

**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

**MOTION RECORD OF THE RESPONDENTS,
INVESCO CANADA LTD.
NORTHWEST & ETHICAL INVESTMENTS L.P., and
COMITÉ SYNDICAL NATIONAL DE RETRAITE BÂTIRENTE INC.**

(Motion for Sanction Order returnable December 7 & 10 2012)

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Comité Syndical National de Retraite
Bâtirente Inc.

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**AFFIDAVIT OF ERIC J. ADELSON
(Sworn December 6, 2012)**

I, ERIC J. ADELSON, of the City of Toronto, in the Province of Ontario, MAKE
OATH AND SAY:

1. I am the Senior Vice President, Secretary and Head of Legal of Invesco Canada Ltd. ("Invesco"). Invesco, through the funds it manages, owned 3,085,786 common shares of Sino-Forest Corporation ("Sino-Forest") on June 2, 2011, and accordingly suffered substantial losses after the market in Sino-Forest shares collapsed after public issuance on that day of a securities analyst's report alleging that the company's assets and operations were permeated by fraud. I have personal knowledge of the matters to which I depose in this affidavit.

2. Invesco was established in 1981 and is one of Canada's largest investment management companies, with \$24 billion in assets under management. Invesco's parent company, Invesco Ltd., is a leading independent global investment manager with approximately \$683 billion in assets under management.

3. Sino-Forest was, until its demise, one of Canada's largest forestry companies, and its TSX-listed securities were purchased and held by thousands of small and large investors, including many of our leading pension funds and institutional investors.
4. The bulwark against fraud at companies like this -- particularly when their operations are largely overseas -- has been the assurances by impartial outside professionals that they have conducted examinations according to professional standards and can give assurances that corporate operations and financial affairs have been accurately described to the public.
5. In the case of Sino-Forest, those professionals include the auditors (Ernst & Young LLP and BDO Limited) who published audit reports, and underwriters who made due diligence representations in connection with Sino-Forest's securities offerings.
6. Following the publication of the report by the securities analyst firm Muddy Waters LLC on June 2, 2011, calling into question the integrity of Sino-Forest's reporting of its business, operations, and assets, Sino-Forest's share price collapsed. Class actions against the company, certain of its directors and officers, the auditors, the underwriters, and other expert firms were commenced. On January 6, 2012, Justice Perell of the Ontario Superior Court of Justice granted carriage of the Class Action to Koskie Minsky LLP and Siskinds LLP ("Class Counsel"). The class has not been certified, proposed class members have not been given their statutory right to opt out of any certified class, and Class Counsel do not represent any investors other than their four clients who are named plaintiffs in the case. Class Counsel do not represent Invesco.
7. On March 30, 2012, Sino-Forest applied for protection of its creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended ("*CCAA*").

A stay of proceedings was imposed, essentially preventing the Class Action from moving forward.

8. On December 3, 2012, Class Counsel and E&Y announced that they had entered into a settlement by which E&Y would pay \$117 million into a "Trust" formed as part of the CCAA proceedings, in return for releases of all claims that could be brought against E&Y by any person in connection with Sino-Forest.

9. Also on December 3, 2012, an amended Plan of Compromise and Reorganization (the "Plan") was issued in the present proceeding. For the first time in the CCAA proceedings, this Plan contained provisions for settlement of claims against third party defendants (Article 11), including specific provisions concerning the settlement by and releases for Ernst & Young, and also allowing other third party defendants to avail themselves of similar provisions for unspecified settlements and releases in the future.

10. Also on December 3, 2012, the Ontario Securities Commission issued a Statement of Allegations against E&Y, where it alleged that E&Y failed to perform its audit work on Sino-Forest's financial statements in accordance with generally accepted auditing standards, in violation of sections 78(2), 78(3) and 122(1)(b) of the Ontario *Securities Act*, R.S.O. 1990, c. S-5, as amended

Reasons for Request to Adjourn the Parties' Present Application

11. I submit this affidavit, first, to support the request by Invesco's outside counsel that the Court adjourn the parties' application for approval of the Plan of Compromise and Reorganization (the "Plan") and entry of the Sanction Order in this matter. Counsel for E&Y advised Invesco's counsel on Wednesday evening that the parties had decided not to

request this Court's approval of the proposed E&Y settlement at the hearings scheduled for December 7 and 10, 2012. However, as described more fully below and in the Objections being submitted on behalf of Invesco and other investors, the provisions of the Plan, even apart from the E&Y settlement, appear to affect the legal and practical ability of Invesco and other investors to seek adjudication of their claims against defendants in the Sino-Forest litigation on the merits, so it is important that sufficient time be provided to understand the present matters fully.

12. As an example of the unduly hasty approach taken by the proponents of the Plan, I note that the Minutes of Settlement between E&Y and Class Counsel in the securities class action involving Sino-Forest, *Labourers' Pension Fund of Central and Eastern Canada v. Sino-Forest Corporation*, Court file No. 11-CV-431153CP (the "Class Action"), were not furnished to Invesco's counsel in this matter until late Wednesday afternoon, despite repeated requests by counsel over the preceding days. How the Plan is intended to operate, or at least may operate, with respect to rights of investors to opt out of a Class Action settlement, and with respect to releases of Third Party Defendants in that context, cannot be understood satisfactorily without reference to the Minutes of Settlement. It appears that there are mutually inconsistent provisions in the Plan with respect to some of these provisions. Given the parties' delays in furnishing these materials, Invesco cannot properly present its views to the Court on the present schedule. The proponents of the Plan have not given any reason for the abbreviated schedule they propose.

13. I accordingly request that this Court adjourn the present applications in order to allow Invesco's counsel, and counsel for other investors covered by the Class Action, to make an orderly review and submissions concerning the matters at issue.

Preliminary Reasons for Objecting to the Plan's Release Provisions

14. I also offer the following preliminary views concerning the apparent operation of the Plan with respect to releases and opt out rights.

15. If the effect of the Plan is to allow a Third Party Defendant (such as E&Y) to settle its liability to investors in connection with Sino-Forest through a settlement agreement with Class Counsel, and to bind the investors to that settlement without giving them the opportunity to opt out and pursue their claims on the merits outside the Class Action, then Invesco would strenuously object and oppose approval of such an arrangement.

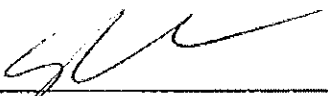
16. The Class Action has not been certified, so Invesco does not view Class Counsel, with whom we have no other relationship, as authorized to represent its interests in connection with Sino-Forest. Our views have not been heard and our interests have not been represented in connection with the Plan and the proposed settlement. It is my understanding that Invesco, as an investor with claims against Sino-Forest and the other defendants in the Class Action, is not a "creditor" with respect to the Plan. Invesco accordingly submits that it would be contrary to its rights to bind it to a release or a settlement involving Third Party Defendants unless Invesco directly participated in proceedings or unless in certified class proceedings it was given the opportunity to opt out. We do not understand the CCAA to authorize releases of third parties, that is, parties

other than the applicant and certain officers and directors under certain circumstances, as part of a Sanction Order. Invesco objects to any such provisions or results in this matter.


17. If the Plan operates as described above, so that investors in Invesco's position would effectively lose the ability to opt out and seek adjudication of claims against Third Party Defendants in litigation outside the Class Action, then this would have the perverse consequence of irretrievably damaging investors' trust in the integrity of our capital markets, and thus would in the long run impair the proper functioning of those markets themselves.

18. Because counsel for E&Y has indicated that the proposed E&Y settlement will not be presented for Court consideration at the hearings on December 7 and 10, 2012, I do not address the substance of that proposal or the attendant procedures. I do note that Invesco deems it of vital importance that, if such a proposed settlement is offered, full details of the reasons are provided, and investors be given the right to opt out to pursue their claims independently. Invesco will seriously consider exercising that right.

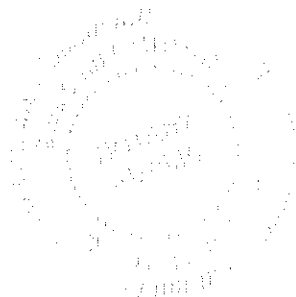
SWORN before me at the City of)
Toronto, in the Province of Ontario,)
this 6th day of December, 2012.)



A Commissioner for taking affidavits.)



ERIC J. ADELSON



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

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