012 (the "**Current Period**") together with an explanation of key variances as compared to the May 23 Forecast (as defined in the Monitor's Third Report) is described below. Actual net cash flows for the Current Period were approximately CAD\$8.6 million higher than forecast and summarized as follows:

<b>\$000 CAD</b>	<b>Forecast</b>	<b>Actual</b>	<b>Difference</b>
Cash inflow			
Interest Income	\$ -	\$ 619	\$ 619
<b>Total cash inflow</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Cash outflow			
Payroll and Benefits	\$ 120	\$ 112	\$ (8)
Board & Committee Fees	\$ 182	\$ 192	\$ 10
Travel	\$ 182	\$ 49	\$ (133)
Rent,Communication & Utilities	\$ 37	\$ 135	\$ 98
Taxes & Other	\$ 87	\$ 98	\$ 11
<b>Total cash outflow</b>	<b>\$ 608</b>	<b>\$ 586</b>	<b>\$ (22)</b>
<b>Net Operating Cashflow</b>	<b>\$ (608)</b>	<b>\$ 33</b>	<b>\$ 641</b>
<b>Restructuring Costs</b>			
Professional Fees	\$ 9,450	\$ 9,959	\$ 509
<b>Total Restructuring Costs</b>	<b>\$ 9,450</b>	<b>\$ 9,959</b>	<b>\$ 509</b>
<b>Net Cash Flow</b>	<b>\$ (10,058)</b>	<b>\$ (9,925)</b>	<b>\$ 133</b>
Opening Cash Balance	\$ 50,099	\$ 58,577	\$ 8,479
Net Cash Balance	\$ (10,058)	\$ (9,925)	\$ 133
Ending Cash Balance	\$ 40,041	\$ 48,652	\$ 8,611

## THE COMPANY'S CASH FLOW FORECAST

### Cash Flow Projections

26. The Company has prepared a revised cash flow forecast for the period of September 15, 2012 to October 12, 2012 (the "**September 15 Forecast**"). The September 15 Forecast shows a negative net cash flow of approximately CAD\$4.6 million and is summarized below:

	\$000 CAD
Cash inflow	
Interest Income	\$ 412
<b>Total cash inflow</b>	<b>\$ 412</b>
Cash outflow	
Payroll and Benefits	\$ 30
Board & Committee Fees	\$ 301
Travel	\$ 105
Rent, Communication & Utilities	\$ 5
Taxes & Other	\$ 49
<b>Total cash outflow</b>	<b>\$ 490</b>
<b>Net Operating Cashflow</b>	<b>\$ (78)</b>
<b>Restructuring Costs</b>	
Professional Fees	\$ 4,555
<b>Total Restructuring Costs</b>	<b>\$ 4,555</b>
<b>Net Cash Flow</b>	<b>\$ (4,633)</b>
Opening Cash Balance	\$ 48,650
Net Cash Balance	\$ (4,633)
Ending Cash Balance	\$ 44,017

27. A copy of the September 15 Forecast can be found in Appendix “A”. It is anticipated that the Company’s projected liquidity requirements for the proposed extension of the Stay Period will be met by existing cash available to the Company.

#### **EXTENSION OF THE STAY PERIOD**

28. The current Stay Period expires on September 28, 2012. In order to allow the Company sufficient time to continue towards its restructuring goals, the Company is requesting that the stay period be extended to October 11, 2012.
29. As set out above, the Monitor understands the Plaintiffs intend to bring a motion regarding the ongoing applicability of the stay to some or all of the defendants in the Class Actions. In the circumstances, the Monitor is of the view that the Company's request for a short stay extension pending the return of that motion is appropriate. The Monitor intends to file a further report in respect of the motions to be heard on October 9 and 10, 2012 regarding the on-going applicability of the stay.
30. The Monitor believes that the proposed extension is fair and reasonable in the circumstances. The Company requires further time to progress with its restructuring activities, including: (a) finalizing its Plan; (b) holding the Meeting; and (c) if the Plan is

approved by the Required Majority (as defined in the Plan) and sanctioned by the Court, implementing the Plan.

31. The Monitor believes that the Company is acting in good faith and with due diligence in taking steps to facilitate its restructuring.

## **CONCLUSION**

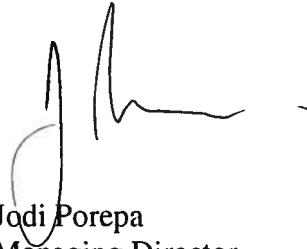
32. For the reasons set out above, the Monitor supports and recommends the Company's request for an extension of the Stay Period to October 11, 2012.

Dated this 25<sup>th</sup> day of September, 2012.

FTI Consulting Canada Inc.  
In its capacity as Monitor of  
Sino-Forest Corporation, and not in its personal capacity



Greg Watson  
Senior Managing Director



Jodi Porepa  
Managing Director



Court File No.: CV-12-9667-00CL

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION**

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
(Commercial List)  
(PROCEEDING COMMENCED AT TORONTO)

**EIGHTH REPORT OF THE MONITOR**

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**APPENDIX "B" - SECOND ENFORCEMENT  
NOTICE PRESS RELEASE**

*(Please See Attached)*



## **Sino-Forest Discloses Receipt of a Second Enforcement Notice From Staff of the Ontario Securities Commission**

**TORONTO, CANADA – September 26, 2012** – Sino-Forest Corporation ("Sino-Forest" or the "Company") announced today that the Company received a second enforcement notice (the "Second Enforcement Notice") from staff of the Ontario Securities Commission (the "OSC" or the "Commission"). The Second Enforcement Notice adds a further allegation similar in nature to the allegations in the statement of allegations in relation to the Company and others posted on the OSC's website on May 22, 2012 (<http://www.osc.gov.on.ca>) (the "Original Statement of Allegations").

As previously announced, on May 22, 2012, staff of the Commission commenced proceedings before the Commission against the Company and six of its former officers. In the notice of hearing and Original Statement of Allegations, OSC staff allege that the Company breached Ontario securities laws and acted in a manner that is contrary to the public interest by providing information to the public in documents required to be filed or furnished under Ontario securities laws which was false or misleading in a material respect contrary to section 122 of the Ontario Securities Act (the "Act") and by engaging or participating in acts, practices or a course of conduct related to its securities which it knows or reasonably ought to know perpetuate a fraud on any person or company contrary to section 126.1 of the Act.

Enforcement notices issued after proceedings have been commenced typically precede a possible amendment to the statement of allegations, and provide the respondents with an opportunity to make representations before a decision is taken by staff of the Commission to amend a statement of allegations.

The Company is reviewing the Second Enforcement Notice and considering what steps if any are appropriate for the Company to take in response to the Second Enforcement Notice.

### **Inquiries**

All inquiries regarding the Company's proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") should be directed to the Monitor, FTI Consulting, via email at: [sfc@fticonsulting.com](mailto:sfc@fticonsulting.com), or telephone: (416) 649-8094. Information about the CCAA proceedings, including copies of all court orders and the Monitor's reports, are available at the Monitor's website <http://cfcanada.fticonsulting.com/sfc>.

**APPENDIX “C” - DAVID HORSLEY PRESS RELEASE**

*(Please See Attached)*



## Sino-Forest Announces Personnel Change

**TORONTO, CANADA – September 27, 2012** – Sino-Forest Corporation (“Sino-Forest” or the “Company”) announced today that David Horsley has ceased to be employed by the Company.

Mr. Horsley was the Senior Vice President and Chief Financial Officer of the Company from October of 2005 until April of 2012. In April 2012 Mr. Horsley resigned as Chief Financial Officer, at the Company's request, following the receipt by the Company and certain of its former officers, including Mr. Horsley, on April 5, 2012, of "Enforcement Notices" from Staff of the Ontario Securities Commission. Enforcement Notices typically are issued by staff of the Commission at or near the end of an investigation, identify issues that have been the subject of investigation, and advise that staff contemplate commencing formal proceedings in relation to those issues.

On May 22, 2012, together with the Company and others, Mr. Horsley was named as a respondent in a proceeding commenced by staff of the Ontario Securities Commission.

Mr. Horsley continued at Sino-Forest after resigning as Chief Financial Officer of the Company until he ceased to be employed by the Company on September 27, 2012.

FOR MEDIA INQUIRIES PLEASE CONTACT:

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**APPENDIX “D” - SEPTEMBER 22 FORECAST**

*(Please See Attached)*

**Sino-Forest Corporation**  
**Cash Flow Forecast**  
**(CAD \$000)**

	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Total
Week Ending	28-Sep	5-Oct	12-Oct	19-Oct	26-Oct	2-Nov	9-Nov	16-Nov	23-Nov	30-Nov	7-Dec	
Cash inflow												
Interest Income	\$ 412	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 412
<b>Total cashinflow</b>	<b>\$ 412</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 412</b>
Cash outflow												
Payroll and Benefits	\$ 14	\$ -	\$ -	\$ 14	\$ -	\$ 14	\$ -	\$ 14	\$ -	\$ 14	\$ -	\$ 68
Board & Committee Fees	\$ -	\$ 161	\$ -	\$ -	\$ -	\$ 161	\$ -	\$ -	\$ -	\$ -	\$ 161	\$ 483
Travel	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 10	\$ 11	\$ 123
Rent,Communication & Utilities	\$ 1	\$ 1	\$ 1	\$ 16	\$ 1	\$ 1	\$ 1	\$ 16	\$ 1	\$ -	\$ 1	\$ 43
Taxes & Other	\$ 9	\$ 18	\$ 9	\$ 13	\$ 11	\$ 13	\$ 9	\$ 13	\$ 9	\$ 6	\$ 13	\$ 126
<b>Total cash outflow</b>	<b>\$ 35</b>	<b>\$ 191</b>	<b>\$ 22</b>	<b>\$ 54</b>	<b>\$ 24</b>	<b>\$ 201</b>	<b>\$ 22</b>	<b>\$ 54</b>	<b>\$ 22</b>	<b>\$ 30</b>	<b>\$ 187</b>	<b>\$ 842</b>
<b>Net Operating Cashflow</b>	<b>\$ 377</b>	<b>\$ (191)</b>	<b>\$ (22)</b>	<b>\$ (54)</b>	<b>\$ (24)</b>	<b>\$ (201)</b>	<b>\$ (22)</b>	<b>\$ (54)</b>	<b>\$ (22)</b>	<b>\$ (30)</b>	<b>\$ (187)</b>	<b>\$ (430)</b>
<b>Restructuring Costs</b>												
Professional Fees	\$ 1,635	\$ 960	\$ 960	\$ 960	\$ 1,445	\$ 960	\$ 960	\$ 960	\$ 960	\$ 1,445	\$ 960	\$ 12,205
<b>Total Restructuring Costs</b>	<b>\$ 1,635</b>	<b>\$ 960</b>	<b>\$ 960</b>	<b>\$ 960</b>	<b>\$ 1,445</b>	<b>\$ 960</b>	<b>\$ 960</b>	<b>\$ 960</b>	<b>\$ 960</b>	<b>\$ 1,445</b>	<b>\$ 960</b>	<b>\$ 12,205</b>
<b>Net Cash Flow</b>	<b>\$ (1,258)</b>	<b>\$ (1,151)</b>	<b>\$ (982)</b>	<b>\$ (1,014)</b>	<b>\$ (1,469)</b>	<b>\$ (1,161)</b>	<b>\$ (982)</b>	<b>\$ (1,014)</b>	<b>\$ (982)</b>	<b>\$ (1,475)</b>	<b>\$ (1,147)</b>	<b>\$ (12,635)</b>
Opening Cash Balance	\$ 47,491	\$ 46,233	\$ 45,082	\$ 44,100	\$ 43,086	\$ 41,617	\$ 40,456	\$ 39,474	\$ 38,460	\$ 37,478	\$ 36,003	\$ 47,491
Net Cash Balance	\$ (1,258)	\$ (1,151)	\$ (982)	\$ (1,014)	\$ (1,469)	\$ (1,161)	\$ (982)	\$ (1,014)	\$ (982)	\$ (1,475)	\$ (1,147)	\$ (12,635)
Ending Cash Balance	\$ 46,233	\$ 45,082	\$ 44,100	\$ 43,086	\$ 41,617	\$ 40,456	\$ 39,474	\$ 38,460	\$ 37,478	\$ 36,003	\$ 34,856	\$ 34,856

**Notes**

- 1 The purpose of this Cash Flow Forecast is to determine the liquidity requirements for Sino-Forest Corporation during the CCAA Proceedings.
- 2 Receipts have been forecast based on historical payment patterns.
- 3 Payroll costs and other operating expenses are forecast based on historical analysis and management forecast.
- 4 Board and Committee Fees are based on board resolutions passed to date.
- 5 Travel costs have been forecast based on expected travel costs to be incurred throughout the CCAA proceedings between Canada and Hong Kong.
- 6 Estimated restructuring costs are based on projected costs associated with legal and professional fees relating to the CCAA Proceedings.

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