

File Number: \_\_\_\_\_

**IN THE SUPREME COURT OF CANADA  
(ON APPEAL FROM THE COURT OF APPEAL FOR ONTARIO)**

B E T W E E N :

**INVESCO CANADA LTD., NORTHWEST & ETHICAL INVESTMENTS L.P.,  
COMITÉ SYNDICAL NATIONAL DE RETRAITE BÂTIRENTE INC.,  
MATRIX ASSET MANAGEMENT INC., GESTION FÉRIQUE, AND  
MONTRUSCO BOLTON INVESTMENTS INC.**

Applicants  
(Moving Parties/Appellants)

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly  
known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, KAI KIT POON, DAVID  
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DUNDEE SECURITIES CORPORATION, RBC DOMINION SECURITIES INC.,  
SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL LYNCH  
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INC., CREDIT SUISSE SECURITIES (USA) LLC and MERRILL LYNCH, PIERCE,  
FENNER & SMITH INCORPORATED (successor by merger to Banc of America  
Securities LLC), THE TRUSTEES OF THE LABOURERS' PENSION FUND OF  
CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL  
UNION OF OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR  
OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT,  
ROBERT WONG and PÖYRY (BEIJING) CONSULTING COMPANY LIMITED**

Respondents  
(Respondents)

Proceeding under the *Class Proceedings Act, 1992*

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**APPLICATION FOR LEAVE TO APPEAL OF THE APPLICANTS INVESCO CANADA  
LTD., NORTHWEST & ETHICAL INVESTMENTS L.P., COMITÉ SYNDICAL  
NATIONAL DE RETRAITE BÂTIRENTE INC., MATRIX ASSET MANAGEMENT INC.,  
GESTION FÉRIQUE, AND MONTRUSCO BOLTON INVESTMENTS INC.**

Section 40 of the *Supreme Court Act*, R.S.C. 1995, c. S-26  
Rules 25(1) of the *Rules of the Supreme Court of Canada*, SOR/2002-156

**VOLUME III of IV**

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DATE: January 6, 2012

ONTARIO  
SUPERIOR COURT OF JUSTICE

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Douglas Smith and Zhongjun Goa

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Proceeding under the *Class Proceedings Act, 1992*

AND BETWEEN:

The Trustees of the Labourers' Pension Fund of Central and Eastern Canada and the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario

Plaintiffs

- and -

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Bâtirente Inc. Plaintiffs

- and -

Sino-Forest Corporation, Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon,  
David J. Horsley, Hua Chen, Wei Mao Zhao, Alfred C.T. Hung, Albert Ip, George  
Ho, Thomas M. Maradin, William E. Ardell, James M.E. Hyde, Simon Murray,  
Garry J. West, James P. Bowland, Edmund Mak, Peter Wang, Kee Y. Wong, The  
Estate of John Lawrence, Simon Yeung, Ernst & Young LLP, BDO Limited,  
Pöyry Forest Industry PTE Limited, Pöyry (Beijing) Consulting Company  
Limited, JP Management Consulting (Asia-Pacific) PTE Ltd., Dundee Securities  
Corporation, UBS Securities Canada Inc., Haywood Securities Inc., Credit Suisse  
Securities (Canada), Inc., TD Securities Inc., RBC Dominion Securities Inc., Scotia  
Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada, Inc. Canaccord  
Financial Ltd., Maison Placements Canada Inc., Morgan Stanley & Co.  
Incorporated, Credit Suisse Securities (USA), LLC, Merrill Lynch, Pierce, Fenner  
& Smith, Inc. Defendants

Proceeding under the *Class Proceedings Act, 1992*

**COUNSEL:**

- J.P. Rochon, J. Archibald, and S. Tambakos for the Plaintiffs in 11-CV-428238CP
- K.M. Baert, J. Bida, and C.M. Wright for the Plaintiffs in 11-CV-431153CP
- J.C. Orr, V. Paris, N. Mizobuchi, and A. Erfan for the Plaintiffs in 11-CV-435826CP
- M. Eizenga for the defendant Sino-Forest Corporation
- P. Osborne and S. Roy for the defendant Ernst & Young LLP
- E. Cole for the defendant Allen T.Y. Chan
- J. Fabello for the defendant underwriters

**HEARING DATES:** December 20 and 21, 2011

**PERELL, J.**

**REASONS FOR DECISION****A. INTRODUCTION**

[1] This is a carriage motion under the *Class Proceedings Act, 1992*, S.O. 1992, c. 6. In this particular carriage motion, four law firms are rivals for the carriage of a class action against Sino-Forest Corporation. There are currently four proposed Ontario class

announced during the reply argument of the second day of the carriage motion, and nothing was discussed about his background other than he is similar to Mr. Smith in being an individual investor. He was introduced to address a possible *Ragoonanan* problem in *Smith v. Sino-Forest*; namely, the absence of a plaintiff who purchased in the primary market, of which alleged problem I will have more to say about below.

*Labourers v. Sino-Forest*

[112] In *Labourers v. Sino-Forest*, the proposed representative plaintiffs are: David Grant, Robert Wong, The Trustees of the Labourers' Pension Fund of Central and Eastern Canada ("Labourers' Fund"), the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario ("Operating Engineers Fund"), and Sjunde AP-Fonden.

[113] David Grant is a resident of Alberta. On October 21, 2010, he purchased 100 Guaranteed Senior Notes of Sino-Forest at a price of \$101.50 (\$U.S.), which he continues to hold.

[114] Robert Wong, a resident of Ontario, is an electrical engineer. He was born in China, and in addition to speaking English, he speaks fluent Cantonese. He was a substantial shareholder of Sino-Forest from July 2002 to June 2011. Before making his investment, he reviewed Sino-Forest's Core Documents, and he also made his own investigations, including visiting Sino-Forest's plantations in China in 2005, where he met a Sino-Forest vice-president.

[115] Mr. Wong's investment in Sino-Forest comprised much of his net worth. In September 2008, he owned 1.4 million Sino-Forest shares with a value of approximately \$26.1 million. He purchased more shares in the December 2009 prospectus offering. Around the end of May 2011, he owned 518,700 shares, which, after the publication of the Muddy Waters Report, he sold on June 3, 2011 and June 10, 2011, for \$2.8 million.

[116] The Labourers' Fund is a multi-employer pension fund for employees in the construction industry. It is registered with the Financial Services Commission in Ontario and has 52,100 members in Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador. It is a long-time client of Koskie Minsky.

[117] Labourers' Fund manages more than \$2.5 billion in assets. It has a fiduciary and statutory responsibility to invest pension monies on behalf of thousands of employees and pensioners in Ontario and in other provinces.

[118] Labourer's Fund acted as representative plaintiff in a U.S. class actions against Fortis, Pitney Bowes Inc., Synovus Financial Corp., and Medea Health Solutions, Inc. Those actions involved allegations of misrepresentation in the statements and filings of public issuers.

[119] The Labourers' Fund purchased Sino-Forest shares on the TSX during the class period, including 32,300 shares in a trade placed by Credit Suisse under a prospectus. Most of its purchases of Sino-Forest shares were made in the secondary market.



[120] On June 1, 2011, the Labourers' Fund held a total of 128,700 Sino-Forest shares with a market value of \$2.3 million, and it also had an interest in pooled funds that had \$1.4 million invested in Sino-Forest shares. On June 2 and 3, 2011, the Labourers' Fund sold its holdings in Sino-Forest for a net recovery of \$695,993.96. By June 30, 2011, the value of the Sino-Forest shares in the pooled funds was \$291,811.

[121] The Operating Engineers Fund is a multi-employer pension fund for employed operating engineers and apprentices in the construction industry. It is registered with the Financial Services Commission in Ontario, and it has 20,867 members. It is a long-time client of Koskie Minsky.

[122] The Operating Engineers Fund manages \$1.5 billion in assets. It has a fiduciary and statutory responsibility to invest pension monies on behalf of thousands of employees and pensions in Ontario and in other provinces.

[123] The Operating Engineers Fund acquired shares of Sino-Forest on the TSX during the class period. The Operating Engineers Fund invested in Sino-Forest shares through four asset managers of a segregated fund. One of the managers purchased 42,000 Sino-Forest shares between February 1, 2011, and May 24, 2011, which had a market value of \$764,820 at the close of trading on June 1, 2011. These shares were sold on June 21, 2011 for net \$77,170.80. Another manager purchased 181,700 Sino-Forest shares between January 20, 2011 and June 1, 2011, which had a market value of \$3.3 million at the close of trading on June 1, 2011. These shares were sold and the Operating Engineers Fund recovered \$1.5 million. Another asset manager purchased 100,400 Sino-Forest shares between July 5, 2007 and May 26, 2011, which had a market value of \$1.8 million at the close of trading on June 1, 2011. Many of these shares were sold in July and August, 2011, but the Operating Engineers Fund continues to hold approximately 37,350 shares. Between June 15, 2007 and June 9, 2011, the Operating Engineers Fund also purchased units of a pooled fund managed by TD that held Sino-Forest shares, and it continues to hold these units. The Operating Engineers Fund has incurred losses in excess of \$5 million with respect to its investment in Sino-Forest shares.

[124] Sjunde AP-Fonden is the Swedish Nation Pension Fund, and part of Sweden's national pension system. It manages \$15.3 billion in assets. It has acted as lead plaintiff in a large securities class action and a large stockholder class action in the United States.

[125] In addition to retaining Koskie Minsky and Siskinds, Sjunde AP-Fonden also retained the American law firm Kessler Topaz to provide assistance, if necessary, to Koskie Minsky and Siskinds.

[126] Sjunde AP-Fonden purchased Sino-Forest shares on the TSX from outside Canada between April 2010 and January 2011. It was holding 139,398 shares with a value of \$2.5 million at the close of trading on June 1, 2011. It sold 43,095 shares for \$188,829.36 in August 2011 and holds 93,303 shares.

[127] Sjunde AP-Fonden is prepared to be representative plaintiff for a sub-class of non-Canadian purchasers of Sino-Forest shares who purchased shares in Canada from outside of Canada.

# TAB 2

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**BETWEEN:**

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (successor by merger to Banc of America Securities LLC)

Defendants

Proceeding under the *Class Proceedings Act, 1992*  
**FRESH AS AMENDED STATEMENT OF CLAIM**  
**(NOTICE OF ACTION ISSUED JULY 20, 2011)**

AMENDED THIS / MODIFIÉ CE April 18/12 PURSUANT TO / CONFORMÉMENT A  
 RÈGLE/LA RÈGLE 28.02 ( )  
 THE ORDER OF / L'ORDONNANCE DU Mr. J. Perrell  
DATED / FAIT LE March 26, 2012  
REGISTRAR / SUPERIOR COURT OF JUSTICE      GREFFIER / COUR SUPÉRIEURE DE JUSTICE  
*[Signature]*  
S. Chandradat  
Registrar

- (c) “**Ardell**” means the defendant William E. Ardell;
- (d) “**Banc of America**” means the defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated;
- (e) “**BDO**” means the defendant BDO Limited;
- (f) “**Bowland**” means the defendant James P. Bowland;
- (g) “**BVI**” means British Virgin Islands;
- (h) “**Canaccord**” means the defendant Canaccord Financial Ltd.;
- (i) “**CBCA**” means the *Canada Business Corporations Act*, RSC 1985, c. C-44, as amended;
- (j) “**Chan**” means the defendant Allen T.Y. Chan also known as “Tak Yuen Chan”;
- (k) “**CIBC**” means the defendant CIBC World Markets Inc.;
- (l) “**CJA**” means the Ontario *Courts of Justice Act*, RSO 1990, c C-43, as amended;
- (m) “**Class**” and “**Class Members**” all persons and entities, wherever they may reside who acquired **Sino’s Securities** during the **Class Period** by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired **Sino’s Securities** during the **Class Period** who are resident of Canada or were resident of Canada at the time of acquisition and who acquired **Sino’s Securities** outside of Canada, except the **Excluded Persons**;
- (n) “**Class Period**” means the period from and including March 19, 2007 to and including June 2, 2011;
- (o) “**Code**” means **Sino’s** Code of Business Conduct;
- (p) “**CPA**” means the Ontario *Class Proceedings Act, 1992*, SO 1992, c 6, as amended;

- (ww) “Pöyry” means the defendant, Pöyry (Beijing) Consulting Company Limited;
- (xx) “PRC” means the People’s Republic of China;
- (yy) “Representation” means the statement that Sino’s financial statements complied with GAAP;
- (zz) “RBC” means the defendant RBC Dominion Securities Inc.;
- (aaa) “Scotia” means the defendant Scotia Capital Inc.;
- (bbb) “Second Report” means the Second Interim Report of the IC, as that term is defined in paragraph 10 hereof;
- (ccc) “Securities” means Sino’s common shares, notes or other securities, as defined in the *OSA*;
- (ddd) “Securities Legislation” means, collectively, the *OSA*, the *Securities Act*, RSA 2000, c S-4, as amended; the *Securities Act*, RSBC 1996, c 418, as amended; the *Securities Act*, CCSM c S50, as amended; the *Securities Act*, SNB 2004, c S-5.5, as amended; the *Securities Act*, RSNL 1990, c S-13, as amended; the *Securities Act*, SNWT 2008, c 10, as amended; the *Securities Act*, RSNS 1989, c 418, as amended; the *Securities Act*, S Nu 2008, c 12, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, RSQ c V-1.1, as amended; the *Securities Act*, 1988, SS 1988-89, c S-42.2, as amended; and the *Securities Act*, SY 2007, c 16, as amended;
- (eee) “SEDAR” means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;
- (fff) “Sino” means, as the context requires, either the defendant Sino-Forest Corporation, or Sino-Forest Corporation and its affiliates and subsidiaries, collectively;
- (ggg) “TD” means the defendant TD Securities Inc.;

# TAB 3



ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE MR.  
JUSTICE MORAWETZ

)  
)  
)

MONDAY, THE 14th  
DAY OF MAY, 2012

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 AND  
ARRANGEMENT OF SINO-FOREST CORPORATION

CLAIMS PROCEDURE ORDER

THIS MOTION, made by Sino-Forest Corporation (the "Applicant") for an order establishing a claims procedure for the identification and determination of certain claims was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Applicant's Notice of Motion, the affidavit of W. Judson Martin sworn on May 2, 2012, the Second Report of FTI Consulting Canada Inc. (the "Monitor") dated April 30, 2012 (the "Monitor's Second Report") and the Supplemental Report to the Monitor's Second Report dated May 12, 2012 (the "Supplemental Report"), and on hearing the submissions of counsel for the Applicant, the Applicant's directors, the Monitor, the *ad hoc* committee of Noteholders (the "Ad Hoc Noteholders"), and those other parties present, no one appearing for the other parties served with the Applicant's Motion Record, although duly served as appears from the affidavit of service, filed:

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion, the Motion Record, the Monitor's Second Report and the Supplemental Report is hereby abridged and

Notes. The Monitor may disregard any Proofs of Claim filed by any individual Noteholder claiming the debt evidenced by the Notes, and such Proofs of Claim shall be ineffective for all purposes. The process for determining each individual Noteholder's Claim for voting and distribution purposes with respect to the Plan and the process for voting on the Plan by Noteholders will be established by further order of the Court.

27. THIS COURT ORDERS that the Ontario Plaintiffs are, collectively, authorized to file, on or before the Claims Bar Date, one Proof of Claim and, if applicable, one D&O Proof of Claim, in respect of the substance of the matters set out in the Ontario Class Action, notwithstanding that leave to make a secondary market liability claim has not be granted and that the National Class has not yet been certified, and that members of the National Class may rely on the one Proof of Claim and/or one D&O Proof of Claim filed by the counsel for the Ontario Plaintiffs and are not required to file individual Proofs of Claim or D&O Proofs of Claim in respect of the Claims forming the subject matter of the Ontario Class Action.

28. THIS COURT ORDERS that the Quebec Plaintiffs are, collectively, authorized to file, on or before the Claims Bar Date, one Proof of Claim and, if applicable, one D&O Proof of Claim, in respect of the substance of the matters set out in the Quebec Class Action, notwithstanding that leave to make a secondary market liability claim has not be granted and that the Quebec Class has not yet been certified, and that members of the Quebec Class may rely on the one Proof of Claim and/or one D&O Proof of Claim filed by the counsel for the Quebec Plaintiffs and are not required to file individual Proofs of Claim or D&O Proofs of Claim in respect of the Claims forming the subject matter of the Quebec Class Action.

#### REVIEW OF PROOFS OF CLAIM

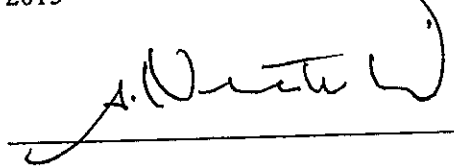
29. THIS COURT ORDERS that any Claimant filing a Proof of Claim, D&O Proof of Claim or D&O Indemnity Proof of Claim shall clearly mark as "Confidential" any documents or portions thereof that that Person believes should be treated as confidential.

30. THIS COURT ORDERS that with respect to documents or portions thereof that are marked "Confidential", the following shall apply:



# TAB 4

This is Exhibit "EE" mentioned and referred to in the affidavit of Charles Wright, sworn before me in the City of Toronto, in the Province of Ontario, this ~~10<sup>th</sup>~~ day of January, 2013

A handwritten signature in cursive script, appearing to read "A. W. Smith", written over a horizontal line.

A Commissioner, etc.



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

P.O. Box 55, 19<sup>th</sup> Floor  
20 Queen Street West  
Toronto ON M5H 3S8

CP 55, 19<sup>e</sup> étage  
20, rue queen ouest  
Toronto ON M5H 3S8

**IN THE MATTER OF THE *SECURITIES ACT*,  
R.S.O. 1990, c. S.5, AS AMENDED**

- AND -

**IN THE MATTER OF  
SINO-FOREST CORPORATION, ALLEN CHAN, ALBERT IP, ALFRED  
C.T. HUNG, GEORGE HO, SIMON YEUNG and DAVID HORSLEY**

**STATEMENT OF ALLEGATIONS**

Further to a Notice of Hearing dated May 22, 2012, Staff ("Staff") of the Ontario Securities Commission (the "Commission") make the following allegations:

**PART I. OVERVIEW AND SUMMARY OF ALLEGATIONS**

**A. Sino-Forest**

1. Sino-Forest Corporation ("Sino-Forest" or the "Company")<sup>1</sup> is a reporting issuer in the province of Ontario as that term is defined in subsection 1(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"). Until recently, the common shares of Sino-Forest were listed on the Toronto Stock Exchange ("TSX").

2. Sino-Forest purportedly engaged primarily in the purchase and sale of Standing Timber in the People's Republic of China (the "PRC").

<sup>1</sup> Sino-Forest or the Company includes all of Sino-Forest's subsidiaries and companies that it controls as set out in its public disclosure record and as the context within this Statement of Allegations requires.

3. From February of 2003 until October of 2010, Sino-Forest raised approximately \$3.0 billion (US)<sup>2</sup> in cash from the issuance of equity and debt securities to investors (the "Investors")<sup>3</sup>.
4. From June 30, 2006 to March 31, 2011, Sino-Forest's share price grew from \$5.75 (Can) to \$25.30 (Can), an increase of 340%.<sup>4</sup> By March 31, 2011 Sino-Forest's market capitalization was well over \$6 billion.
5. In early June of 2011, the share price of Sino-Forest plummeted after a private analyst made allegations of fraud against Sino-Forest.
6. On November 15, 2011, Sino-Forest announced that it was deferring the release of its interim financial report for the third quarter of 2011.<sup>5</sup> Sino-Forest has never filed this interim financial report with the Commission.
7. On January 10, 2012, Sino-Forest issued a news release cautioning that its historic financial statements and related audit reports should not be relied upon.
8. Sino-Forest was required to file its 2011 audited annual financial statements with the Commission by March 30, 2012. That very day, Sino-Forest initiated proceedings in front of the Superior Court of Justice (Ontario) requesting protection from its creditors. Sino-Forest has never filed its 2011 audited annual financial statements with the Commission.
9. On April 4, 2012, the auditors of Sino-Forest resigned.
10. On May 9, 2012, the TSX delisted the shares of Sino-Forest.

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<sup>2</sup> Unless otherwise stated, all amounts presented in this Statement of Allegations and the attached Schedules are in United States Dollars.

<sup>3</sup> The Glossary attached as Schedule A contains a list of certain of the defined terms used in the Statement of Allegations and the paragraph where they are located within the Statement of Allegations.

<sup>4</sup> Attached as Schedule B is selected data from its audited annual financial statements for 2005 to 2010.

<sup>5</sup> The financial year end of Sino-Forest is December 31.

11. As set out below, Sino-Forest and its former senior executives, including Allen Chan ("Chan"), Albert Ip ("Ip"), Alfred C.T. Hung ("Hung"), George Ho ("Ho") and Simon Yeung ("Yeung"), engaged in a complex fraudulent scheme to inflate the assets and revenue of Sino-Forest and made materially misleading statements in Sino-Forest's public disclosure record related to its primary business.

12. Chan, former Chairman of the Board and Chief Executive Officer ("CEO") of Sino-Forest until August 28, 2011, also committed fraud in relation to Sino-Forest's purchase of a controlling interest in a company now known as Greenheart Group Limited ("Greenheart"). By concealing Chan's substantial interest in this transaction, Chan and Sino-Forest made materially misleading statements in Sino-Forest's public disclosure record.

13. Chan, Ip, Hung, Ho and Yeung (together, "Overseas Management") all materially misled Staff during the investigation of this matter.

14. David Horsley ("Horsley"), former Senior Vice President and Chief Financial Officer ("CFO") of Sino-Forest, did not comply with Ontario securities law and acted contrary to the public interest.

#### **B. The Standing Timber Fraud**

15. From June 30, 2006 until January 11, 2012 (the "Material Time"), Sino-Forest and Overseas Management engaged in numerous deceitful and dishonest courses of conduct (the "Standing Timber Fraud") that ultimately caused the assets and revenue derived from the purchase and sale of Standing Timber (that constituted the majority of Sino-Forest's business) to be fraudulently overstated, putting the pecuniary interests of Investors at risk contrary to Ontario securities law and contrary to the public interest.

16. The Standing Timber Fraud was primarily comprised of three elements:

- i) Sino-Forest dishonestly concealed its control over Suppliers, AIs and other nominee companies in the BVI Network. Sino-Forest established a collection of "nominee"/"peripheral" companies that were controlled, on

its behalf, by various "caretakers".<sup>6</sup> Sino-Forest conducted a significant level of its business with these companies, the true economic substance of which was misstated in Sino-Forest's financial disclosure;

- ii) Sino-Forest falsified the evidence of ownership for the vast majority of its timber holdings by engaging in a deceitful documentation process. This dishonest process included the fraudulent creation of deceitful Purchase Contracts and Sales Contracts, including key attachments and other supplemental documentation. Sino-Forest then relied upon these documents to evidence the purported purchase, ownership and sale of Standing Timber in the BVI Model; and
- iii) Sino-Forest dishonestly concealed internal control weaknesses/failures that obscured the true nature of transactions conducted within the BVI Network and prevented the detection of the deceitful documentation process. Sino-Forest's statements in its public disclosure record regarding the extent of its internal control weaknesses were wholly inadequate and misleading.

17. Each of the above dishonest and deceitful courses of conduct by Sino-Forest and Overseas Management put the pecuniary interests of Investors at risk, constituting fraud. Together, these courses of conduct made the public disclosure record of Sino-Forest so misleading that it was fraudulent.

18. As set out in paragraph 47, the vast majority of the Sino-Forest's Standing Timber assets were held in the BVI Model. The available underlying documentation for these Standing Timber assets did not provide sufficient evidence of legal ownership of these assets. As of this date, Sino-Forest has not been able to confirm full legal ownership of the Standing Timber assets that it claims to hold in the BVI Model.

19. During the Material Time, Sino-Forest's auditors were not made aware of Sino-Forest's systematic practice of creating deceitful Purchase Contracts and Sales Contracts, including key attachments to these contracts.

20. The following are four illustrative examples of the fraudulent courses of conduct that Sino-Forest and Overseas Management perpetrated within the Standing Timber Fraud. These

---

<sup>6</sup> These "nominee"/"peripheral" companies and "caretakers" are described in greater detail in paragraph 57.

four examples, described in detail below, illustrate how Sino-Forest and Overseas Management materially inflated assets and revenue in Sino-Forest's public disclosure record:

- i) the Dacheng Fraud;
- ii) the 450,000 Fraud;
- iii) Gengma Fraud #1; and
- iv) Gengma Fraud #2.

21. Schedule C illustrates the primary elements of the Standing Timber Fraud as introduced in paragraph 16 and the fraudulently overstated revenue arising from the four illustrative examples introduced in the previous paragraph.

22. The allegations regarding the Standing Timber Fraud are set out in paragraphs 53 to 119 below.

### **C. Materially Misleading Statements Related to the Standing Timber Fraud**

23. Given the three elements of the Standing Timber Fraud introduced in paragraph 16, the public disclosure record of Sino-Forest required by Ontario securities law was materially misleading, contrary to Ontario securities law and contrary to the public interest.

24. The assets and revenue recorded as a result of the Standing Timber Fraud caused Sino-Forest's public disclosure record, including its audited annual financial statements, annual information forms ("AIFs") and management's discussion and analysis ("MD&A"), to be materially misleading during the Material Time.

25. Sino-Forest's statements in its public disclosure, including its AIFs and its MD&A filed with the Commission during the Material Time, regarding the extent of its internal control weaknesses and deficiencies were wholly inadequate and misleading.

26. The allegations regarding these materially misleading statements related to the Standing Timber Fraud are set out in paragraphs 120 to 141 below.

**D. The Greenheart Transaction - Fraud by Chan and Materially Misleading Statements by Chan and Sino-Forest**

27. In 2010, following a complex series of transactions, Sino-Forest completed the purchase of a controlling interest in Greenheart, a public company listed on the Hong Kong Stock Exchange (the "Greenheart Transaction"). Greenheart holds natural forest concessions, mostly in Suriname.

28. Chan secretly controlled companies that received over \$22 million as a result of the purchase by Sino-Forest of this controlling interest in Greenheart. The Greenheart Transaction was significant to Sino-Forest's business and cost the Company approximately \$120 million.

29. Chan fraudulently concealed his involvement in the Greenheart Transaction and the substantial benefit he secretly received. Chan and Sino-Forest misled the public through Sino-Forest's continuous disclosure. Chan falsely certified the accuracy of Sino-Forest's AIFs for 2008, 2009 and 2010 as these documents did not disclose his interest in the Greenheart Transaction.

30. Chan's course of conduct relating to the Greenheart Transaction constituted fraud and the making of misleading statements, contrary to Ontario securities law and contrary to the public interest. Chan and Sino-Forest made materially misleading statements related to the Greenheart Transaction, contrary to Ontario securities law and contrary to the public interest.

31. The allegations regarding fraud and materially misleading statements related to the Greenheart Transaction are set out in paragraphs 142 to 154 below.

**E. Overseas Management of Sino-Forest Misled Staff during the Investigation**

32. During the investigation by Staff, numerous members of Sino-Forest's management were interviewed by Staff. Overseas Management materially misled Staff in their interviews, contrary to Ontario securities law and contrary to the public interest.



33. The allegations that Overseas Management materially misled Staff are set out in paragraphs 155 to 167 below.

## **PART II. THE RESPONDENTS**

34. Sino-Forest is a Canadian company with its principal executive office located in Hong Kong and its registered office located in Mississauga, Ontario.

35. During the Material Time, as set out above, Chan was Chairman of the Board of Directors and CEO of Sino-Forest.

36. During the Material Time, Ip was Senior Vice President, Development and Operations North-east and South-west China of Sino-Forest.

37. During the Material Time, Hung was Vice-President, Corporate Planning and Banking of Sino-Forest.

38. During the Material Time, Ho was Vice-President, Finance (China) of Sino-Forest.

39. During the Material Time, Yeung was Vice President - Operation within the Operation /Project Management group of Sino-Panel (Asia) Inc. ("Sino-Panel"), a subsidiary of Sino-Forest.

40. During the Material Time, Horsley was Senior Vice President and CFO of Sino-Forest.

## **PART III. STANDING TIMBER - THE PRIMARY BUSINESS OF SINO-FOREST**

### **A. Introduction**

41. In its AIF for 2010, Sino-Forest stated that its operations were comprised of two core business segments which it titled "Wood Fibre Operations" and "Manufacturing and Other

Operations". Wood Fibre Operations had two subcomponents entitled "Plantation Fibre" and "Trading of Wood Logs".

42. According to Sino-Forest, the Plantation Fibre subcomponent of its business was derived from the purported acquisition, cultivation and sale of either "standing timber" or "logs" in the PRC. For the purpose of this Statement of Allegations, the Plantation Fibre subcomponent of Sino-Forest's business will be referred to as "Standing Timber" as most, if not all, of the revenue from the sale of Plantation Fibre was derived from the sale of "standing timber".

**B. Standing Timber - Sino-Forest's Main Source of Revenue**

43. From 2007 to 2010, Sino-Forest reported Standing Timber revenue totalling approximately \$3.56 billion, representing about 75% of its total revenue of \$4.77 billion. The following table provides a summary of Sino-Forest's stated revenue for the period from 2007 to 2010 and illustrates the importance of the revenue derived from the sale of Standing Timber:

	<u>\$ (millions)</u>				<u>Total</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	
Plantation Fibre (defined as Standing Timber herein)	521.5	685.4	954.2	1,401.2	3,562.3
Trading of Wood Logs	154.0	153.5	237.9	454.0	999.4
Wood Fibre Operations	675.5	838.9	1,192.1	1,855.2	4,561.7
Manufacturing and Other Operations	38.4	57.1	46.1	68.3	209.9
<b>Total Revenue</b>	<b>713.9</b>	<b>896.0</b>	<b>1,238.2</b>	<b>1,923.5</b>	<b>4,771.6</b>

### C. The BVI and WFOE Models - Revenue and Holdings

44. Standing Timber was purchased, held and sold by Sino-Forest in two distinct legal structures or models: the "BVI Model" and the "WFOE Model".

45. In the BVI Model, Sino-Forest's purchases and sales of Standing Timber in the PRC were conducted using wholly owned subsidiaries of Sino-Forest incorporated in the British Virgin Islands (the "BVI Subs"). The BVI Subs purported to enter into written purchase contracts ("Purchase Contracts") with suppliers in the PRC ("Suppliers") and then purported to enter into written sales contracts ("Sales Contracts") with customers called "authorized intermediaries" in the PRC ("AIs").

46. In the WFOE Model, Sino-Forest used subsidiaries incorporated in the PRC called Wholly Foreign Owned Enterprises ("WFOEs") to acquire, cultivate and sell the Standing Timber. The Sino-Forest WFOEs also entered into Purchase Contracts and Sales Contracts with other parties in the PRC.

47. At December 31, 2010, Sino-Forest reported total timber holdings of \$3.1 billion comprising 799,700 hectares. About \$2.5 billion or approximately 80% of the total timber holdings (by value) was held in the BVI Model, comprising approximately 467,000 hectares of Standing Timber. The WFOE Model purportedly held approximately 97,000 hectares of Standing Timber valued at \$295.6 million or approximately 10% of the total timber holdings (by value). The timber holdings in the BVI Model and the WFOE Model comprised approximately 90% of the total timber holdings (by value) of Sino-Forest as at December 31, 2010.

48. The cash-flows associated with the purchase and sale of Standing Timber executed in the BVI Model took place "off-book" pursuant to a payables/receivables offsetting arrangement (the "Offsetting Arrangement"), whereby the BVI Subs would not directly receive the proceeds on the sale of Standing Timber from the purchasing AI. Rather, Sino-Forest disclosed that it would direct the AI that purchased the timber to pay the sales proceeds to a new Supplier in order to

buy additional Standing Timber. Consequently, Sino-Forest also did not make payment directly to Suppliers for purchases of Standing Timber.

49. Sino-Forest did not possess the bank records to confirm that these "off-book" cash-flows in the Offsetting Arrangement actually took place. This lack of transparency within the BVI Model meant that independent confirmation of these "off-book" cash-flows was reliant on the good faith and independence of Suppliers and AIs.

50. Further, pursuant to the terms of Sales Contracts entered into between a BVI Sub and an AI, the AI assumed responsibility for paying any PRC taxes associated with the sale that were owed by the BVI Sub. This obligation purportedly included paying the income tax and valued added tax on behalf of Sino-Forest.

51. Sino-Forest dealt with relatively few Suppliers and AIs in the BVI Model. For example, in 2010, six Suppliers accounted for 100% of the Standing Timber purchased in the BVI Model and five AIs accounted for 100% of Sino-Forest's revenue generated in the BVI Model.

52. From 2007 to 2010, revenue from the BVI Model totalled \$3.35 billion, representing 94% of Sino-Forest's reported Standing Timber revenue and 70% of Sino-Forest's total revenue. The importance of the revenue from the BVI Model is demonstrated in the following table:

	<i>\$ (millions)</i>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
BVI Model Revenue	501.4	644.9	882.1	1,326.0	3,354.4
WFOE Model Revenue	20.1	40.5	72.1	75.2	207.9
<b>Standing Timber Revenue</b>	<b>521.5</b>	<b>685.4</b>	<b>954.2</b>	<b>1,401.2</b>	<b>3,562.3</b>
<b>Total Revenue</b>	<b>713.9</b>	<b>896.0</b>	<b>1,238.2</b>	<b>1,923.5</b>	<b>4,771.6</b>
BVI Model as % of Total Revenue	70%	72%	71%	69%	70%

#### **PART IV. THE STANDING TIMBER FRAUD**

53. As introduced in paragraph 16, the Standing Timber Fraud was primarily comprised of three elements:

- i) Undisclosed control over parties within the BVI Network;

- ii) The undisclosed dishonest process of creating deceitful Purchase Contracts and Sales Contracts and their key attachments used in both the BVI Model and the WFOE Model to inflate Standing Timber assets and revenue; and
- iii) Undisclosed internal control weaknesses/deficiencies that facilitated and concealed the fraudulent conduct within the BVI Network, and the dishonest creation of Purchase Contracts and Sales Contracts, including their key attachments.

54. On this basis, Sino-Forest then created transactions to fraudulently inflate assets and revenue in its public disclosure record.

**A. Undisclosed Control over Parties within the BVI Network**

55. Almost all of the buying and selling of Standing Timber in the BVI Model was generated through transactions between BVI Subs and a small number of Suppliers and AIs. Sino-Forest also conducted a significant level of this buying and selling with companies that are described in various Sino-Forest documents and correspondence as "peripheral" companies. Sino-Forest established a network of "nominee" companies that were controlled, on its behalf, by various so-called "caretakers".

56. For the purpose of this Statement of Allegations, the BVI Subs, Suppliers, AIs, "nominee" companies and "peripheral" companies involved in the buying and selling of Standing Timber in the BVI Model are collectively referred to as the "BVI Network". Some of the companies within the BVI Network were also involved in the buying and selling of Standing Timber within the WFOE Model.

57. One Sino-Forest document (the "Caretaker Company List") lists more than 120 "peripheral" (nominee) companies that are controlled by 10 "caretakers" on behalf of Sino-Forest. The "caretakers" include Person #1 (legal representative of Huaihua City Yuda Wood Ltd. ("Yuda Wood")), described in greater detail in paragraphs 61 to 65 below), Person #2 (a relative of Chan), Person #3 (a former Sino-Forest employee), Person #4 (an acquaintance of Chan and Chan's nominee in the Greenheart Transaction as outlined in paragraphs 145 to 147

below), Person #5 (a former shareholder of Greenheart Resources Holdings Limited ("GRHL") and a shareholder of Greenheart) and Person #6 (an individual associated with some of Sino-Forest's Suppliers).

58. The control and influence that Sino-Forest exerted over certain Suppliers, AIs and peripheral companies within the BVI Network brings the *bona fides* of numerous contracts entered into in the BVI Model into question, thereby placing the pecuniary interests of Investors at risk. Sino-Forest wielded this control and influence through Overseas Management. As well, certain transactions recorded in the BVI Model do not reflect the true economic substance of the underlying transactions. Sino-Forest's control of, or influence over, certain parties within the BVI Network was not disclosed to Investors.

59. Some of the counterparties to the Dacheng Fraud, the 450,000 Fraud, Gengma Fraud #1 and Gengma Fraud #2 are companies that are included in the Caretaker Company List, as outlined in more detail in paragraphs 90 to 115 below.

60. Sino-Forest did not disclose the true nature of the relationship between itself and the following two key companies in the BVI Network: Yuda Wood and Dongkou Shuanglian Wood Company Limited ("Dongkou"). This was dishonest.

1) Sino-Forest Controlled Yuda Wood, a Major Supplier

61. Yuda Wood was a Supplier secretly controlled by Sino-Forest during a portion of the Material Time.

62. From 2007 to 2010, Yuda Wood was purportedly Sino-Forest's largest Supplier, accounting for 18% of all purchases in the BVI Model. Sino-Forest claimed to have paid Yuda Wood approximately \$650 million during that time.

63. Yuda Wood was registered and capitalized by members of Overseas Management, who also controlled bank accounts of Yuda Wood and key elements of its business.

64. The legal representative of Yuda Wood is Person #1, a former employee of Sino-Forest and also a shareholder and director of Hong Kong Sonic Jita Engineering Co., Ltd. ("Sonic Jita"), the sole shareholder of Yuda Wood. In addition, Person #1 had significant interests in other Suppliers of Sino-Forest and was identified as the "caretaker" of several nominee/peripheral companies.

65. Yuda Wood and other companies controlled by Sino-Forest through Person #1 were used to perpetrate portions of the Standing Timber Fraud including the Dacheng Fraud, the 450,000 Fraud, Gengma Fraud #1 and Gengma Fraud #2.

2) Sino-Forest Controlled Dongkou, a Major AI

66. Dongkou was an AI secretly controlled by Sino-Forest during a portion of the Material Time.

67. In 2008, Dongkou was Sino-Forest's most significant AI, purportedly purchasing approximately \$125 million in Standing Timber from Sino-Forest, constituting about 18% of Sino-Forest's Standing Timber revenue for that year.

68. Sino-Forest controlled Dongkou through one of its WFOE subsidiaries Shaoyang Jiading Wood Products Co. Ltd. ("Shaoyang Jiading"). Correspondence indicates that, according to an agreement dated November 18, 2006, Shaoyang Jiading purchased Dongkou for RMB<sup>7</sup> 1.38 million (approximately \$200,000).

69. By November 2006, the six original shareholders of Dongkou had been replaced with two Sino-Forest employees: Person #7 and Person #8. These two persons became the sole Dongkou shareholders, with Person #7 holding 47.5% and Person #8 holding 52.5%.

<sup>7</sup> RMB is the Chinese unit of currency. During the Material Time, the conversion rate was approximately 7 RMB = 1 US\$.

70. Also, in 2007, at the direction of Ip and others, employees of Sino-Forest drafted purchase contracts to be entered into by Dongkou and its suppliers (other than Sino-Forest). Essentially, Sino-Forest, through Overseas Management, controlled Dongkou's business with certain counterparties.

**B. Dishonest Process to Create Deceitful Purchase Contracts and Sales Contracts in the BVI Model - Concealment of this Dishonest Process**

1) Purchase Contracts in the BVI Model

71. As set out in paragraph 47, approximately 80% (by value) of Sino-Forest's timber assets were held in the BVI Model as of December 31, 2010.

72. Sino-Forest used the Purchase Contracts to acquire and evidence ownership of Standing Timber in the BVI Model. The Purchase Contracts purported to have three attachments:

- i) Plantation Rights Certificates ("Certificates") or other ownership documents;
- ii) Farmers' Authorization Letters ("Farmers' Authorizations"); and
- iii) Timber Survey Reports ("Survey Reports").

73. The Purchase Contracts and their attachments were fundamentally flawed in at least four ways, making the public disclosure record of Sino-Forest materially misleading, thus placing the pecuniary interests of Investors at risk.

74. First, Sino-Forest did not hold Certificates to evidence ownership of the Standing Timber allegedly purchased by the BVI Subs. Instead, Sino-Forest claimed that, since the BVI Subs could not obtain Certificates from the PRC government to evidence ownership, it purported to rely on confirmations issued by the forestry bureaus in the PRC as evidence of ownership ("Confirmations"). However, Confirmations are not legally recognized documents evidencing ownership of timber assets in the PRC. These Confirmations were purportedly granted to Sino-Forest as favours by the PRC forestry bureaus. According to Sino-Forest, the PRC forestry bureaus did not intend that these Confirmations would be disclosed to third parties. Also, certain



PRC forestry bureau employees obtained gifts and cash payments from Suppliers of Sino-Forest, further undermining the value of the Confirmations as evidence of ownership.

75. Second, during the Material Time, Sino-Forest employed a deceitful systematic quarterly documentation process in the BVI Model whereby the purported Purchase Contracts were not drafted and executed until the quarter after the date on which the purchase allegedly occurred and was included in the public financial disclosure.

76. Like the Purchase Contracts, the Confirmations were also created by Sino-Forest and deceitfully dated to the previous quarter. These Confirmations were created contemporaneously with the creation of the corresponding Purchase Contracts. These Confirmations were then allegedly provided to the relevant PRC forestry bureau for verification and execution.

77. Third, the Purchase Contracts referred to Farmers' Authorizations. However, none were attached. In the absence of Farmers' Authorizations, there is no evidence that ownership to the Standing Timber was properly transferred to Sino-Forest or to the Supplier prior to the purported transfer of ownership to Sino-Forest. Ownership of the Standing Timber would have remained with the original Certificate holder.

78. Fourth, the Survey Reports, which purported to identify the general location of the purchased timber, were all prepared by a single firm during the Material Time. A 10% shareholder of this survey firm was also an employee of Sino-Forest. Drafts of certain Survey Reports purportedly prepared by this independent survey company were located on the computer of another employee of Sino-Forest. Like the Purchase Contracts and Confirmations, these drafts of the Survey Reports were deceitfully dated to the quarter prior to their creation.

79. In the absence of both Certificates and Farmers' Authorizations, Sino-Forest relies on the validity of the Purchase Contracts and the Confirmations as proof of ownership of the Standing Timber it held in the BVI Model. However, the Purchase Contracts and available attachments, including Confirmations, were prepared using the deceitful documentation process outlined

above, and do not constitute proof of ownership of the trees purported to have been bought by Sino-Forest in the BVI Model.

80. Moreover, the Purchase Contracts and readily available attachments, including the Confirmations, did not identify the precise location of the Standing Timber being purchased such that the existence of this Standing Timber could not be readily verified and valued independently.

81. Sino-Forest, Overseas Management and Horsley knew or ought to have known that their auditors during the Material Time relied on the validity of the Purchase Contracts and their attached Confirmations as proof of ownership of Sino-Forest's Standing Timber assets.

2) Sales Contracts in the BVI Model

82. Like the Purchase Contracts, all of the Sales Contracts purportedly entered into by the BVI Subs in the BVI Model were not actually created and executed until the quarter after the date of the alleged transaction.

83. Accordingly, the revenue from the Sales Contracts in the BVI Model was recognized in the quarter prior to the creation of the Sales Contracts. Therefore, the public disclosure of Sino-Forest regarding its revenue from Standing Timber was materially misleading and deceitful. During the Material Time, in its correspondence to Staff, Sino-Forest misled the Commission about its revenue recognition practice.

**C. Undisclosed Internal Control Weaknesses/Failures**

84. In its MD&A for 2010 dated March 15, 2011, Sino-Forest stated the following on page 27 regarding its "Disclosure Control and Procedures and Internal Controls Over Financial Reporting":

The success of the Company's vision and strategy of acquiring and selling forestry plantations and access to a long-term supply of wood fibre in the PRC is dependent on senior management. As such, senior management

plays a significant role in maintaining customer relationships, negotiating and finalizing the purchase and sale of plantation fibre contracts and the settlement of accounts receivable and accounts payable associated with plantation fibre contracts. This concentration of authority, or lack of segregation of duties, creates risk in terms of measurement and completeness of transactions as well as the possibility of non-compliance with existing controls, either of which may lead to the possibility of inaccurate financial reporting. By taking additional steps in 2011 to address this deficiency, management will continue to monitor and work on mitigating this weakness. [Emphasis added]

85. Sino-Forest made similar disclosure in its annual MD&A from 2006 to 2009 regarding this concentration of authority or lack of segregation and the risk resulting from these weaknesses. These material weaknesses were not remedied during the Material Time by Sino-Forest, Overseas Management or Horsley.

86. Sino-Forest failed to disclose the extent of the concentration of duties in Overseas Management. It did not disclose that Overseas Management and their nominees had complete control over the operation of the BVI Model including the fraudulent creation and execution of the Purchase Contracts and Sales Contracts described in paragraphs 71 to 81 and the extent of the "off-book" cash flow set out in paragraphs 48 to 49. This concentration of control in the hands of Overseas Management facilitated the fraudulent course of conduct perpetrated in the BVI Model.

#### **D. Four Examples of Fraudulent Transactions within the Standing Timber Fraud**

87. During the Material Time, Sino-Forest and Overseas Management engaged in significant fraudulent transactions related to its purchase and sale of Standing Timber. These fraudulent transactions had the effect of overstating Sino-Forest's assets and revenue during the Material Time.

88. By way of example, four series of fraudulent transactions are detailed below: (i) the Dacheng Fraud; (ii) the 450,000 Fraud; (iii) Gengma Fraud #1, and (iv) Gengma Fraud #2.

89. In these transactions, Sino-Forest used certain Suppliers, AIs and other nominee companies that it controlled to falsify the financial disclosure of Sino-Forest, including the value of its Standing Timber assets and revenue.

1) The Dacheng Fraud

90. Sino-Forest and members of Overseas Management committed fraud (the "Dacheng Fraud") in a series of purported transactions commencing in 2008, related to purchases of timber plantations (the "Dacheng Plantations") from a Supplier called Guangxi Dacheng Timber Co. Ltd. ("Dacheng"). Companies controlled by Sino-Forest through Person #1 were used in the Dacheng Fraud.

91. The Dacheng Fraud involved duplicating the same Standing Timber assets within the Dacheng Plantations in the records of two Sino-Forest subsidiaries. Sino-Forest recorded the same assets once in the WFOE Model and again in the BVI Model.

92. In 2008, these Standing Timber assets were recorded at a value of RMB 47 million (approximately \$6.3 million) in the WFOE Model and this amount was paid to Dacheng. These funds were then funnelled through Dacheng back to other subsidiaries of Sino-Forest, as the purported collection of receivables.

93. At the same time, Sino-Forest recorded these Standing Timber assets in the BVI Model at a value of approximately RMB 205 million (approximately \$30 million). In 2009, Sino-Forest purported to sell the Standing Timber assets from the Dacheng Plantations held in the BVI Model for approximately RMB 326 million (approximately \$48 million). This revenue was recorded in Q3 of 2009.

94. As a result of the Dacheng Fraud, in 2008, Sino-Forest overstated the value of certain Standing Timber assets by approximately \$30 million and, in 2009, Sino-Forest overstated its revenue by approximately \$48 million. The effect of this revenue overstatement on the public disclosure record of Sino-Forest is illustrated in paragraph 127 below.

2) The 450,000 Fraud

95. Sino-Forest and members of Overseas Management committed fraud (the "450,000 Fraud") in a complex series of transactions involving the purchase and sale of 450,000 cubic meters of timber in Q4 of 2009, again utilizing companies controlled by Sino-Forest through Person #1. In an email, Yeung described this purchase and sale of timber as "a pure accounting arrangement".

96. Three subsidiaries of Sino-Panel (the "Sino-Panel Companies") purported to purchase 450,000 cubic meters of Standing Timber at a cost of RMB 183 million (approximately \$26 million) from Guangxi Hezhou City Yuangao Forestry Development Co. Ltd ("Yuangao") during October 2009.

97. In Q4 of 2009, the Sino-Panel Companies purportedly sold this Standing Timber to the following three customers:

- i) Gaoyao City Xinqi Forestry Development Co., Ltd. ("Xinqi");
- ii) Guangxi Rongshui Meishan Wood Products Factory ("Meishan"); and
- iii) Guangxi Pingle Haosen Forestry Development Co., Ltd. ("Haosen").

98. The sale price for this Standing Timber was RMB 233 million (approximately \$33 million), for an apparent profit of RMB 50 million (approximately \$7.1 million).

99. The purported supplier (Yuangao) and the purported customers (Xinqi, Meishan and Haosen) are all so-called "peripheral" companies of Sino-Forest, i.e., they are nominee companies controlled by Person #1 on behalf of Sino-Forest. Xinqi, Meishan and Haosen are also companies included in the Caretaker Company List, and Person #1 is identified as the "caretaker" of each company.

100. This RMB 233 million sale of Standing Timber was recorded in Sino-Forest's WFOE Model, as opposed to its BVI Model. As noted in paragraph 48, the BVI Model employs the

Offsetting Arrangement where payables and receivables are made and collected "off-book". However, in the WFOE Model, Sino-Forest takes receipt of the sales proceeds directly or "on-book".

101. By July 2010, none of the sales proceeds had been collected and the receivable was long overdue. In order to evidence the "collection" of the RMB 233 million in sales proceeds, Sino-Forest devised two separate "on-book" payables/receivables offsetting arrangements, one in 2010 and one in 2011, whereby Sino-Forest made payments to various companies, including Yuangao and at least two other Sino-Forest nominee companies.<sup>8</sup>

102. To account for the purported profit of RMB 50 million, Sino-Forest had to "collect" more (RMB 233 million) than just the purchase price (RMB 183 million). Consequently, Sino-Forest created additional "payables" to complete the circular flow of funds needed to collect the sales proceeds of RMB 233 million. These "on-book" offsetting arrangements, therefore, included the purported settlement of various accounts payable, not just the Yuangao payable arising from the 450,000 Fraud.

103. The companies referred to paragraph 101 then funnelled the money to Xinqi, Meishan and Haosen who, in turn, repaid the money to the Sino-Panel Companies to achieve the purported collection of the RMB 233 million in revenue.

104. The "on-book" offsetting arrangements required that Suppliers and customers have bank accounts through which the funds could flow. In July and August 2010, Sino-Forest set up bank accounts for the suppliers and customers associated with the 450,000 Fraud to facilitate the circular cash flows. These bank accounts were overseen by Ip, Ho, Person #1 and/or Person #9 (a former Sino-Forest employee and associate of Person #1).

105. These circular cash-flows commenced in July 2010 and were finally concluded in February 2011.

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<sup>8</sup> Dao County Juncheng Forestry Development Co., Ltd. and Guangxi Rongshui Taiyuan Wood Co., Ltd.

106. The circular flow of funds underlying the 450,000 Fraud demonstrates that the sales contracts purportedly entered into between the Sino-Panel Companies and Xinqi, Meishan and Haosen are fraudulent and have no true economic substance. As a result of the 450,000 Fraud, Sino-Forest overstated the value of its revenue by approximately \$30 million for Q4 of 2009. The effect of this revenue overstatement on the public disclosure record of Sino-Forest is illustrated in paragraph 129 below.

3) Gengma Fraud # 1

107. Sino-Forest and members of Overseas Management committed fraud ("Gengma Fraud #1") in 2007 related to Standing Timber assets purchased from Gengma Dai and Wa Tribe Autonomous Region Forestry Co., Ltd. ("Gengma Forestry") by Sino-Panel (Gengma) Co., Ltd. ("Sino-Panel Gengma"), a Sino-Forest subsidiary.

108. In 2007, Sino-Panel Gengma purchased certain land use rights and Standing Timber for RMB 102 million (approximately \$14 million) from Gengma Forestry. These contracts were signed by Chan. However, this transaction between Sino-Panel Gengma and Gengma Forestry was not recorded. Instead, Sino-Forest purported to purchase the same assets from Yuda Wood, allegedly paying RMB 509 million (approximately \$68 million) for the Standing Timber in 2007 and RMB 111 million (approximately \$15 million) for certain land use rights during the period from June 2007 to March 2009. This purchase was recorded and these Standing Timber assets remained on the books of Sino-Forest until 2010.

109. Gengma Fraud #1 resulted in an overstatement of Sino-Forest's timber holdings for 2007, 2008 and 2009.

110. In 2010, this Standing Timber was then purportedly sold for RMB 1,579 million (approximately \$231 million). However, these same Standing Timber assets were offered as collateral for a bank loan by Sino-Forest in 2011 so the sale of these assets in 2010 could not have taken place and been recorded as revenue in that year.

111. The effect of the revenue overstatement from Gengma Fraud #1 on the public disclosure record of Sino-Forest is illustrated in paragraph 131 below.

4) Gengma Fraud # 2

112. In 2007, Sino-Forest and members of Overseas Management committed fraud ("Gengma Fraud #2") in another series of transactions to artificially inflate its assets and revenue from the purchase and sale of Standing Timber.

113. In September 2007, Sino-Forest recorded the acquisition of Standing Timber from Yuda Wood at a cost of RMB 161 million (approximately \$21.5 million) related to Standing Timber in Yunnan Province (the "Yunnan Plantation"). However, Yuda Wood did not actually acquire these assets in the Yunnan Plantation until September 2008.

114. In 2007, Sino-Forest had also purportedly purchased the land use rights to the Yunnan Plantation from Yuda Wood at a cost of RMB 53.4 million (approximately \$7 million), RMB 52.9 million of which was paid to Yuda Wood during the period from January 2009 to April 2009. Sino-Forest then fabricated the sale of the land use rights to Guangxi Hezhou City Kun'an Forestry Co., Ltd. ("Kun'an") pursuant to a contract dated November 23, 2009. Kun'an was controlled by Sino-Forest through Person #1 and is a company included in the Caretaker Company List referred to in paragraph 57 above.

115. Sino-Forest then purported to sell the Standing Timber in the Yunnan Plantation in a series of transactions between March 2008 and November 2009 for RMB 338 million (approximately \$49 million). As Yuda Wood did not own this Standing Timber asset until September 2008, Sino-Forest could not have recorded the sale of this Standing Timber prior to that time. The effect of this revenue overstatement on the public disclosure record of Sino-Forest is illustrated in paragraph 133 below.



**D. Conclusion Regarding the Standing Timber Fraud**

116. The effect of the above conduct is that Sino-Forest and Overseas Management engaged in deceitful or dishonest conduct related to Sino-Forest's Standing Timber assets and revenue that they knew or ought to have known constituted fraud, contrary to subsection 126.1(b) of the Act and the public interest.

117. Due to the chronic and pervasive nature of the systemic conduct set out above, neither the magnitude of the Standing Timber Fraud by Sino-Forest and Overseas Management nor the magnitude of the risk to the pecuniary interests of Investors can be quantified with certainty.

118. Given their positions as officers of Sino-Forest and/or Sino-Panel, Overseas Management authorized, permitted or acquiesced in the non-compliance with Ontario securities law by Sino-Forest and are deemed to have not complied with Ontario securities law pursuant to section 129.2 of the Act. This conduct was also contrary to the public interest.

119. As CFO of Sino-Forest, Horsley authorized, permitted or acquiesced in Sino-Forest's and Overseas Management's commission of the Standing Timber Fraud and therefore is deemed under section 129.2 of the Act to have not complied with Ontario securities law. This conduct was also contrary to the public interest.

**PART V. MATERIALLY MISLEADING STATEMENTS RELATED TO THE  
STANDING TIMBER FRAUD**

120. On January 10, 2012, Sino-Forest issued a news release which cautioned that its historic financial statements and related audit reports should not be relied upon.

121. By failing to properly disclose the elements of the Standing Timber Fraud set out above, Sino-Forest made statements in its filings to the Commission during the Material Time which were, in a material respect and at the time and in the light of the circumstances under which they were made, misleading or untrue or did not state facts that were required to be stated or that were

necessary to make the statements not misleading. Overseas Management participated in the conduct that made these statements materially misleading.

122. The misleading, untrue or incomplete statements related to Sino-Forest's description of its primary business were contained in (or absent from) Sino-Forest's continuous disclosure, including its audited annual financial statements, AIFs and MD&A filed with the Commission during the Material Time as required by Ontario securities law.<sup>9</sup> These misleading, untrue or incomplete statements related to Sino-Forest's description of its primary business were contained in (or absent from) Sino-Forest's short form prospectuses filed with the Commission during the Material Time, which incorporated by reference the relevant audited annual financial statements, AIFs and MD&A as required by Ontario securities law.

123. These misleading statements were related to Sino-Forest's primary business in the BVI Model and the WFOE Model, representing approximately 90% of Sino-Forest's stated timber assets as of December 31, 2010 and 75% of its stated revenue from 2007 to 2010.

**A. Materially Misleading Statements Regarding Ownership of Assets and Revenue Recognition**

124. Members of Overseas Management created and executed the Purchase Contracts in the BVI Model in the quarters after the assets related to those transactions were recognized. This made Sino-Forest's audited annual financial statements, AIFs and MD&A for the years 2006, 2007, 2008, 2009 and 2010 materially misleading.

125. Further, given that Sino-Forest did not have sufficient proof of ownership of the majority of its Standing Timber assets due to the courses of conduct set out above, the information regarding Sino-Forest's timber holdings in its audited annual financial statements, AIFs and MD&A for the years 2006, 2007, 2008, 2009 and 2010 was materially misleading. For the same reasons, the information regarding Sino-Forest's timber holdings in its short form prospectuses

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<sup>9</sup> By way of example, these misstatements include Sino-Forest's disclosure of "Plantation Rights Certificates for Our Purchased Plantations" on page 26 of its 2010 AIF and its disclosure of "Implementation and Issuance of new form Plantation Rights Certificate" on pages 46-47 of its 2010 AIF.

filed in 2007 and 2009 (which incorporated by reference the relevant audited annual financial statements, AIFs and MD&A as required by Ontario securities law) was materially misleading.

126. Sino-Forest and members of Overseas Management created and executed the Sales Contracts in the BVI Model in the quarter after the revenue related to those transactions was recognized. This was contrary to the revenue recognition process set out in Sino-Forest's continuous disclosure, including its MD&A and the notes to its audited annual financial statements.

**B: Effect of the Dacheng Fraud, the 450,000 Fraud, Gengma #1 and Gengma #2 on the Reported Revenue of Sino-Forest**

1) The Dacheng Fraud

127. The Dacheng Fraud resulted in Sino-Forest fraudulently overstating its revenue in Q3 of 2009 as set out in this table:

Approximate Effect of the Dacheng Fraud on Q3 of 2009 (\$ millions)	
Quarterly Reported Revenue	367.0
Fraudulently Overstated Revenue	47.7
Fraudulently Overstated Revenue as a % of Quarterly Reported Revenue	13.0%

128. Sino-Forest reported its revenue for Q3 of 2009 at page 20 of its annual MD&A for 2009 (dated March 16, 2010) and page 87 of its 2009 Annual Report, summarizing the "2009 Quarterly Highlights".

2) The 450,000 Fraud

129. The 450,000 Fraud resulted in Sino-Forest fraudulently overstating its revenue for Q4 of 2009 as set out in this table:

<b>Approximate Effect of the 450,000 Fraud on Q4 2009 (\$ millions)</b>	
Quarterly Reported Revenue	469.6
Fraudulently Overstated Revenue	30.1
Fraudulently Overstated Revenue as a % of Quarterly Reported Revenue	6.4%

130. Sino-Forest reported its revenue for Q4 of 2009 at page 20 of its annual MD&A for 2009 (dated March 16, 2010) and page 87 of its 2009 Annual Report, summarizing the "2009 Quarterly Highlights".

3) Gengma Fraud #1

131. Gengma Fraud #1 resulted in Sino-Forest fraudulently overstating its revenue for Q1 and Q2 of 2010 as set out in this table:

<b>Approximate Effect of Gengma Fraud #1 on Q1 and Q2 2010 (\$ millions)</b>		
	Q1 2010	Q2 2010
Quarterly Reported Revenue	251.0	305.8
Fraudulently Overstated Revenue	73.5	157.8
Fraudulently Overstated Revenue as a % of Quarterly Reported Revenue	29.3%	51.6%

132. Sino-Forest reported its revenue for Q1 and Q2 of 2010 at page 20 of its annual MD&A for 2010 (dated March 15, 2011) and page 88 of its 2010 Annual Report, summarizing the "2010 Quarterly Highlights".

4) Gengma Fraud #2

133. Gengma Fraud #2 resulted in Sino-Forest fraudulently overstating its revenue for Q1, Q2 and Q3 of 2008 and Q4 of 2009 as set out in this table:

**Approximate Effect of Gengma Fraud #2 on Q1, Q2 and Q3 of 2008 and Q4 of 2009 (\$ millions)**

	Q1 2008	Q2 2008	Q3 2008	Q4 2009
Quarterly Reported Revenue	136.1	187.1	295.5	469.6
Fraudulently Overstated Revenue	5.7	4.9	5.9	32.6
Fraudulently Overstated Revenue as a % of Quarterly Reported Revenue	4.2%	2.6%	2.0%	6.9%

134. Sino-Forest reported its revenue for Q1, Q2 and Q3 of 2008 at page 19 of its annual MD&A for 2008 (dated March 16, 2009) and page 73 of its 2008 Annual Report summarizing the "2008 Quarterly Highlights". Revenue for Q4 of 2009 was reported as set out above in paragraph 130.

**C. Materially Misleading Statements Regarding Internal Controls**

135. Sino-Forest's disclosure in its AIFs and annual MD&A for 2006, 2007, 2008, 2009 and 2010 relating to the material weaknesses in its internal controls was misleading, untrue or incomplete. This disclosure was also contained in Sino-Forest's short form prospectuses filed in 2007 and 2009 (which incorporated by reference the relevant AIFs and MD&A as required by Ontario securities law).

136. Sino-Forest did disclose that the concentration of authority in Overseas Management and lack of segregation of duties created a risk in terms of measurement and completeness of transactions, as well as the possibility of non-compliance with existing controls.

137. However, as set out in paragraphs 84 to 86, this disclosure by Sino-Forest was wholly inadequate, failing to reveal the extent of the weaknesses in Sino-Forest's internal controls.

**D. Conclusion Regarding Materially Misleading Statements Related to the Standing Timber Fraud**

138. During the Material Time, given the Standing Timber Fraud, Sino-Forest consistently misled the public in the disclosure required to be made under Ontario securities law. The conduct of Sino-Forest, Chan, Ip, Hung and Ho was contrary to subsection 122(1)(b) of the Act and contrary to the public interest.

139. Further, due to the above conduct, Sino-Forest's audited annual financial statements did not comply with Canadian Generally Accepted Accounting Principles.

140. Given their positions as officers of Sino-Forest, Chan, Ip, Ho and Hung authorized, permitted or acquiesced in Sino-Forest's making of materially misleading statements and thereby committed an offence under subsection 122(3) of the Act. This conduct was also contrary to the public interest.

141. As CFO of Sino-Forest, Horsley authorized, permitted or acquiesced in Sino-Forest's and Overseas Management's making of materially misleading statements and therefore is deemed under section 129.2 of the Act to have not complied with Ontario securities law. This conduct was also contrary to the public interest.

**PART VI. THE GREENHEART TRANSACTION - FRAUD BY CHAN AND MATERIALLY MISLEADING STATEMENTS BY CHAN AND SINO-FOREST**

142. Chan committed fraud in relation to Chan's undisclosed interest and substantial financial benefit in the Greenheart Transaction described below.

143. Chan and Sino Forest made materially misleading statements in Sino-Forest's AIFs for 2008, 2009 and 2010 by not disclosing Chan's interest in the Greenheart Transaction. These misleading statements were also contained in Sino-Forest's short form prospectuses filed in 2009 (which incorporated by reference the relevant AIFs and MD&A as required by Ontario securities law).

144. In 2010, through a complex series of transactions, Sino-Forest completed the purchase of a controlling interest in Greenheart, a public company listed on the Hong Kong Stock Exchange. In 2005, the primary assets of Greenheart's key subsidiary at the time, GRHL, were previously acquired by the original owners of GRHL for approximately \$2 million. These assets consisted of natural forest concessions and operations located in Suriname. The total cost of the Greenheart Transaction to Sino-Forest was approximately \$120 million, composed of a combination of cash and securities of Sino-Forest.

145. Two of the companies holding shares of GRHL, thus benefitting from the Greenheart Transaction, were Fortune Universe Ltd. ("Fortune Universe") and Montsford Ltd. ("Montsford"). Both Fortune Universe and Montsford were BVI shelf companies incorporated in 2004 and subsequently acquired by, or for the benefit of, Chan in 2005.

146. Person #10 was the sole director and shareholder of Fortune Universe and Person #4 was the sole director and shareholder of Montsford. However, Chan arranged for Person #10 and Person #4 to act as Chan's nominees. Chan was the true beneficial owner of Fortune Universe and Montsford.

147. Person #10 was the legal representative and director of one of Sino-Forest's largest Suppliers during the Material Time. Person #4 was an acquaintance of Chan based in the PRC.

148. As a result of the Greenheart Transaction, Fortune Universe and Montsford received over \$22.1 million, comprised of approximately \$3.7 million in cash and approximately \$18.4 million in securities of Sino-Forest. The securities of Sino-Forest received by Fortune Universe and Montsford appreciated in value and were subsequently sold for a total of approximately \$35 million. With the help of Person #11 (Chan's assistant), these securities were sold through brokerage accounts of Fortune Universe and Montsford which were opened at her direction, on the instructions of Chan.

149. While Sino-Forest disclosed that another director of Sino-Forest had an interest in the Greenheart Transaction in its AIFs for 2008, 2009 and 2010, it did not disclose that Chan benefitted directly or indirectly from the Greenheart Transaction through Fortune Universe and Montsford. Chan certified the AIFs for 2008, 2009 and 2010.

150. Chan knew that he was engaging in deceitful or dishonest conduct in relation to the Greenheart Transaction and knew that he was making deceitful or dishonest statements to Investors in Sino-Forest's continuous disclosure.

151. Chan placed the pecuniary interests of Investors at risk and committed fraud, contrary to subsection 126.1(b) of the Act and made materially misleading statements contrary to subsection 122(1)(b) of the Act. This conduct was also contrary to the public interest.

152. Through Chan, Sino-Forest made materially misleading statements contrary to subsection 122(1)(b) of the Act. This conduct was also contrary to the public interest.

153. Given his position as Chairman of the Board and CEO of Sino-Forest, Chan, authorized, permitted or acquiesced in Sino-Forest's making of materially misleading statements and thereby committed an offence under subsection 122(3) of the Act. This conduct was also contrary to the public interest.

154. As Chairman of the Board and CEO of Sino-Forest, Chan authorized, permitted or acquiesced in Sino-Forest's commission of fraud and therefore is deemed under section 129.2 of the Act to have not complied with Ontario securities law. This conduct was also contrary to the public interest.

## **PART VII. CHAN, IP, HUNG, HO AND YEUNG MATERIALLY MISLED STAFF**

### **A. Chan Materially Misled Staff**

155. During his examination by Staff, Chan made statements that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or



untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act and the public interest.

156. Chan was asked whether Sino-Forest had any control over certain Suppliers or whether these Suppliers were independent. Chan misled Staff, responding that they were independent companies. Chan repeatedly confirmed that Yuda Wood was an independent company and that it was not controlled by any employee of Sino-Forest. This information was false and misleading.

**B. Ip Materially Misled Staff**

157. During his examination by Staff, Ip made statements that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act and the public interest.

158. Ip misled Staff regarding the creation of Confirmations by Sino-Forest. Ip falsely informed Staff as to nature of the interaction between the PRC forestry bureaus and Sino-Forest personnel surrounding the issuance of the Confirmations. Ip also misled Staff about the timing of purported payments made by Sino-Forest to Suppliers. Ip stated that payments were only made once the Purchase Contracts were signed. This information was false and misleading.

**C. Hung Materially Misled Staff**

159. During his examination by Staff, Hung made statements that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act and the public interest.

160. Hung falsely described the creation of the Purchase Contracts, Sales Contracts and their attachments, including Confirmations, to Staff. Hung informed Staff that he confirmed the

accuracy of all the information in the Purchase Contracts. Hung also stated that he ensured that the attachments to the Purchase Contracts, including Confirmations and Survey Reports, would be "in place". This information was false and misleading.

161. Hung also misled Staff as to the timing of alleged payments made pursuant to the Purchase Contracts.

**D. Ho Materially Misled Staff**

162. During his examination by Staff, Ho made statements that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act and the public interest.

163. Ho was specifically asked about what role he took "in the whole BVI process." Ho replied, "None whatsoever", further stating, "No, I'm not at all involved in the BVI whatsoever." This information was false and misleading.

164. Ho also denied that he was copied on any emails or communications involving the BVI Model. This information was false and misleading.

165. Ho also asserted that Yuda Wood was independent of Sino-Forest and that he had no control over any aspect of its business. This information was false and misleading.

**E. Yeung Materially Misled Staff**

166. During his examination by Staff, Yeung made statements that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act and the public interest.

167. Yeung was specifically asked about his involvement in the creation of Yuda Wood. Yeung stated that he assisted with the application process as a favour to his friend, Person #1. He denied that Sino-Forest supplied the registration capital for Yuda Wood. Yeung also denied any knowledge of Sino-Forest creating fraudulent transactions involving the purchase and sale of Standing Timber. This information was false and misleading.

168. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

**DATED** at Toronto, Ontario, this 22nd day of May 2012.

**SCHEDULE "A"****GLOSSARY OF CERTAIN DEFINED TERMS  
AND LOCATION IN THE STATEMENT OF ALLEGATIONS**

**"AIs"** means the authorized intermediaries to whom Sino-Forest purported to sell assets in the PRC, including Standing Timber (paragraph 45).

**"BVI Model"** means the business model employed by Sino-Forest to buy and sell assets through the BVI Subs in the PRC (paragraph 45).

**"BVI Network"** means the entire network of BVI Subs, Suppliers, AIs and other companies who bought and sold assets in the BVI Model in the PRC (paragraph 56).

**"BVI Subs"** means wholly owned subsidiaries of Sino-Forest incorporated in the British Virgin Islands (paragraph 45).

**"Caretaker Company List"** means the document listing the "peripheral" or "nominee" companies controlled by "caretakers" on behalf of Sino-Forest (paragraph 57).

**"Certificates"** means Plantation Rights Certificates issued by the PRC government (paragraph 72).

**"Company"** means Sino-Forest Corporation including all of its subsidiaries and companies it controls as set out in its public disclosure record and as the context within this Statement of Allegations requires (paragraph 1).

**"Confirmations"** means the confirmations purportedly executed by forestry bureaus that Sino-Forest relied upon to evidence ownership of Standing Timber assets in the BVI Model in the absence of Certificates (paragraph 74).

**"Dacheng"** means Guangxi Dacheng Timber Co. Ltd. (paragraph 90).

**"Dacheng Plantations"** means the timber plantations purchased from Dacheng commencing in 2008 (paragraph 90).

**"Dongkou"** means Dongkou Shuanglian Wood Company Limited (paragraph 60).

**"Farmers' Authorizations"** means farmers' authorization letters (paragraph 72).

**"Fortune Universe"** means Fortune Universe Ltd. (paragraph 145).

**"Gengma Forestry"** means Gengma Dai and Wa Tribe Autonomous Region Forestry Co., Ltd. (paragraph 107).

**"Greenheart"** means the company now known as Greenheart Group Limited (paragraph 12).

**“Greenheart Transaction”** means the series of transactions where Sino-Forest purchased a controlling interest in Greenheart (paragraph 27).

**“GRHL”** means Greenheart Resources Holdings Limited (paragraph 57).

**“Haosen”** means Guangxi Pingle Haosen Forestry Development Co., Ltd. (paragraph 97).

**“Investors”** means the securityholders of Sino-Forest (paragraph 3).

**“Kun’an”** means Guangxi Hezhou City Kun’an Forestry Co., Ltd. (paragraph 114).

**“Material Time”** means the period from June 30, 2006 to January 11, 2012 (paragraph 15).

**“Meishan”** means Guangxi Rongshui Meishan Wood Products Factory (paragraph 97).

**“Montsford”** means Montsford Ltd. (paragraph 145).

**“Offsetting Arrangement”** means the payables/receivables arrangement used in the BVI Model by Sino-Forest to buy and sell Standing Timber (paragraph 48).

**“Overseas Management”** means Allen Chan, Albert Ip, Alfred C.T. Hung, George Ho and Simon Yeung (paragraph 13).

**“Plantation Fibre”** is one of the two subcomponents of Sino-Forest’s core business segment called Wood Fibre Operation (paragraph 41).

**“PRC”** means the People’s Republic of China (paragraph 2).

**“Purchase Contracts”** means the contracts used by Sino-Forest to purchase assets in the BVI Model (paragraph 45).

**“Sales Contracts”** means the contracts used by Sino-Forest to sell assets in the BVI Model (paragraph 45).

**“Shaoyang Jiading”** means Shaoyang Jiading Wood Products Co. Ltd. (paragraph 68).

**“Sino-Forest”** means Sino-Forest Corporation including all of its subsidiaries and companies it controls as set out in its public disclosure record and as the context within this Statement of Allegations requires (paragraph 1).

**“Sino-Panel”** means Sino-Panel (Asia) Inc., a subsidiary of Sino-Forest (paragraph 39).

**“Sino-Panel Companies”** means the three subsidiaries of Sino-Panel which purported to purchase Standing Timber from Yuangao (paragraph 96).

**“Sino-Panel Gengma”** means Sino-Panel (Gengma) Co., Ltd., a Sino-Forest subsidiary (paragraph 107).

**“Sonic Jita”** means Hong Kong Sonic Jita Engineering Co., Ltd. (paragraph 64).

**“Standing Timber”** means all of the Plantation Fibre subcomponent of Wood Fibre Operations and as the context within this Statement of Allegations requires (paragraph 42).

**“Suppliers”** means the parties from whom Sino-Forest purported to buy assets in the PRC, including Standing Timber (paragraph 45).

**“Survey Reports”** means timber survey reports (paragraph 72).

**“WFOE Model”** means the business model employed by Sino-Forest to buy and sell assets through its WFOEs (paragraph 46).

**“WFOEs”** means Wholly Foreign Owned Enterprises which were subsidiaries of Sino-Forest (paragraph 46).

**“Xinqi”** means Gaoyao City Xinqi Forestry Development Co., Ltd. (paragraph 97).

**“Yuangao”** means Guangxi Hexhou City Yuangao Forestry Development Co., Ltd. (paragraph 96).

**“Yuda Wood”** means Huaihua City Yuda Wood Ltd. (paragraph 57).

**“Yunnan Plantation”** means the Standing Timber plantations in Yunnan Province purportedly purchased in 2007 from Yuda Wood (paragraph 113).

## SCHEDULE "B"

### SELECTED INFORMATION FROM THE 2005-2010 AUDITED ANNUAL FINANCIAL STATEMENTS OF SINO-FOREST

#### Reported Revenue

December 31, 2010	\$1,923,536,000
December 31, 2009	1,238,185,000
December 31, 2008 (restated amount )	896,045,000
December 31, 2007	713,866,000
December 31, 2006 (restated amount)	555,480,000
December 31, 2005	493,301,000

#### Reported Total Assets

December 31, 2010	\$5,729,033,000
December 31, 2009	3,963,899,000
December 31, 2008	2,603,924,000
December 31, 2007	1,837,497,000
December 31, 2006	1,207,255,000
December 31, 2005	895,271,000

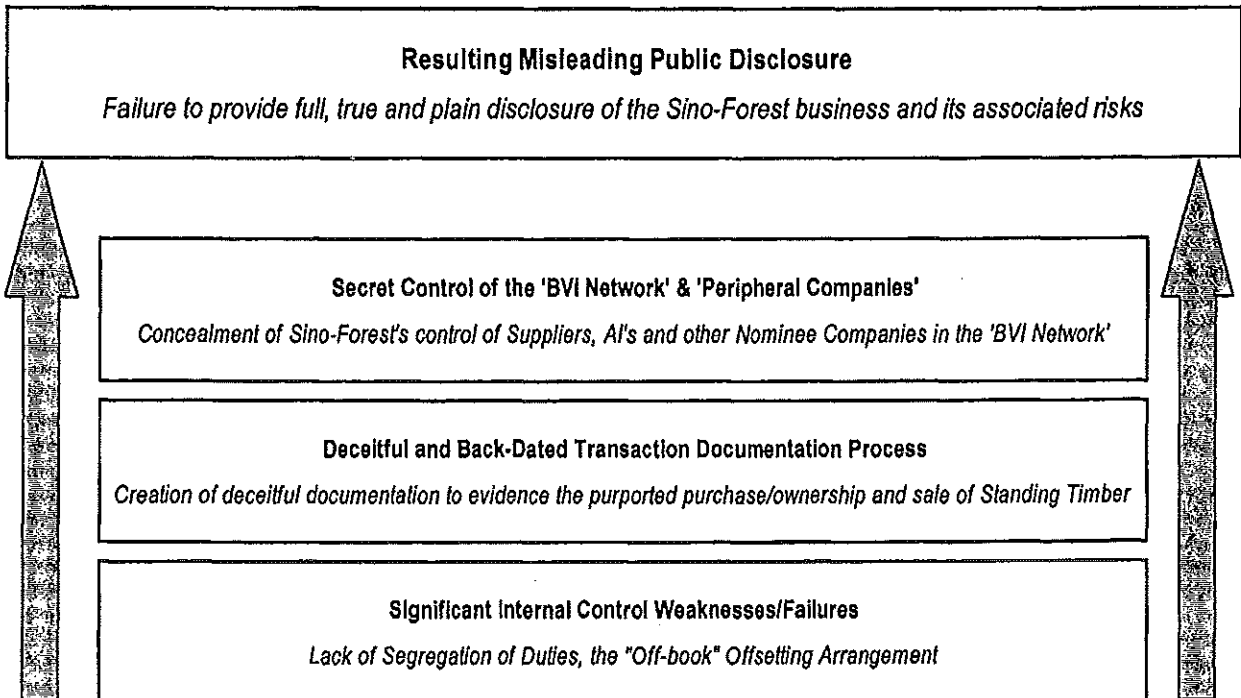
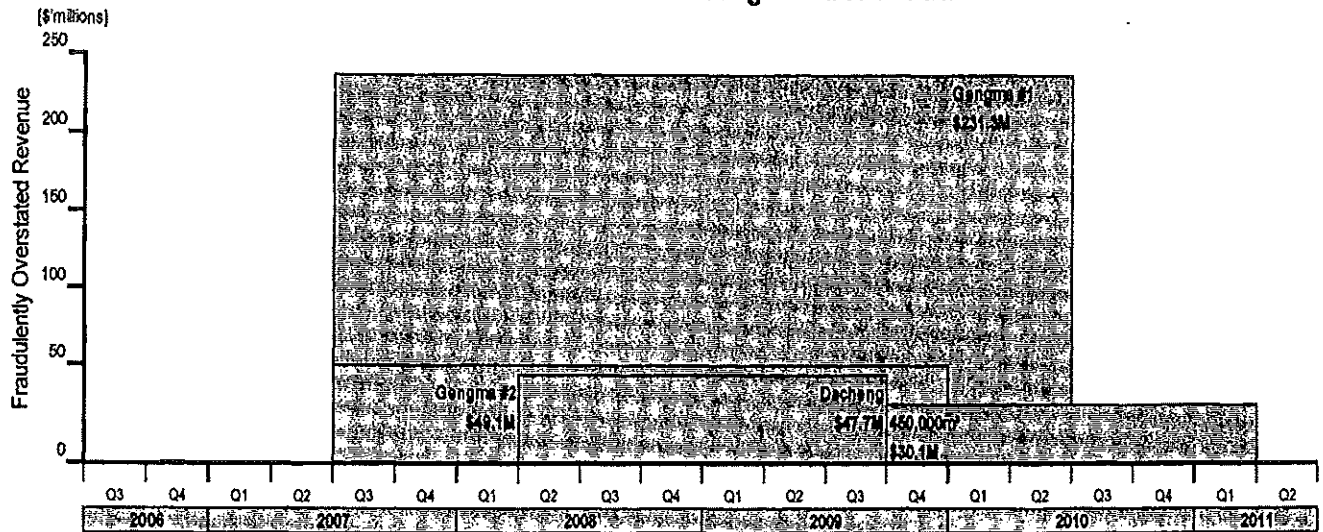
#### Reported Timber Assets (with % of total assets)

December 31, 2010	\$3,122,517,000 (55%)
December 31, 2009	2,183,489,000 (55%)
December 31, 2008	1,653,306,000 (63%)
December 31, 2007	1,174,153,000 (64%)
December 31, 2006	752,783,000 (62%)
December 31, 2005	513,412,000 (57%)

#### Number of Outstanding Common Shares

December 31, 2010	245,740,889
December 31, 2009	242,129,062
December 31, 2008	183,119,072
December 31, 2007	182,592,961
December 31, 2006	137,999,548
December 31, 2005	137,789,548

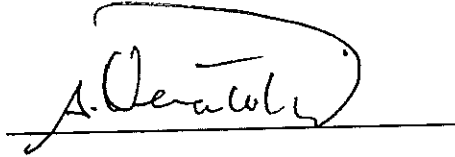
**SCHEDULE "C"**  
**Sino-Forest Corporation**  
**Overview of the Standing Timber Fraud**





# TAB 5

This is Exhibit "A" mentioned and referred to in the affidavit of Charles Wright, sworn before me in the City of Toronto, in the Province of Ontario, this 10<sup>th</sup> day of January, 2013

A handwritten signature in cursive script, appearing to read "A. Dea...", is written over a horizontal line.

A Commissioner, etc.

**IN THE MATTER OF  
SINO-FOREST CORPORATION**

BETWEEN:

The Trustees of the Labourers' Pension Fund of Central and Eastern Canada,  
The Trustees of the International Union of Operating Engineers Local 793 Pension Plan for  
Operating Engineers in Ontario, Sjunde AP-Fonden, David Grant, Robert Wong, Guining Liu,  
and any other proposed representative plaintiffs in Ontario Superior Court Action No. CV-11-  
431153-00CP and in Quebec Superior Court No. 200-06-000132-111,

in their personal and proposed representative capacities (the "Plaintiffs")

-and-

Ernst & Young LLP, on behalf of itself and Ernst & Young Global Limited and all member firms  
thereof ("EY", together with the Plaintiffs the "Parties")

**MINUTES OF SETTLEMENT**

1. These Minutes of Settlement represent the agreement between the Plaintiffs and EY reached on November 28, 2012 to resolve in accordance with the terms more particularly set out herein the actions, causes of action, claims and/or demands, on all counts howsoever arising and in all jurisdictions, made against EY or which could have been made concerning any claims related to Sino-Forest Corporation and its affiliates and subsidiaries, whether or not captured by the "Class" or the "Class Period", as variously defined, including the actions (the "Actions") listed on Schedule "A" hereto (the "Claims");
2. The terms of these Minutes of Settlement are binding on the Parties;
3. These Minutes of Settlement are and shall remain confidential, and neither party shall publicly disclose or include in a court filing the terms hereof without the prior written consent of the other;
4. EY makes no admissions of liability and waives no defences available to it with respect to the Claims or otherwise;
5. A settlement amount of CDN \$117,000,000 (the "Settlement Fund") shall be paid by EY in accordance with the applicable orders of the courts (Ontario Superior Court of Justice, Ontario Superior Court of Justice Commercial List (supervising CCAA judge), Province of Quebec Superior Court, United States District Court and the United States Bankruptcy Court) ("Courts") on the Effective Date (save for any amounts payable in advance of the Effective Date as set out in paragraph 7), being the date that all requisite approvals and orders are obtained from the Courts and are final and non-appealable;

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6. The Settlement Fund represents the full monetary contribution or payment of any kind to be made by EY in settlement of the Claims, inclusive of claims, costs, interest, legal fees, taxes (inclusive of any GST, HST, or any other taxes which may be payable in respect of this settlement), any payments to Claims Funding International, all costs associated with the distribution of benefits, all costs of any necessary notice, all costs associated with the administration of the settlement and any other monetary costs or amounts associated with the settlement or otherwise;
7. No payment of the Settlement Fund shall be made by EY until all conditions herein and set out in Schedule B hereto have been met. However, with respect to notice and administration costs which are incurred in advance of the Effective Date, as a result of an Order of the Court, the Plaintiffs will incur and pay such costs up to \$200,000 (the "Initial Plaintiffs Costs"), which costs are to be immediately reimbursed from the Settlement Fund after the Effective Date. EY will incur and pay such notice and administration costs which are incurred in advance of the Effective Date, as a result of an Order of the Court, over and above the Initial Plaintiffs Costs up to a further \$200,000 (the "Initial EY Costs"). The Initial EY Costs shall be deducted from the amount of the Settlement Fund payable to the Plaintiffs. Should any costs in excess of the cumulative amount of the Initial Plaintiffs Costs and the Initial EY Costs, being a total of \$400,000, in respect of notice and administration be incurred prior to the Effective Date, as a result of an Order of the Court, such amounts are to be borne equally between the Plaintiffs and EY, which amounts are to be reimbursed or deducted as the case may be from the Settlement Fund, on the terms set out above in this section. Should the settlement not proceed, the Parties shall bear their respective costs paid to that time;
8. No further proceedings shall be commenced or continued by the Plaintiffs or their counsel against EY in respect of any Claims, other than as necessary to complete the settlement herein;
9. The Plaintiffs agree not to claim from the non-settling defendants in the Actions, that portion of any damages that corresponds to the proportionate share of liability of EY, proven at trial or otherwise, such that EY is not further exposed to the Claims;
10. It is the intention of the Parties that this settlement shall be approved and implemented in the Sino-Forest Corporation CCAA proceedings. The settlement shall be conditional upon full and final releases and claims bar orders in favour of EY and which satisfy and extinguish all Claims against EY, and without opt-outs, and as contemplated by the additional terms attached hereto as Schedule B hereto and incorporated as part of these Minutes of Settlement;
11. This settlement is conditional upon obtaining appropriate orders from the Ontario Superior Court of Justice Commercial List (supervising CCAA judge) and the United States Bankruptcy Court that provide that the payment of the Settlement Fund is in full satisfaction of any and all claims that could be brought in connection with the claims of any security holder or creditor of Sino-Forest Corporation, including claims over for contribution and indemnity or otherwise, howsoever arising in Canada and the United States;

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12. The releases in the Sino-Forest Corporation CCAA proceedings shall include Ernst & Young LLP (Canada) and Ernst & Young Global Limited and all member firms thereof, and all present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns of each, but does not include any non-settling defendants in the Actions or their respective present or former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers or successors, administrators, heirs and assigns of each in their capacity as officers or directors of Sino-Forest Corporation ("EY Global"). The releases to be provided to EY by the Plaintiffs shall include EY Global and will release all Claims of the Plaintiffs' counsels' clients in all jurisdictions;
13. It is the intention of the Parties that the Settlement Fund shall be distributed in a claims process satisfactory to the CCAA Court, with a prior claims bar order;
14. The Parties shall use all reasonable efforts to obtain all Court approvals and/or orders necessary for the implementation of these Minutes of Settlement, including an order in the CCAA proceedings granting the plaintiffs appropriate representative status to effect the terms herein;
15. If the settlement between the Parties or any terms hereof are not approved by order(s) of the applicable Courts fulfilling all conditions precedent in paragraph 10 hereto the settlement between the Parties and these Minutes of Settlement are null and void;
16. These terms shall be further reduced to a written agreement reflecting the terms of the agreement between the Parties hereto with such additional terms agreed to by the Parties consistent herewith or as agreed to give efficacy in Quebec and the United States. Should the Parties be unable to agree on the form of written agreement, the Parties agree to appoint Clifford Lax as mediator/arbitrator to assist the Parties and his decision as arbitrator shall be final and binding on the Parties, in accordance with the terms herein but subject to the terms of Schedule B hereof, and not subject to appeal;
17. The Parties will agree on a level of disclosure by EY for the purposes of reasonably assisting in the approval process of the applicable Courts, consistent with the Parties' obligations under the relevant class proceedings legislation. Should the Parties be unable to agree on the level of disclosure after good faith efforts to do so, the Parties agree to appoint Clifford Lax as mediator to assist the Parties. If the Parties after mediation are still unable to reach an agreement, then either Party may terminate the settlement;
18. Pending the implementation of this settlement, including the distribution of the Settlement Fund, EY shall advise the plaintiffs of any agreements reached by it with the Ad Hoc Committee of Noteholders, Sino-Forest, the Litigation Trustee, or counsel or representatives of any of these parties, to pay any monetary consideration to any of them.

**SIGNATURE LINES ON NEXT PAGE**



Date:

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**KOSKIE MINSKY LLP**  
Lawyers for the Plaintiffs

Date:

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**SISKINDS LLP**  
Lawyers for the Plaintiffs

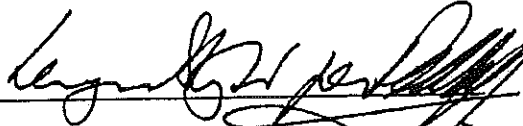
Date:

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**PALIARE ROLAND ROSENBERG  
ROTHSTEIN LLP**  
Lawyers for the Plaintiffs

Date:

*November 29, 2012*




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**LENCZNER SLAGHT ROYCE SMITH  
GRIFFIN LLP**  
Lawyers for Ernst & Young LLP, and on behalf  
of Ernst & Young Global Limited and all  
member firms thereof

*A*

**SCHEDULE "A"**

1. The Trustees of The Labourers' Pension Fund of Central and Eastern Canada, et al. v. Sino-Forest Corporation, et al., Ontario Superior Court of Justice, Court File No. CV-11-431153-00CP
2. Guining Liu v. Sino-Forest Corporation, et al., Province of Quebec Superior Court, File No. 200-06-000132-111
3. David Leopard, et al. v. Allen T.Y. Chan, et al., United States New York Southern District Court, Case Number 1:2012-cv-01726-VM



**SCHEDULE "B"**

**Terms and Conditions of any Ernst & Young LLP (Settlement with Class Action Plaintiffs)**

A settlement unilaterally with E&Y will be conditional upon such settlement being made to a resolution that:

- a) is a settlement of all Claims, proceedings and potential claims against E&Y in all jurisdictions;
- b) reflects approval of appropriate Courts in relevant jurisdictions as described below; and
- c) accordingly must reflect the following elements in a form satisfactory to E&Y in its sole discretion, without which E&Y is at liberty to reject the settlement at any time:

**I. Court Proceedings**

(A) *CCAA*

- (i) Plan of Arrangement (in form consented to);
- (ii) Final Sanction Order;
- (iii) Both Plan and Sanction Order to include:
  - (a) a release of E&Y, and all affiliate firms, partners, staff, agents and assigns for any and all Claims (including cross-claims and third-party claims), and
  - (b) a claims bar (must expressly exclude all claims against all Pöyry entities).

(B) Ontario Class Action

- (i) Final Order approving settlement containing satisfactory Pieringer terms and structure and dismissing action;
- (ii) i) above requires:
  - (a) certification for settlement purposes with i) class definition agreeable to E&Y; ii) notice in all relevant jurisdictions

*R*



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(including Canada, U.S., Hong Kong, Singapore and PRC);  
and iii) opt-out threshold agreeable to E&Y;

- (b) fairness hearing having been held to result in (i).
- (C) Quebec Class Action
  - (i) Final order approving settlement containing satisfactory Pieringer terms and structure and dismissing action;
  - (ii) certification and settlement approval as in (B).
- (D) U.S. Proceedings including Class Action
  - (i) Final order approving settlement containing satisfactory Pieringer terms and structure and dismissing action;
  - (ii) certification and settlement approval as in (B).
  - (iii) Undertaking of Company (Applicant) to bring Chapter 15 proceeding to enforce Canadian *CCAA* order;
  - (iv) final U.S. order, in compliance with U.S. laws, recognizing *CCAA* order.

## II. Releases and Undertakings

- (A) Full and Final Release and Claims Bar in both *CCAA* Plan and final Sanction Order;
- (B) Full and Final Release from Ontario Class Action Representative Plaintiffs on their own behalf and in their representative capacities, including an agreement not to consult or cooperate with any other party in advancing Claims against E&Y;
- (C) Full and Final Release from Company, directors and officers, noteholders and others on satisfactory Pieringer terms and language;
- (D) Agreement from Ontario class counsel and from noteholders' counsel to not act for or consult with or assist any plaintiff/representative plaintiff/claimant in respect of any Claim or potential Claim against E&Y in any jurisdiction;
- (E) Full and Final Release from Quebec Class Action Representative Plaintiffs on their own behalf and in their representative capacities, including an agreement not to consult or cooperate with any other party in advancing Claims against E&Y;

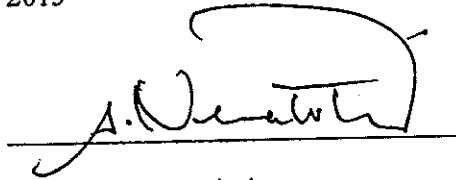
- 3 -

- (F) Agreement from Quebec class counsel to not act for or consult with or assist any plaintiff/representative plaintiff in any jurisdiction;
- (G) Full and Final Release from U.S. Class Action Representative Plaintiffs on their own behalf and in their representative capacities including an agreement not to consult or cooperate with any other party advancing Claims against E&Y; and
- (H) Agreement from U.S. class counsel to not act for or consult with or assist any plaintiff/representative plaintiff/claimant in respect of any Claim or potential Claim against E&Y in any jurisdiction.



# TAB 6

This is Exhibit "FF" mentioned and referred to in the affidavit of Charles Wright, sworn before me in the City of Toronto, in the Province of Ontario, this 10<sup>th</sup> day of January, 2013

A handwritten signature in cursive script, appearing to read "A. Desautels", is written over a horizontal line.

A Commissioner, etc.

**IN THE MATTER OF THE *SECURITIES ACT*,  
R.S.O. 1990, c. S.5, AS AMENDED**

**- AND -**

**IN THE MATTER OF  
ERNST & YOUNG LLP**

**STATEMENT OF ALLEGATIONS**

Further to a Notice of Hearing dated December 3, 2012, Staff of the Ontario Securities Commission ("Staff") make the following allegations:

**Overview**

1. Ernst & Young LLP ("Ernst & Young") were the auditors of Sino-Forest Corporation ("Sino-Forest") between August 2007 and April 2012. During that time, they audited the annual consolidated financial statements of Sino-Forest and represented to its shareholders that they had performed their audits in accordance with relevant industry standards. Shareholders invested significant sums in Sino-Forest in reliance on these financial statements.

2. Ernst & Young, however, failed to conduct their audits in accordance with relevant industry standards. In particular, as outlined further below, Ernst & Young:

- (a) failed to perform sufficient audit work to verify Sino-Forest's ownership of its most significant assets;
- (b) failed to perform sufficient audit work to verify the existence of Sino-Forest's most significant assets; and
- (c) failed to undertake their audit work on the Sino-Forest engagement with a sufficient level of professional skepticism.

3. As the auditors of a publicly traded company, Ernst & Young were required to conduct their audits of Sino-Forest's financial statements in accordance with Canadian generally accepted auditing standards ("GAAS"). Each of Ernst & Young's failures to comply with GAAS in the course of its audits of these financial statements constitutes a breach of section 78 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the "Securities Act").

4. In addition, Sino-Forest filed a number of documents with the Ontario Securities Commission (the "Commission") which contained Ernst & Young's representation that they had conducted their audits in accordance with GAAS. Each of these filings constitutes a breach of section 122 of the Securities Act by Ernst & Young.

#### **Background**

5. Sino-Forest is a reporting issuer in the province of Ontario as that term is defined in subsection 1(1) of the Securities Act. Sino-Forest represented that it engaged primarily in the purchase and sale of timber located in the People's Republic of China (the "PRC"). Until May 9, 2012, the common shares of Sino-Forest were listed and posted for trading on the Toronto Stock Exchange.

6. Ernst & Young is a firm of chartered accountants with a head office located in Toronto, Ontario. It has offices located across Canada, and it is a member firm of Ernst & Young Global Limited, a global accounting organization.

7. Ernst & Young was appointed as the auditor of Sino-Forest on August 16, 2007. Ernst & Young audited the consolidated financial statements of Sino-Forest as at and for its fiscal years ended December 31, 2007, December 31, 2008, December 31, 2009 and December 31, 2010 (respectively, the "2007 Financial Statements", the "2008 Financial Statements", the "2009 Financial Statements" and the "2010 Financial Statements" and collectively the "Material Financial Statements").

8. Between February 2003 and October 2010, Sino-Forest raised approximately US \$3.0 billion through the issuance of equity and debt securities to investors. From 2008 onwards, investors relied on the Material Financial Statements in making the decision to purchase Sino-Forest's shares and debt securities in both the primary and secondary markets.

9. Between June 30, 2006 and March 31, 2011, Sino-Forest's share price increased from CDN \$5.75 to CDN \$25.30, an increase of 340%. By March 31, 2011 Sino-Forest's market capitalization was well over CDN \$6.0 billion.

10. On June 2, 2011, the share price of Sino-Forest plummeted after a private analyst made public allegations of fraud against Sino-Forest. On the same day, the Board of Directors of Sino-Forest established an Independent Committee (the "IC") "to independently examine and review the serious and wide-ranging allegations" made in the analyst's report.

11. The IC identified a number of areas of Sino-Forest's business for investigation, including its ownership of trees and the existence of those trees. The IC prepared and released three reports concerning its findings, dated August 10, 2011, November 13, 2011 and January 31, 2012 (the "IC Reports").

12. In the IC Reports, the IC presented its findings regarding the issues of tree ownership and tree existence. The IC Reports concluded that there was uncertainty surrounding the legal certainty of Sino-Forest's claims to a significant proportion of its reported timber assets. In addition, the IC Reports noted significant obstacles to verifying the actual existence of the reported timber assets, including an inability to identify the precise location of the trees which had purportedly been purchased by Sino-Forest.

13. On November 15, 2011, Sino-Forest announced that it would defer the release of its interim filings for the third quarter of 2011. Sino-Forest has not filed these interim filings with the Commission.

14. On January 10, 2012, Sino-Forest took the unusual step of issuing a press release cautioning that its historic financial statements and related audit reports should not be relied upon.

15. Sino-Forest was required to file its consolidated financial statements for the year ended December 31, 2011 (the "2011 Financial Statements") with the Commission by March 30, 2012. On that day, Sino-Forest initiated proceedings in the Ontario Superior Court of Justice requesting protection from its creditors. Sino-Forest has not filed the 2011 Financial Statements with the Commission.

16. On April 4, 2012, Ernst & Young resigned as the auditor of Sino-Forest. In the Change of Auditor Notice dated April 13, 2012, Sino-Forest repeated the caution that its historic financial statements and related audit reports should not be relied upon. The Change of Auditor Notice did not name a successor auditor.

17. On May 22, 2012, Staff issued a Statement of Allegations naming Sino-Forest and six members of its executive management team (the "Sino-Forest SOA"). The Sino-Forest SOA alleged that five of the named members of Sino-Forest's executive management team, including the Chairman and Chief Executive Officer "engaged in a complex fraudulent scheme to inflate the assets and revenue of Sino-Forest and made materially misleading statements in Sino-Forest's public disclosure record related to its primary business".

#### **The Purported Business of Sino-Forest**

18. The majority of Sino-Forest's reported business involved the purchase and sale of trees which were categorized on its balance sheet as "Timber Holdings" and commonly referred to as "Standing Timber".



19. Standing Timber was purportedly purchased, held and sold by Sino-Forest through two distinct legal structures or models: the British Virgin Islands Model (the "BVI Model") and the Wholly Foreign-Owned Enterprises Model (the "WFOE Model").

20. In the BVI Model, Sino-Forest's purported purchases and sales of Standing Timber were conducted using wholly owned subsidiaries of Sino-Forest incorporated in the British Virgin Islands (the "BVI Subsidiaries"). The BVI Subsidiaries purported to enter into written purchase contracts with suppliers located in the PRC (the "Purchase Contracts") and then purported to enter into written sales contracts with customers called "authorized intermediaries" also located in the PRC (the "Sales Contracts").

21. In the WFOE Model, Sino-Forest used subsidiaries incorporated in the PRC called Wholly Foreign-Owned Enterprises ("WFOEs") to acquire, cultivate and sell the Standing Timber. The Sino-Forest WFOEs also entered into purchase contracts and sales contracts with other parties in the PRC.

22. Sino-Forest purported to conduct the majority of its business through the BVI Model. At December 31, 2010, Sino-Forest reported total Timber Holdings of US \$3.1 billion comprising 799,700 hectares. Approximately US \$2.5 billion or approximately 80% of the total value of the Timber Holdings were purportedly held in the BVI Model, comprising approximately 467,000 hectares of Standing Timber.

23. Between 2007 and 2010, reported revenue from the BVI Model totalled US \$3.35 billion, representing 94% of Sino-Forest's reported Standing Timber revenue and 70% of Sino-Forest's total revenue. The significance of the revenue from the BVI Model is demonstrated in the following table:

	<u>US \$ (millions)</u>				<u>Total</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	
BVI Model Revenue	501.4	644.9	882.1	1,326.0	3,354.4
WFOE Model Revenue	20.1	40.5	72.1	75.2	207.9
<b>Standing Timber Revenue</b>	<b>521.5</b>	<b>685.4</b>	<b>954.2</b>	<b>1,401.2</b>	<b>3,562.3</b>
<b>Total Revenue</b>	<b>713.9</b>	<b>896.0</b>	<b>1,238.2</b>	<b>1,923.5</b>	<b>4,771.6</b>
BVI Model as % of Total Revenue	70%	72%	71%	69%	70%

#### **Ernst & Young's Obligations as Auditor**

24. As a reporting issuer, Sino-Forest was required by section 78(1) of the Securities Act to file its annual consolidated financial statements with the Commission. Sino-Forest filed its 2007 Financial Statements on March 18, 2008, its 2008 Financial Statements on March 16, 2009, its 2009 Financial Statements on March 16, 2010 and its 2010 Financial Statements on March 15, 2011.

25. As the auditor of a reporting issuer, Ernst & Young was required by section 3 of National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards*, and by sections 78(2) and 78(3) of the Securities Act to audit the Material Financial Statements in accordance with GAAS and to prepare an auditors' report to accompany the financial statements.

26. Each of the Material Financial Statements was accompanied by an auditors' report, prepared by Ernst & Young, addressed to the shareholders of Sino-Forest (the "Auditors' Report"). In each Auditors' Report, Ernst & Young represented that it had conducted its audits in accordance with GAAS. The Auditors' Reports relating to the Material Financial Statements were dated March 12, 2008, March 13, 2009, March 15,

2010 and March 14, 2011 and were filed with the Commission along with the Material Financial Statements.

27. In addition, Sino-Forest filed two short form prospectuses with the Commission dated June 1, 2009 and December 10, 2009 (the "Short Form Prospectuses"). The Short Form Prospectuses incorporated by reference the 2008 Financial Statements accompanied by the relevant Auditors' Report. In addition, in letters addressed to and filed with the Commission along with the Short Form Prospectuses (the "Prospectus Consent Letters"), Ernst & Young consented to use of their Auditors' Report by Sino-Forest and further stated that they had "no reason to believe that there are any misrepresentations" contained in the relevant Auditors' Report.

#### **Generally Accepted Auditing Standards**

28. As set out in GAAS, an auditor's objective is to identify and assess the risks of material misstatement, whether due to fraud or error, in an entity's financial statements. An auditor can achieve this objective by understanding the entity and its environment, including the entity's internal controls. This understanding provides the auditor with a basis for designing and implementing responses to the assessed risks.

#### **(a) Sufficient Audit Evidence Required**

29. GAAS requires auditors to obtain reasonable assurance that the entity's financial statements are free from material misstatements. Reasonable assurance is a high level of assurance. It is achieved when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk to a low level and to provide a reasonable basis to support the content of the audit report. The sufficiency of the audit evidence gathered by the auditor is influenced by the level of materiality set for the audit and the level of risk associated with the audit.

30. The sufficiency and the appropriateness of the audit evidence gathered by the auditor are interrelated. Sufficiency is the measure of the quantity of the audit evidence.

The quantity of the audit evidence needed is affected by the auditor's assessment of the risks of misstatement. That is, the higher the assessed risks, the more audit evidence is likely to be required. The quantity of audit evidence needed is also affected by the quality of the audit evidence. That is, the higher the quality of the audit evidence, the less audit evidence may be required.

31. Obtaining more audit evidence, however, may not compensate for its poor quality. Appropriateness is the measure of the quality of the audit evidence; that is its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based. The reliability of the audit evidence is influenced by its source and by its nature, and is dependent on the circumstances in which it is obtained.

**(b) Professional Skepticism Required**

32. GAAS requires auditors to plan and perform their audits using professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. Professional skepticism requires a questioning attitude which is alert to conditions which may indicate possible misstatement due to error or fraud. Professional skepticism requires an auditor to conduct a critical assessment of the audit evidence.

33. Professional skepticism requires the auditor to be alert to, amongst other things:

- (a) audit evidence that contradicts other audit evidence obtained;
- (b) information that brings into question the reliability of documents and responses to inquiries;
- (c) conditions that may indicate possible fraud; and
- (d) circumstances that suggest the need for additional audit procedures in addition to those required by minimum written professional standards.

### **Ernst & Young's Failures to Meet Generally Accepted Auditing Standards**

34. Ernst & Young failed to comply with GAAS by failing to obtain reasonable assurance that the Material Financial Statements were not materially misstated.

35. In particular, Ernst & Young failed to obtain sufficient appropriate audit evidence with respect to the ownership and existence of the Standing Timber that Sino-Forest purported to hold through the BVI Model (the "Purported Assets").

36. In addition, Ernst & Young failed to exercise sufficient professional skepticism when conducting the audits of the Material Financial Statements. This contributed to the failure to obtain sufficient appropriate audit evidence with respect to the ownership and existence of the Purported Assets.

#### **A. Failure to Adequately Address Ownership of Timber**

37. The audit procedures performed by, and the audit evidence obtained by Ernst & Young with respect to Sino-Forest's ownership of the Purported Assets, were deficient in a number of respects.

##### **(i) Flawed Purchase Contracts**

38. One of the audit procedures that Ernst & Young performed relating to the ownership of the Purported Assets was a review of all of the Purchase Contracts entered into by Sino-Forest for each fiscal year that it audited. Ernst & Young understood that all of Sino-Forest's Purchase Contracts had been prepared by Sino-Forest from a common template. The Purchase Contracts, however, had two significant deficiencies.

39. To begin, the Purchase Contracts referred to four appendices, titled Stock Volume Report, Resources-Quality Survey Report (the "Survey Report"), Villagers' Letter of Authorization and Decision (the "Villagers' Letters") and Certificate of Forest Proprietorship (the "Certificates").

40. The Villagers' Letters authorized the seller to sell the timber rights set out in the Purchase Contract. The Certificates reflected the contents of the official PRC government registers concerning ownership of the rights to the relevant timber. Ernst & Young never obtained either the Villagers' Letters or the Certificates.

41. The second deficiency was that the specific location of the Purported Assets was not clearly delineated in either the Purchase Contract or any of its available appendices.

42. Both of these deficiencies should have prompted Ernst & Young to make further inquiries of Sino-Forest management and to perform further audit procedures relating to Sino-Forest's ownership of the Purported Assets. In particular, Ernst & Young failed to make further inquiries concerning the two missing appendices, and failed to take steps to understand the process used by Sino-Forest management to precisely identify the location of the Purported Assets.

43. In addition, Ernst & Young failed to consider that all of the Survey Reports had been prepared by the same survey firm, even though the areas purportedly surveyed were widely scattered throughout the PRC. This unusual circumstance should have prompted Ernst & Young to perform further procedures regarding the source and reliability of the surveys.

**(ii) Flawed Legal Opinion**

44. Ernst & Young failed to obtain a sufficient understanding of the legal basis of Sino-Forest's claim to the Purported Assets. During the audit of the 2007 Financial Statements, Ernst & Young asked Sino-Forest to obtain a legal opinion prepared by Jingtian & Gongchen Attorneys at Law ("Jingtian"). Jingtian were Sino-Forest's corporate counsel located in the PRC. Jingtian prepared an opinion dated March 10, 2008 addressed to Sino-Forest (the "Jingtian Opinion") which was provided to Ernst & Young for its review.

45. The Jingtian Opinion discussed the legal regime relating to forestry assets located in the PRC and evaluated the nature and status of Sino-Forest's legal claim to ownership of the Purported Assets. Ernst & Young had selected the representative Purchase Contract that was sent to Jingtian for its review in preparing the Jingtian Opinion.

46. Ernst & Young failed to appreciate and respond to the limitations of the Jingtian Opinion. In particular:

- (a) Ernst & Young failed to consider the fact that it had never obtained copies of the Villagers' Letters or the Certificates for any Purchase Contract; and
- (b) Ernst & Young failed to consider the implications of, or make further inquiries concerning, the disclaimer contained in the Jingtian Opinion that the Villagers' Letters and the Certificates had not been reviewed by Jingtian.

47. The Jingtian Opinion did discuss the status of the Certificates in the PRC legal regime. It noted that the PRC forestry authorities were reporting significant delays and backlogs in the production of the new form of these Certificates. The Jingtian Opinion went on to report, however, that back in 2002 the PRC authorities had predicted that such Certificates would become available beginning in approximately 2004. Ernst & Young failed to follow up on this statement and failed to inquire why the new Certificates were not available by the time the Jingtian Opinion was produced in 2008.

48. Ernst & Young failed to make further inquiries of Sino-Forest management concerning the absence of both the Villagers' Letters and the Certificates from the Purchase Contracts and failed to perform appropriate additional audit procedures relating to Sino-Forest's ownership of the Purported Assets. In particular, and given that Ernst & Young had reviewed copies of Certificates that had been issued for timber acquisitions made through the WFOE Model, Ernst & Young failed to question the absence of

Certificates relating to the Purported Assets and failed to obtain independent audit evidence to support the absence of the Certificates.

49. Further, given that the Jingtian Opinion had described anticipated changes in the PRC's legal regime relating to timber assets, Ernst & Young failed to obtain an updated independent legal opinion for the audits of the 2008, 2009 and 2010 Financial Statements specifically addressing Sino-Forest's ownership of the Purported Assets and the current status of the Certificates in the PRC legal system.

**B. Failure to Adequately Address Existence of Timber**

50. Ernst & Young failed to perform sufficient appropriate audit procedures to verify the existence of the Purported Assets. Ernst & Young recognized that several aspects of Sino-Forest's business resulted in higher inherent risks relating to the existence of the Purported Assets, but they failed to adequately respond to these risks.

51. In particular, Sino-Forest did not make direct cash payments for the acquisition of the Purported Assets. Rather, the payments that Sino-Forest should have received from its customers were immediately applied towards the purported purchase of further timber assets. This increased the risks surrounding the audit of the Purchase Contracts as there were no cash transfers that could be traced and verified.

**(i) Limited Site Visits**

52. Ernst & Young performed only very limited site visits to inspect the Purported Assets, which were represented to be widely scattered throughout the PRC. The audit procedures that Ernst & Young performed in connection with these site visits were both insufficient and inappropriate to respond to the identified risks relating to the existence of the Purported Assets.



(ii) **Inappropriate Reliance on Valuations**

53. Sino-Forest engaged Pöyry Forest Industry Ltd. ("Poyry") to prepare periodic valuations of its Timber Holdings. Ernst & Young inappropriately relied on Poyry's valuation work in obtaining assurance of the existence of the Purported Assets.

54. GAAS sets out explicit requirements to be met when an auditor places reliance on work performed by another entity in the course of an audit. Ernst & Young failed to meet these requirements in placing reliance on Poyry's valuation work when assessing the existence of the Purported Assets, as set out below.

55. Ernst & Young was not involved in Poyry's process of selecting the plantations to sample, the determination of the location of the sampled plantations or in the counting or measuring of the trees. Ernst & Young did attend with Poyry staff during a small number of Poyry's plantation site visits. During these visits, Ernst & Young staff observed Poyry staff's activities.

56. Ernst & Young failed, however, to perform any independent audit procedures to ensure that the plantations visited by Poyry were owned by Sino-Forest or that the location and dimensions of the sites visited corresponded with the extent of the Purported Assets reported by Sino-Forest.

57. Further, the valuation reports produced by Poyry contained a clear disclaimer that they should only be relied on by Sino-Forest for its own valuation purposes. Ernst & Young, therefore, placed inappropriate reliance on Poyry's work in its attempt to verify the existence of the Purported Assets.

58. Some of these limitations were acknowledged by Ernst & Young staff in the course of performing their audits of the Material Financial Statements but were never adequately addressed. For example, in an e-mail exchange between the members of Ernst & Young's audit team, one auditor posed the question "[h]ow do we know that the

trees that Poyry is inspecting (where we attend) are actually trees owned by the company? E.g. could they show us trees anywhere and we would not know the difference?" Another auditor answered "I believe they could show us trees anywhere and we would not know the difference...".

### **C. Insufficient Skepticism**

59. Finally, Ernst & Young failed to conduct its audits of the Material Financial Statements with a sufficient level of professional skepticism.

60. As outlined above, Ernst & Young failed to adequately respond to a number of unusual facts and findings that came to its attention in the course of conducting the audits of the Material Financial Statements. These facts and findings should have caused Ernst & Young to treat the representations of Sino-Forest management with greater caution and to perform additional audit procedures and to obtain additional evidence from independent sources.

### **D. Failure to Properly Structure the Audit Team**

61. The failures outlined above were facilitated by Ernst & Young's failure to properly structure its Sino-Forest engagement team. Many Sino-Forest source documents were produced only in Chinese, including the Purchase Contracts, the Sales Contracts and the Jingtian Opinion. Ernst & Young, however, failed to have these and other key documents translated into English.

62. Ernst & Young's audit team comprised both Chinese speaking and non-Chinese speaking staff. Several of the senior partners involved in the audits of the Material Financial Statements, however, were unable to read or speak Chinese.

63. Ernst & Young's non-Chinese speaking staff relied on its Chinese speaking staff to provide informal translations of important source documents. As a result, the non-Chinese speaking staff were often not aware that important information was missing from some of Sino-Forest's key documents.

**Consequences of Ernst & Young's Failures**

64. Ernst & Young's failures to comply with GAAS, as outlined above, led them to overlook or discount significant flaws in Sino-Forest's assertions relating to the ownership and existence of the Purported Assets. The Purported Assets constituted the vast majority of Sino-Forest's assets and produced nearly all of its reported revenue. Ernst & Young's lack of diligence in these areas therefore resulted in significant negative consequences for Sino-Forest's shareholders.

**Breaches of Ontario Securities Law**

65. Each of Ernst & Young's failures to meet GAAS in the course of its audits of each of the Material Financial Statements constitutes a breach of sections 78(2) and 78(3) of the Securities Act.

66. Each of Ernst & Young's representations contained in each of the Auditors' Reports, which were repeated in each of the Prospectus Consent Letters, that the audits of the Material Financial Statements had been conducted in accordance with GAAS, constitutes a materially misleading a statement contrary to section 122(1)(b) of the Securities Act.

67. In addition, the audit failures of Ernst & Young outlined above were contrary to the public interest.

68. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

**DATED** at Toronto, Ontario, this 3rd day of December, 2012.

# TAB 7

Superior Court of Justice  
Commercial List

FILE/DIRECTION/ORDER

SINO - Forest  
Plaintiff(s)  
AND  
Defendant(s)

Case Management  Yes  No by Judge: \_\_\_\_\_

Counsel	Telephone No:	Facsimile No:

- Order  Direction for Registrar (No formal order need be taken out)
- Above action transferred to the Commercial List at Toronto (No formal order need be taken out)
- Adjourned to: \_\_\_\_\_
- Time Table approved (as follows):

The E+7 settlement approval motion will be heard by me on Friday January 4, 2013. Please see attached letter from RST Ther.

December 13, 2012  
Date

[Signature]  
Judge's Signature

Additional Pages \_\_\_\_\_

THE HONOURABLE EDWARD THEN  
REGIONAL SENIOR JUSTICE  
SUPERIOR COURT OF JUSTICE

COURT HOUSE  
361 UNIVERSITY AVENUE  
TORONTO, ONTARIO M5G 1T3  
Tel. (416) 327-5094  
Fax (416) 327-9931



L'HONORABLE EDWARD THEN  
JUGE PRINCIPAL RÉGIONAL  
COUR SUPÉRIEURE DE JUSTICE

PALAIS DE JUSTICE  
361, AVENUE UNIVERSITY  
TORONTO (ONTARIO) M5G 1T3  
Tél: (416) 327-5094  
Téléco: (416) 327-9931

December 13, 2012

Mr. Justice Morawetz  
361 University Avenue  
Toronto, Ontario M5G 1T3

Dear Mr. Justice Morawetz:

Re: Sino-Forest Corporation

Pursuant to s. 34 of the Class Proceedings Act, I assign Morawetz J. to hear the motion to approve the E & Y Settlement and ancillary matters related to the E & Y Settlement (referred to in the endorsements reported at 2012 ONSC 7041 and 2012 ONSC 7050) under the Class Proceedings Act, 1992 and the Companies' Creditors Arrangement Act.

Yours truly,

Edward Then  
Regional Senior Justice

EFT:pmd

c. Justice Perell

# TAB 8

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

**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**

Court File No.: CV-11-431153-00CP

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

**BETWEEN:**

**THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND  
 EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF  
 OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING  
 ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and  
 ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED  
 (formerly known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W.  
 JUDSON MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E.  
 ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON  
 MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING)  
 CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES  
 (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES  
 CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL  
 INC., CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC.,  
 CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC.,  
 CREDIT SUISSE SECURITIES (USA) LLC and MERRILL LYNCH, PIERCE,  
 FENNER & SMITH INCORPORATED (successor by merger to Banc of America  
 Securities LLC)**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF ERIC J. ADELSON**  
 (Sworn January 18, 2013)



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") and as such 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 leading investment management companies, with approximately \$24 billion in assets under management. Invesco's parent company, Invesco Ltd., is a leading independent global investment manager with approximately \$680 billion in assets under management.

3. I respectfully submit this affidavit in support of Invesco's and the other Objectors'<sup>1</sup> objections to the proposed settlement between the plaintiffs ("Ontario Plaintiffs") in the *Labourers' Pension Fund of Central and Eastern Canada v. Sino-Forest Corporation*, Court file No. 11-CV-431153CP ("Class Action") and Ernst & Young LLP and its related entities ("E&Y") (the "E&Y Settlement").

4. I also respectfully submit this affidavit in support of the motion by Invesco under Rule 10.03 of the *Rules of Civil Procedure* for relief from the binding effect of a Representation Order and a Settlement Approval Order in the event this Court appoints the Ontario Plaintiffs as representatives of all Securities Claimants and grants the proposed Settlement Approval Order.

#### **Objections to the E&Y Settlement**

5. Invesco objects to the E&Y Settlement as follows:

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<sup>1</sup> Invesco Canada Ltd., Northwest & Ethical Investments L.P., Comité Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc., Gestion Férique and Montrusco Bolton Investments Inc.

- a) It was improper for the Ontario Plaintiffs to have traded away the opt out rights of class members in this Class Action, or to have rendered such opt out rights illusory, by agreeing to provide a full and final release under Article 11.1 (“Release”) of the Plan of Compromise and Reorganization (“Plan”) of the claims of Securities Claimants (as defined in Schedule A of the proposed order) against E&Y in this *Companies’ Creditors Arrangement Act* (“CCAA”) proceeding, in return for what the Ontario Plaintiffs’ counsel believe to be a “substantial premium” amount to be paid by E&Y into the proposed Settlement Trust;
- b) it is improper for the Ontario Plaintiffs to seek, and it would be improper for the Court to approve, any settlement and any release of Securities Claimants’ claims against E&Y, in this CCAA proceeding, under the present circumstances;
- c) it is improper for the Ontario Plaintiffs to seek, and it would be improper for the Court to approve, any settlement of class members’ claims against E&Y in this Class Action without either (a) excluding the persons who opted out in response to the Pöyry notice if the Pöyry opt out procedure is found to have been proper, or (b) providing for certification, notice, and opt out rights to Securities Claimants in connection with this settlement – and in either case assuring that any such opt outs are not illusory by virtue of any Releases as described above;

- d) it is improper and belated for the Ontario Plaintiffs to seek, and it would be improper for the Court to approve, the requested representation order in connection with the Release and settlement described above;
- e) it is improper for the Ontario Plaintiffs to present, and it would be improper for the Court to consider and approve, the E&Y Settlement in instalments, particularly in the absence of any plan for distributing any funds deposited in the proposed Settlement Trust. In the absence of a distribution plan, the Objectors cannot evaluate the sufficiency of the E&Y settlement consideration; and
- f) the Objectors reserve the right to supplement these grounds in response to further information emerging in these proceedings.

Attached hereto and marked as Exhibit "A" is the Notice of Objection of Invesco dated January 17, 2013.

6. Invesco caused mutual funds managed by it ("Funds") to purchase a large amount of Sino-Forest shares during the class period. Those Funds held those shares on June 2, 2011, and suffered substantial losses. I and others at Invesco were aware of the ensuing class litigation and knew Invesco was an absent class member in the Class Action. We were also aware that Sino-Forest sought *CCAA* protection, but we did not anticipate that the apparently routine activity in the *CCAA* proceedings would affect Invesco's rights as against E&Y and other defendants in the Class Action, other than as against Sino-Forest and its subsidiaries and perhaps against the company's directors and officers to some extent.

7. Invesco retained Kim Orr Barristers P.C. ("Kim Orr") in mid-November 2012 when it appeared that upcoming events in the Sino-Forest *CCAA* proceedings might affect investors' rights. However, I did not see anything in the *CCAA* proceedings that could or would imperil Invesco's right to proceed separately against E&Y or any other "third-party defendants" if Invesco determined that such a course of action would be prudent once a class was certified or a settlement was proposed, because I believed that opt out rights would be provided as a matter of normal procedure in the Class Action.

8. I believe that there was nothing in the pre-December 3, 2012 versions of the Plan which raised concern at Invesco. In fact, the November 28, 2012 version of the Plan preserved under Article 7.5 the equity Class Action claims against third-party defendants. Attached as Exhibit "B" is a true copy of the November 28, 2012 Plan.

9. On December 3, 2012, Class Counsel announced that a settlement had been entered into with E&Y, whereby E&Y would pay \$117 million into a Settlement Trust formed as part of the *CCAA* proceedings, in return for release of all claims that could be advanced against E&Y by any person in connection with Sino-Forest. Also on December 3, 2012, an amended Plan was filed. For the first time in the *CCAA* proceedings, Article 11 of this Plan contained a so called "framework" for settlement of claims against third-party defendants, including specific provisions concerning the settlement by and Releases for E&Y, and also allowing Named Third Party Defendants to avail themselves of similar provisions for unspecified settlements and Releases in the future.

10. The disclosures of the proposed E&Y Settlement and the Plan "framework" in early December 2012 caused me to have grave concerns about the direction of these proceedings, about the preservation of investors' opt out rights as against E&Y and other

third-party defendants, and ultimately about investors' ability to obtain a fair adjudication of the merits of their claims against E&Y and other third-party defendants.

11. I previously submitted my affidavit in this *CCAA* proceeding, sworn on December 6, 2012, requesting an adjournment of the application before the Court at that time and offering preliminary reasons for objecting to the Plan's Release provisions. As I stated at paragraph 10 of my December 6, 2012 affidavit, the Ontario Securities Commissions ("OSC") issued a Statement of Allegations against E&Y on December 3, 2012, alleging that E&Y had failed to comply with Generally Acceptable Auditing Standards in connection with its audits of Sino-Forest's financial statements.<sup>2</sup> Attached hereto and marked as Exhibit "C" is a real and true copy of my affidavit sworn December 6, 2012.

12. Since that time, the events that have unfolded have deepened my objections to the Plan, which this Court subsequently sanctioned in the Order of Justice Morawetz dated December 10, 2012, and to the E&Y Settlement, which is now before this Court for review in both the *CCAA* and *Class Proceedings Act, 1992* ("CPA") contexts.

13. The statements I made in my December 6, 2012 affidavit remain valid, and I respectfully adopt them in support of Invesco's objections.

14. I expressed concerns, in paragraph 15 of my December 6, 2012 affidavit, that the Plan "framework" might have been devised to allow E&Y to "bind investors to [a] settlement without giving them the opportunity to opt out and pursue their claims on the merits outside the Class Action."

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<sup>2</sup> Statement of Allegations against Ernst & Young by the Ontario Securities Commission dated December 3, 2012, Plaintiffs Motion Record (Returnable February 4, 2013), Tab FF, at p. 825.

15. This Court, in its Endorsement denying Invesco's request to adjourn the Sanction Hearing dated December 10, 2012, determined that such concerns were premature and should be addressed in connection with a later motion for approval of the settlement with E&Y.<sup>3</sup> That time has now arrived. It appears to me that my previously expressed concerns were and are wholly valid. Invesco accordingly renews its strenuous objection and opposition to approval of this settlement.

16. I have not seen anything to indicate that either the "framework" or the Minutes of Settlement between the Ontario Plaintiffs and E&Y was or is necessary for the remainder of the Plan to be implemented.

17. Invesco was also mindful that Class Counsel had reached a proposed settlement with Pöyry (Beijing) Consulting Company Ltd ("Pöyry"), one of the defendants in the Class Action, on March 20, 2012, and that January 15, 2013, was the opt out deadline established by the class action court in connection with that settlement. Invesco determined to opt out, inasmuch as we were not satisfied with Class Counsel's representation of our interests as a class member. A true copy of Invesco's opt out form without Invesco's trading records is attached as Exhibit "D".

18. It appeared to us that the Pöyry opt out procedure might involve a "Catch 22" provision -- if we opted out to pursue our remedies individually, we might be giving up our ability to share in any settlement proceeds, but the proposed full Release of E&Y might prevent us from seeking remedies on our own, thus making the opt out right illusory. Accordingly, in an effort to avoid such a trap, our opt out form states that:

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<sup>3</sup> Plan Sanction Endorsement dated December 10, 2012, Plaintiffs Motion Record (Returnable February 4, 2013), Tab E1, at p. 215-216 at paras. 20, 22-25.

This opt-out is submitted on condition that, and is intended to be effective only to the extent that, any defendant in this proceeding does not receive an order in this proceeding, which order becomes final, releasing any claim against such defendant, which includes a claim asserted on an opt-out basis by Invesco Canada Ltd. Otherwise this opt out right would be wholly illusory.

19. I believe that following the sanction hearing, Class Counsel disseminated a memorandum in which they openly stated they "believe that E&Y paid a substantial premium in order to be released from all claims through the Insolvency Proceeding." Attached hereto and marked as Exhibit "E" is a true copy of the Memorandum by Siskinds LLP to institutional investors dated December 31, 2012. That Memorandum incorrectly stated that Invesco "ignored" an invitation to discuss the E&Y Settlement with Class Counsel; in fact, I had gone out of town for the holidays by the time that invitation was extended. Furthermore, on January 11, 2013, Invesco participated in a teleconference with Class Counsel on a without prejudice basis.

20. As stated at paragraph 16 of my December 6, 2012 affidavit, Invesco does not view the Ontario Plaintiffs and Class Counsel, with whom it has no direct relationship, as authorized to represent its interests in connection with Sino-Forest and/or E&Y. Invesco never instructed Class Counsel to bargain away Invesco's right to opt out of the Class Action.

21. Invesco views the grant of no-opt-out Releases to third-party defendants to constitute a misuse of the *CCAA* process.

22. On January 11, 2013, Invesco's concerns about the misuse of the *CCAA* to grant third-party defendants no-opt-out Releases were reinforced when it was announced that

Allen Chan, alleged by the OSC to have committed fraud in connection with Sino-Forest<sup>4</sup>, was added as a Named Third Party Defendant and thus became eligible to receive a Release under Article 11.2 of the Plan without opt outs. Attached as Exhibits "F", "G" and "H" are the letters from Jennifer Stam to the Service List dated January 11, 2013, the response from Kim Orr, dated January 11, 2013, and the reply dated January 12, 2013, respectively.

23. Under the present circumstances, Invesco is unable to assess the adequacy and fairness of the proposed settlement amount offered by E&Y:

- a) Invesco and its counsel have not been provided access to any documents relating to E&Y's audit work at Sino-Forest. I believe that Class Counsel has not had full access to such documents either;
- b) investigations by the OSC and the RCMP into E&Y's audit work at Sino-Forest have not been completed and the results have not been reported to the public;
- c) the amount of insurance coverage available to E&Y with respect to its audit work for Sino-Forest has not been publicly disclosed; and,
- d) it is not yet established whether E&Y or its agents had knowledge that Sino-Forest's public representations (including its financial statements) concerning the company's assets and business operations were materially false, or whether those parties were reckless in not recognizing those facts.

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<sup>4</sup> Statement of Allegations issued against Sino and certain officers and directors issued by the Ontario Securities Commission dated May 22, 2012, Plaintiffs Motion Record (Returnable February 4, 2013), Tab BE, at p. 786.



24. Approval of the E&Y Settlement in these circumstances would send a signal to publicly listed companies, professional service firms, and other third parties that may be accused of securities fraud, that the *CCAA* process can be used by them to procure settlements and Releases of the claims against them without providing opt out rights to injured investors.

**Ontario Plaintiffs Should Not Be Appointed as Representatives**

25. The Ontario Plaintiffs and Class Counsel should not be appointed under Rule 10 of the *Rules of Civil Procedure* to represent Invesco and the other Objectors represented by Kim Orr. Kim Orr already represents our interests.

26. The Ontario Plaintiffs and Class Counsel previously sought to represent class members in the *CCAA* proceeding, but that motion was never granted.

27. I do not believe that the Ontario Plaintiffs and Class Counsel have properly represented Invesco's interests in this matter, and in fact they have acted contrary to our interests, as described above.

28. The fact that Class Counsel believe that the proposed settlement consideration includes a "substantial premium" attributable to the negation of opt out rights also leads me to conclude that Class Counsel are in a conflict position with investors who seek to opt out, in that Class Counsel will seek an award of class counsel fees based on a percentage of the overall settlement consideration, which reportedly includes a premium reflecting loss of our opt out rights. Attached as Exhibit "P" is, to the best of my knowledge and belief, an excerpt from a true copy of Contingency Fee Joint Retainer

Agreement between the Ontario Plaintiffs and Class Counsel signed in July and August 2012.

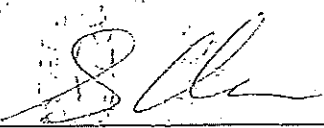
29. The Ontario Plaintiffs' representation request is particularly misguided in that it seeks to vest authority in Class Counsel retroactively, to provide a veneer of regularity over a previously negotiated settlement to which Invesco in fact objects.


**Order Requested**

30. Invesco respectfully requests that this Court dismiss the motion to approve the E&Y Settlement.

31. In the alternative, Invesco respectfully requests that relief from the binding effect of the Representation Order and Settlement Approval Order be granted to Invesco and the other Objectors represented by Kim Orr.

SWORN before me at the City of )  
Toronto, in the Province of Ontario, )  
this 18<sup>th</sup> day of January, 2013. )

  
\_\_\_\_\_  
A Commissioner for taking affidavits. )

  
\_\_\_\_\_  
ERIC J. ADELSON

This is Exhibit "B" to the affidavit of Eric J. Adelson,  
sworn before me at the City of Toronto, in the Province  
of Ontario, this 18<sup>th</sup> day of January, 2013.



\_\_\_\_\_  
A Commissioner for taking affidavits.

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

*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 AND  
ARRANGEMENT OF SINO-FOREST  
CORPORATION

APPLICANT

---

AMENDED PLAN OF COMPROMISE AND REORGANIZATION

pursuant to the *Companies' Creditors Arrangement Act*  
and the *Canada Business Corporations Act*  
concerning, affecting and involving

SINO-FOREST CORPORATION

---

November 28, 2012

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treated as Affected Creditor Claims in the manner described in section 4.1 hereof and released pursuant to section 7.1(b) hereof;

- (i) the Subsidiaries from their respective indemnification obligations (if any) to Directors or Officers of the Subsidiaries that relate to the ordinary course operations of the Subsidiaries and that have no connection with any of the matters listed in section 7.1(g) hereof;
- (j) SFC or the Directors and Officers from any Insured Claims, provided that recovery for Insured Claims shall be irrevocably limited to recovery solely from the proceeds of Insurance Policies paid or payable on behalf of SFC or its Directors and Officers in the manner set forth in section 2.4 hereof;
- (k) insurers from their obligations under insurance policies; and
- (l) any Released Party for fraud or criminal conduct.

### 7.3 Injunctions

All Persons are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all Released Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Released Parties; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties or their property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against one or more of the Released Parties; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Released Parties or their property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; provided, however, that the foregoing shall not apply to the enforcement of any obligations under the Plan.

### 7.4 Timing of Releases and Injunctions

All releases and injunctions set forth in this Article 7 shall become effective on the Plan Implementation Date at the time or times and in the manner set forth in section 6.4 hereof.

### 7.5 Equity Class Action Claims Against the Third Party Defendants

Notwithstanding anything to the contrary in this Plan, any Class Action Claim against the Third Party Defendants that relates to the purchase, sale or ownership of Existing Shares or Equity Interests: (a) is unaffected by this Plan; (b) is not discharged, released, cancelled or barred

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pursuant to this Plan; (c) shall be permitted to continue as against the Third Party Defendants; (d) shall not be limited or restricted by this Plan in any manner as to quantum or otherwise (including any collection or recovery for any such Class Action Claim that relates to any liability of the Third Party Defendants for any alleged liability of SFC); and (e) does not constitute an Equity Claim or an Affected Claim under this Plan.

## ARTICLE 8 COURT SANCTION

### 8.1 Application for Sanction Order

If the Plan is approved by the Required Majority, SFC shall apply for the Sanction Order on or before the date set for the hearing of the Sanction Order or such later date as the Court may set.


### 8.2 Sanction Order

The Sanction Order shall, among other things:

- (a) declare that: (i) the Plan has been approved by the Required Majority in conformity with the CCAA; (ii) the activities of SFC have been in reasonable compliance with the provisions of the CCAA and the Orders of the Court made in this CCAA Proceeding in all respects; (iii) the Court is satisfied that SFC has not done or purported to do anything that is not authorized by the CCAA; and (iv) the Plan and the transactions contemplated thereby are fair and reasonable;
- (b) declare that the Plan and all associated steps, compromises, releases, discharges, cancellations, transactions, arrangements and reorganizations effected thereby are approved, binding and effective as herein set out as of the Plan Implementation Date;
- (c) confirm the amount of each of the Unaffected Claims Reserve, the Administration Charge Reserve and the Monitor's Post-Implementation Reserve;
- (d) declare that, on the Plan Implementation Date, all Affected Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, subject only to the right of the applicable Persons to receive the distributions to which they are entitled pursuant to the Plan;
- (e) declare that, on the Plan Implementation Date, the ability of any Person to proceed against SFC or the Subsidiaries in respect of any Released Claims shall be forever discharged and restrained, and all proceedings with respect to, in connection with or relating to any such matter shall be permanently stayed;
- (f) declare that the steps to be taken, the matters that are deemed to occur and the compromises and releases to be effective on the Plan Implementation Date are deemed to occur and be effected in the sequential order contemplated by section 6.4, beginning at the Effective Time;

# TAB B

This is Exhibit "C" to the affidavit of Eric J. Adelson,  
sworn before me at the City of Toronto, in the Province  
of Ontario, this 18<sup>th</sup> day of January, 2013.

  
A Commissioner for taking affidavits.



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

**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 PLAN OF A COMPROMISE OR ARRANGEMENT OF  
SINO-FOREST CORPORATION**

**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.

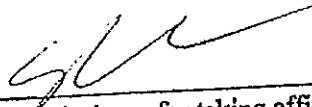
16. The Class Action has not been certified, so Invesco does not view Class Counsel, with whom we have no other relationship, as authorized to represent its interests in connection with Sino-Forest. Our views have not been heard and our interests have not been represented in connection with the Plan 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 6<sup>th</sup> day of December, 2012. )

  
\_\_\_\_\_  
A Commissioner for taking affidavits. )

  
\_\_\_\_\_  
ERIC J. ADELSON

**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

**AFFIDAVIT OF ERIC J. ADELSON**

**KIM ORR BARRISTERS P.C.**

19 Mercer Street  
4<sup>th</sup> Floor  
Toronto, Ontario M5V 1H2

Won J. Kim (LSUC #32918H)  
James C. Orr (LSUC #23180M)  
Michael C. Spencer (LSUC #59637F)  
Megan B. McPhee (LSUC #48351G)

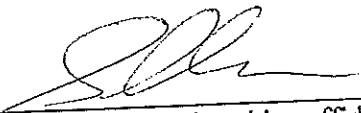
Tel: (416) 596-1414  
Fax: (416) 598-0601

Lawyers for Invesco Canada Ltd., Northwest &  
Ethical Investments L.P. and Comité Syndical  
National de Retraite Bâtiement Inc.

# TAB C



This is Exhibit "D" to the affidavit of Eric J. Adelson,  
sworn before me at the City of Toronto, in the Province  
of Ontario, this 18<sup>th</sup> day of January, 2013.

  
\_\_\_\_\_  
A Commissioner for taking affidavits.

This opt-out is submitted on condition that, and is intended to be effective only to the extent that, any defendant in this proceeding does not receive an order in this proceeding, which order becomes final, releasing any claim against such defendant, which includes a claim asserted on an opt-out basis by Invesco Canada Ltd. Otherwise, this opt out right would be wholly illusory.

# SINO-FOREST CLASS ACTION SETTLEMENT OPT OUT FORM

Must be Postmarked  
No Later Than  
January 15, 2013

**THIS FORM IS NOT A REGISTRATION FORM OR A CLAIM FORM.  
THIS FORM EXCLUDES YOU FROM PARTICIPATION IN THE PÖYRY (BEIJING) SETTLEMENT AGREEMENT.  
DO NOT USE THIS FORM IF YOU WANT TO REMAIN IN THE CLASS.**

Last Name    First Name

Current Address

City  Prov./State  Postal Code/Zip Code

Social Insurance Number/Social Security Number/Unique Tax Identifier

Telephone Number (Work)  -  -   
Telephone Number (Home)  -  -

Total number of Sino-Forest securities purchased during the Class Period (March 19, 2007 to June 2, 2011):

You must also accompany your Opt-Out form with brokerage statements, or other transaction records, listing all of your purchases of Sino-Forest common shares between March 19, 2007 to June 2, 2011, inclusive (the "Class Period").

Identification of person signing this Opt Out Form (please check):  
 I represent that I purchased Sino-Forest Corporation ("Sino-Forest") securities and am the above identified Class Member. I am signing this Form to EXCLUDE myself from the participation in the Sino-Forest Class Action Settlement Agreement reached between the Class and Pöyry (Beijing) Consulting Company Limited ("Pöyry (Beijing)"), the Settling Defendant.

Purpose for Opting Out (check only one):  
 My current intention is to begin individual litigation against Pöyry (Beijing) in relation to the matters alleged in the Proceedings.  
 I am opting out of the class action for a reason other than to begin individual litigation against Pöyry (Beijing) in relation to the matters alleged in the Proceedings. I am opting out for the following reason(s):


I UNDERSTAND THAT BY OPTING OUT I WILL NEVER BE ELIGIBLE TO RECEIVE BENEFITS OBTAINED BY WAY OF THE PÖYRY (BEIJING) SETTLEMENT AGREEMENT, AND WILL BE UNABLE TO PARTICIPATE IN ANY FUTURE SETTLEMENT OR JUDGEMENT WITH OR AGAINST ANY OF THE REMAINING DEFENDANTS.

Signature: [Signature] Date Signed: Jan. 11, 2013

Please mail your Opt Out Form to:  
Sino-Forest Class Action  
PO Box 3355  
London, ON N6A 4K3



This is Exhibit "E" to the affidavit of Eric J. Adelson,  
sworn before me at the City of Toronto, in the Province  
of Ontario, this 18<sup>th</sup> day of January, 2013.

  
\_\_\_\_\_  
A Commissioner for taking affidavits.

100 Lombard Street, Suite 302, Toronto, ON M5C 1M3

**SISKINDS** | THE  
LAW  
FIRM

## MEMORANDUM

FROM Siskinds LLP  
DATE December 31, 2012  
SUBJECT The Ernst & Young Settlement in the Sino-Forest Securities Litigation

We write in response to disinformation circulated recently by the Toronto-based law firm of Kim Orr PC ("Kim Orr"), in connection with a class action (the "Ontario Action") pending in the Ontario Superior Court of Justice (the "Court") against Sino-Forest Corporation ("Sino") and certain other defendants, including Ernst & Young LLP ("E&Y"), Sino's former auditors.

By way of background, our firm and the Toronto-based law firm of Koskie Minsky LLP (together, "Siskinds-Koskie") are counsel to the plaintiffs in the Ontario Action. Siskinds-Koskie were appointed as such by the Court in January 2012. Two other law firms vied with Siskinds-Koskie for the role of counsel to the putative class, including Kim Orr. When the Court appointed Siskinds-Koskie to act for the putative class, it ranked Kim Orr last of the three competing counsel groups.

It has come to our attention that Kim Orr has sent correspondence to various institutional investors in which Kim Orr claims to have a better appreciation of the class members' interests than Court-appointed counsel to the putative class. We have reviewed the Kim Orr correspondence and write to you in order to respond to Kim Orr's criticisms of the proposed settlement with E&Y ("E&Y Settlement"). Kim Orr's criticisms are meritless.

Preliminarily, we note that Kim Orr has never requested an explanation of the rationale for the E&Y Settlement from us. In fact, on December 12, 2012, we invited Kim Orr and its clients to discuss the E&Y settlement with us. They ignored that invitation.

The proposed E&Y Settlement is for CAD\$117 million. This is by far the largest auditor settlement in the history of Canadian securities class actions. It is also, to the knowledge of Siskinds-Koskie, the fifth largest auditor settlement of a securities class action in the world. By any rational measure, the E&Y Settlement is, in the words of Kim Orr partner Won Kim, "a very big settlement."

Kim Orr's correspondence also neglects to mention that the historic E&Y Settlement enjoys the support of numerous large institutions, including:

- Paulson & Co., the largest holder of Sino shares prior to the release of the Muddy Waters report in June 2011 (approximately 14% of Sino's outstanding shares);
- Davis Selected Advisers LP, the second largest holder of Sino shares prior to the Muddy Waters report (approximately 13% of Sino's outstanding shares);

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- The trustees of the Labourers' Pension Fund of Central and Eastern Canada, one of the representative plaintiffs, a pension fund with more than \$2.5 billion in assets;
- The trustees of the International Union of Operating Engineers, one of the representative plaintiffs, a pension fund with more than \$1.5 billion in assets; and
- Sjunde AP-Fonden, one of the representative plaintiffs, the Swedish National Pension Fund managing approximately \$15.9 billion in assets.

Collectively, these institutions have a stake in the litigation which dwarfs that of Kim Orr's clients.

The class reached the historic E&Y Settlement despite a range of challenges, including an auditor liability limit under Canada's statutory regime for secondary market misrepresentation which may well be less than \$10 million. Siskinds-Koskie was also obliged to contend with a Canadian insolvency proceeding instituted by Sino in March 2012 (the "Insolvency Proceeding"). The Insolvency Proceeding resulted in a stay of the Ontario Action, and had the potential to result in the release of all claims against E&Y for a sum that is far less than \$117 million.

In considering Kim Orr's assertions, you should also be aware that Kim Orr has not participated in the Insolvency Proceeding, has not reviewed relevant audit documents that were produced in the course of that proceeding, did not seek to participate in the mediation and other settlement discussions that took place during that proceeding, and took no overt steps to further the interests of its clients or those of other members of the putative class in the Insolvency Proceeding, notwithstanding that Kim Orr was aware of and actively monitored the Insolvency Proceeding. By contrast, Siskinds-Koskie took numerous steps to protect the interests of the putative class in the Insolvency Proceeding, including filing a proof of claim on behalf of the putative class to ensure that the claims of its members were not extinguished.

In its correspondence, Kim Orr also complains that the E&Y Settlement does not provide for opt out rights, and warns that this is an ominous precedent for investor rights in Canada. What Kim Orr ignores is that this feature of the E&Y Settlement arises in the peculiar context of the Insolvency Proceeding. It is not a precedent for class actions generally in Canada. On the contrary, the absence of opt-out rights has long been a standard feature of Canadian insolvency proceedings. Moreover, Siskinds-Koskie believe that E&Y paid a substantial premium in order to be released from all claims through the Insolvency Proceeding.

Finally, in its correspondence, Kim Orr claims that the settlement approval process is being conducted with "unseemly haste." In fact, Siskinds-Koskie have been working and continue to work to an expedited schedule that is coordinated with Sino's Insolvency Proceeding, with the goal of ensuring that the putative class does not lose the opportunity for this extraordinary

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settlement. All steps taken in the Insolvency Proceeding are subject to court supervision, and the date for the court's consideration of the settlement was set by the court, on notice to Kim Orr, after hearing Kim Orr's objections. Regardless, events have unfolded in a way that has permitted the settlement approval hearing to be adjourned from January 4, 2013 to February 4, 2013, so as to afford class members additional time to evaluate the settlement.

### Conference Calls

Members of the putative class should make their own assessment of the fairness and reasonableness of the E&Y Settlement. For this purpose, Siskinds-Koskie will be hosting two conference calls to discuss the settlement with members of the putative class. If you are a member of the putative class,<sup>1</sup> we hope that you can join us to discuss the E&Y Settlement, an opportunity which Kim Orr and its clients have regrettably disregarded.

The conference calls are limited to the members of the putative class, namely, persons who bought any securities of Sino between March 31, 2006 and August 26, 2011 ("Class Members") and their counsel. Each participant will be required to provide his or her name and, if calling on behalf an organization that purchased Sino securities during that period, the name of his or her organization.

Participants should dial-in 15-20 minutes in advance of the call. Each conference call will include a presentation followed by a Q&A session.

Date	Time	Dial-in Numbers
Wednesday, January 9, 2013	10:00 a.m. (EST)	Tel: 416-340-2216 Toll-free: 866-226-1792
Thursday, January 17, 2013	4:30 p.m. (EST)	Tel: 416-340-2216 Toll-free: 866-226-1792

<sup>1</sup> For purposes of the E&Y Settlement, the putative class includes all persons and entities, wherever they may reside, who purchased securities of Sino between March 31, 2006 and August 26, 2011.

100 Lombard Street, Suite 302, Toronto, ON M5C 1M3

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LAW  
FIRM

Website

Siskinds-Koskie will post the settlement approval materials on their websites at the addresses provided below no later than January 12, 2013. For further information about this settlement, or if you are unable to participate in the calls, we encourage you to consult our websites at:


- <http://www.classaction.ca/classaction-ca/master-page/actions/Securities/Current-Actions/Sino-Forest-Corp.aspx>
- <http://www.kmlaw.ca/Case-Central/Overview/?rid=143>

**About Siskinds LLP and Koskie Minsky LLP**

In both 2010 and 2011, Securities Class Action Services, a unit of Institutional Shareholder Services (ISS), named Siskinds LLP the top Canadian law firm in its annual global ranking of the world's 50 leading securities class action law firms. Siskinds was co-lead counsel in the *Imax Securities Litigation*, the first securities class action in which leave was granted to commence an action under Part XXIII.1 of the Ontario *Securities Act*. Siskinds has been lead or co-lead counsel in every Ontario securities class action in which leave was granted. Siskinds was also the first law firm to secure certification of a class proceeding under the *Class Proceedings Act, 1992*.

Koskie Minsky LLP is a 45-lawyer firm in Toronto specializing in class actions, pension and benefits, trade union labour law, employment law, civil litigation and construction law. Its class action group consists of 10 lawyers who specialize in cases relating to institutional abuse, securities fraud, pension fund mismanagement, consumer protection and employment issues. It has been involved in many of the leading cases across Canada and has recovered more than 4 billion dollars for its class action clients.

This is Exhibit "F" to the affidavit of Eric J. Adelson,  
sworn before me at the City of Toronto, in the Province  
of Ontario, this 18<sup>th</sup> day of January, 2013.

  
A Commissioner for taking affidavits.





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January 11, 2013

SENT TO EMAIL

THE SERVICE LIST

Dear Sirs/Mesdams:

Jennifer Stam  
Direct 416-862-5697  
jennifer.stam@gowlings.com

**Re: Sino-Forest Corporation ("SFC"): Court File #CV-12-9667-00CL**

We refer to SFC's plan of compromise and reorganization dated December 3, 2012 (as the same may be amended, varied or supplemented from time to time in accordance with its terms, the "Plan") and the Plan Sanction Order dated December 10, 2012 (the "Sanction Order") and hereby give notice to the Service List of the matters concerning the Plan. Capitalized terms used herein but not defined have the meaning given to them in the Plan.

SFC today announced that the Plan Implementation Date, which was expected to be January 15, 2013, is expected to be January 17, 2013. This date has been selected by SFC with the consent of the Monitor and the Initial Consenting Noteholders.

In addition, pursuant to and in accordance with Section 11.2(a) of the Plan, Allen Chan and Kai Kit Poon have become "Named Third Party Defendants" under the Plan and a revised "Schedule A" to the Plan is attached to this letter. In accordance with Section 7.1(n) of the Plan, as a result of becoming Named Third Party Defendants under the Plan, Mr. Chan and Mr. Poon shall not be entitled to receive any distributions under the Plan.

In addition, on the consent of SFC, the Monitor, the Initial Consenting Noteholders, counsel to the Ontario Class Action Plaintiffs, and in accordance with section 1.1 of the Plan, the "Indemnified Noteholder Class Action Limit" under the Plan has been reduced to \$25 million as it relates to David Horsley. The reduction of the Indemnified Noteholder Class Action Limit to \$25 million as it relates to Mr. Horsely has been incorporated into and forms a part of the Plan as approved by the Sanction Order.

As a result of the parties added to the Plan as "Named Third Party Defendants" and the reduction of the Indemnified Noteholder Class Action Limit to \$25 million as it relates to Mr. Horsely, the Unresolved Claims Reserve has been correspondingly reduced to an aggregate amount of \$28,500,000, which consists of (a) Class Action Indemnity Claims in the amount of \$25 million; (b) Claims in respect of Defence Costs in the amount of \$3 million; and (c) other Affected Creditor Claims that have been identified by the Monitor as Unresolved Claims in an amount up to \$500,000. The reduction of the Unresolved Claims Reserve to an aggregate amount of \$28,500,000 has occurred with the consent of the Monitor and the Initial Consenting Noteholders in accordance with

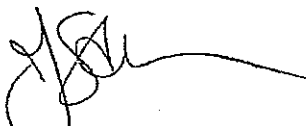
gowlings

section 1.1 of the Plan, and has been incorporated into and forms a part of the Plan as approved by the Sanction Order.

The establishment of the Unresolved Claims Reserve is not an admission by SFC, the Monitor or any other party (including the Initial Consenting Noteholders) as to the validity of any such Claims and all rights to dispute such Claims are reserved. Likewise, the reduction of the Indemnified Noteholder Class Action Limit as it relates to Mr. Horsely to \$25 million does not constitute an admission by SFC, the Monitor or any other party (including the Initial Consenting Noteholders) as to the validity of any indemnity Claims by Mr. Horsely and all rights to dispute any such Claims by Mr. Horsely have been and are reserved.

Sincerely,

GOWLING LAFLEUR HENDERSON LLP



Jennifer Stam

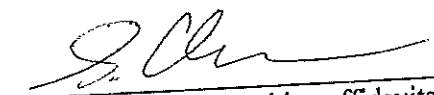
JS

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1/10/13

**SCHEDULE A****NAMED THIRD PARTY DEFENDANTS**

1. The Underwriters, together with their respective present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns, excluding any Director or Officer and successors, administrators, heirs and assigns of any Director or Officer in their capacity as such.
2. Ernst & Young LLP (Canada), Ernst & Young Global Limited and all other member firms thereof, together with their respective present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns, excluding any Director or Officer and successors, administrators, heirs and assigns of any Director or Officer in their capacity as such, in the event that the Ernst & Young Settlement is not completed.
3. BDO Limited, together with its respective present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns, excluding any Director or Officer and successors, administrators, heirs and assigns of any Director or Officer in their capacity as such.
4. Allen Chan, together with his successors, administrators, heirs, assigns and insurers.
5. Kai Kit Poon, together with his successors, administrators, heirs, assigns and insurers.

This is Exhibit "G" to the affidavit of Eric J. Adelson,  
sworn before me at the City of Toronto, in the Province  
of Ontario, this 18<sup>th</sup> day of January, 2013.

  
A Commissioner for taking affidavits.



James C. Orr  
Tel: (416) 349-6571  
E-mail: jo@kimorr.ca

January 11, 2013

VIA EMAIL

Ms. Jennifer Stam  
Gowling Lafleur Henderson LLP  
1 First Canadian Place  
100 King Street West, Suite 1600  
Toronto, Ontario  
M5X 1G5

Dear Ms. Stam:

**RE: Sino-Forest Corp. CCAA Proceeding**

Thank you for your letter of today's date advising of the intended addition of Allen Chan ("Chan") and Kai Kit Poon ("Poon") to the Named Third Party Defendant list in Schedule A to the sanctioned Plan of Compromise and Reorganization ("Plan"). We note that their possible inclusion was not communicated prior to the Creditors Meeting.

While Article 11.2(a) of the Plan authorizes the addition of Eligible Third Party Defendants to Schedule A on notice, the definition of Eligible Third Party Defendant at page 10 of the Plan specifically excludes any Director or Officer. Chan and Poon are former Directors and Officers of Sino-Forest. Accordingly, Court approval is required to effect their inclusion. In the absence of clear authority to unilaterally vary this part of the Plan, a motion needs to be brought to have the Court approve this change.



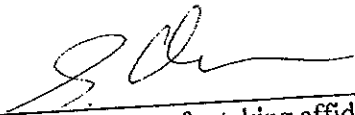
We do not understand the rationale, in particular, for granting a possible non-opt-out third party release to Chan, who has been accused of fraud by the Ontario Securities Commission. It is also not clear how the possible release of civil claims against Chan or Poon, including civil fraud claims, would advance the restructuring of Sino-Forest in any way. It would be appreciated if you could provide a response on this issue so we can consider our position.

Yours truly,

James C. Orr

cc. Service List

This is Exhibit "H" to the affidavit of Eric J. Adelson,  
sworn before me at the City of Toronto, in the Province  
of Ontario, this 18<sup>th</sup> day of January, 2013.

  
A Commissioner for taking affidavits.

# gowlings

montreal • ottawa • toronto • hamilton • waterloo region • calgary • vancouver • beijing • moscow • london

January 12, 2013

Jennifer Stam  
Direct 416-862-5697  
jennifer.stam@gowlings.com

SENT BY EMAIL

Kim Orr Barristers P.C.  
19 Mercer Street, 4th Floor  
Toronto, Ontario, M5V 1H2

Attention: James Orr

Dear James:

Re: Sino-Forest Corporation

We are in receipt of your letter dated January 11, 2013. With respect to your point that the addition of Mr. Poon and Mr. Chan requires Court approval, you are incorrect. "Eligible Third Party Defendant" as defined in section 1.1 of the Plan includes any Director or Officer (together with their respective successors, administrators, heirs and assigns). Further, Section 11.2(a) of the Plan expressly states that no further Court approval is required for the addition of Named Third Party Defendants who are Eligible Third Party Defendants to Schedule A of the Plan. Accordingly, no Court approval is required for the addition of Mr. Poon or Mr. Chan as Named Third Party Defendants under the Plan.

With respect to your second point, as our letter indicated, the immediate impact of Mr. Poon and Mr. Chan having become Named Third Party Defendants under the Plan is that they will not be receiving any Plan consideration which will result in greater Plan consideration being available for distribution on Plan implementation. If there was ever a proposed settlement with Mr. Poon or Mr. Chan, that settlement would be subject to further consents and court approval as provided for in the Plan and any positions taken with respect to any proposed settlement would be expressed at that time.

Sincerely,

GOWLING LAFLEUR HENDERSON LLP



Jennifer Stam

c. THE SERVICE LIST

TOR\_LAW 8078318V1

Gowling Lafleur Henderson LLP • Lawyers • Patent and Trade-mark Agents  
1 First Canadian Place • 100 King Street West • Suite 1800 • Toronto • Ontario • M5X 1G5 • Canada T 416-862-7525 F 416-862-7661 gowlings.com



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

**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**

Court File No.: CV-11-431153-00CP

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

**BETWEEN:**

**THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND  
 EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF  
 OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING  
 ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and  
 ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED  
 (formerly known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W.  
 JUDSON MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E.  
 ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON  
 MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING)  
 CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES  
 (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES  
 CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL  
 INC., CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC.,  
 CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC.,  
 CREDIT SUISSE SECURITIES (USA) LLC and MERRILL LYNCH, PIERCE,  
 FENNER & SMITH INCORPORATED (successor by merger to Banc of America  
 Securities LLC)**

Defendants

Proceeding under the *Class Proceedings Act, 1992*


**AFFIDAVIT OF TANYA T. JEMEC**  
 (Sworn January 18, 2013)

I, Tanya T. Jemec, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am an Associate at Kim Orr Barristers P.C. ("Kim Orr") and as such have personal knowledge of the matters to which I depose in this affidavit.
2. Kim Orr represents a group of six Securities Claimants as that term is defined in Appendix A to the draft Settlement Approval Order: Invesco Canada Ltd., Northwest & Ethical Investments L.P., Comité Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc., Gestion Férique and Montrusco Bolton Investments Inc., which purchased shares of Sino-Forest Corporation ("Sino-Forest") (together, the "Objectors").
3. The Objectors have submitted notices of objection to the proposed settlement between the plaintiffs ("Ontario Plaintiffs") in the *Labourers' Pension Fund of Central and Eastern Canada v. Sino-Forest Corporation*, Court file No. 11-CV-431153CP ("Class Action") and Ernst & Young LLP and its related entities ("E&Y") (the "E&Y Settlement").
4. Attached hereto and marked as Exhibits "A" to "D" are true copies of the Notices of Objection for Northwest & Ethical Investments L.P., Matrix Asset Management Inc., Gestion Férique and Montrusco Bolton Investments Inc.
5. Attached hereto and marked as Exhibits "E" to "H" are true copies of the opt out forms (without trading records) for Northwest & Ethical Investments L.P., Matrix Asset Management Inc., Gestion Férique and Montrusco Bolton Investments Inc., respectively.
6. It is my belief from reviewing the trading records that the Objectors have purchased a total of 6,275,422 shares of Sino-Forest during the Class Period and that as of June 2, 2011 the Objectors held a total of 3,995,932 shares.

7. On December 17, 2012 Counsel in the New York Class Action (*Leopard et al. v. Chan et al.*, 1:12-cv-01726-VM) wrote a letter to the Ontario Plaintiffs' Counsel raising concerns about the E&Y Settlement. Attached hereto and marked as Exhibit "I" is a letter from Mr. Richard Spiers to Mr. A. Dimitri Lascaris dated December 17, 2012.

SWORN before me at the City of )  
 Toronto, in the Province of Ontario, )  
 this 18<sup>th</sup> day of January, 2013. )

  
 \_\_\_\_\_ )  
 A Commissioner for taking affidavits. )

**NORMAN T. MIZOBUCHI**

  
 \_\_\_\_\_  
 TANYA T. JEMEC

This opt-out is submitted on condition that, and is intended to be ~~1-1-8~~ have only to the extent that, any defendant in this proceeding does not receive an order in this proceeding, which order becomes final, releasing any claim against such defendant, which includes a claim asserted on an opt-out basis by Northwest & Ethical Investments L.P. Otherwise, this opt out right would be wholly illusory.

# SINO-FOREST CLASS ACTION SETTLEMENT OPT OUT FORM

Must be Postmarked  
No Later Than  
January 15, 2013

THIS FORM IS NOT A REGISTRATION FORM OR A CLAIM FORM.  
THIS FORM EXCLUDES YOU FROM PARTICIPATION IN THE PÖYRY (BEIJING) SETTLEMENT AGREEMENT.  
DO NOT USE THIS FORM IF YOU WANT TO REMAIN IN THE CLASS.

Last Name First Name

WORTHWEST & ETHICAL INVESTMENTS

Current Address L.P.

155 UNIVERSITY AVENUE, 4TH

FLOOR

City Prov./State Postal Code/Zip Code

TORONTO ON M5H 3B7

Social Insurance Number/Social Security Number/Unique Tax Identifier

N/A

Telephone Number (Work) Telephone Number (Home)

416-933-6288 - -

Total number of Sino-Forest securities purchased during the Class Period (March 19, 2007 to June 2, 2011): 714,075

You must also accompany your Opt-Out form with brokerage statements, or other transaction records, listing all of your purchases of Sino-Forest common shares between March 19, 2007 to June 2, 2011, inclusive (the "Class Period").

Identification of person signing this Opt Out Form (please check):

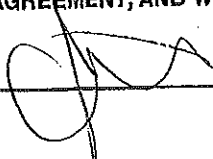
I represent that I purchased Sino-Forest Corporation ("Sino-Forest") securities and am the above identified Class Member. I am signing this Form to EXCLUDE myself from the participation in the Sino-Forest Class Action Settlement Agreement reached between the Class and Pöyry (Beijing) Consulting Company Limited ("Pöyry (Beijing)"), the Settling Defendant.

Purpose for Opting Out (check only one):

My current intention is to begin individual litigation against Pöyry (Beijing) in relation to the matters alleged in the Proceedings.

I am opting out of the class action for a reason other than to begin individual litigation against Pöyry (Beijing) in relation to the matters alleged in the Proceedings. I am opting out for the following reason(s):

I UNDERSTAND THAT BY OPTING OUT I WILL NEVER BE ELIGIBLE TO RECEIVE BENEFITS OBTAINED BY WAY OF THE PÖYRY (BEIJING) SETTLEMENT AGREEMENT, AND WILL BE UNABLE TO PARTICIPATE IN ANY FUTURE SETTLEMENT OR JUDGEMENT WITH OR AGAINST ANY OF THE REMAINING DEFENDANTS.

Signature:  Date Signed: 2013/01/11

Please mail your Opt Out Form to:  
Sino-Forest Class Action  
PO Box 3355  
London, ON N6A 4K3



This opt-out is submitted on condition that, and is intended to be effective only to the extent that, any defendant in this proceeding does not receive an order in this proceeding, which order becomes final, releasing any claim against such defendant, which includes a claim asserted on an opt-out basis by Gestion FÉRIQUE. Otherwise, this opt out right would be wholly illusory.

# SINO-FOREST CLASS ACTION SETTLEMENT OPT OUT FORM

Must be Postmarked  
No Later Than  
January 15, 2013

THIS FORM IS NOT A REGISTRATION FORM OR A CLAIM FORM.  
THIS FORM EXCLUDES YOU FROM PARTICIPATION IN THE PÖYRY (BEIJING) SETTLEMENT AGREEMENT.  
**DO NOT USE THIS FORM IF YOU WANT TO REMAIN IN THE CLASS.**

Last Name First Name

GESTION FÉRIQUE

Current Address

1010 DE LA GAUCHETIÈRE ST WEST  
SUITE 1000

City Prov./State Postal Code/Zip Code

MONTREAL QC H3B 2N2

Social Insurance Number/Social Security Number/Unique Tax Identifier

N/A

Telephone Number (Work) Telephone Number (Home)

514-840-9206

Total number of Sino-Forest securities purchased during the Class Period (March 19, 2007 to June 2, 2011):

194925

You must also accompany your Opt-Out form with brokerage statements, or other transaction records, listing all of your purchases of Sino-Forest common shares between March 19, 2007 to June 2, 2011, inclusive (the "Class Period").

Identification of person signing this Opt Out Form (please check):

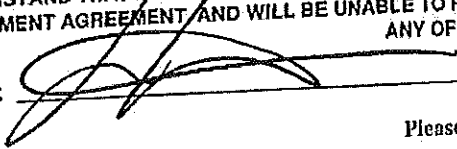
I represent that I purchased Sino-Forest Corporation ("Sino-Forest") securities and am the above identified Class Member. I am signing this Form to EXCLUDE myself from the participation in the Sino-Forest Class Action Settlement Agreement reached between the Class and Pöyry (Beijing) Consulting Company Limited ("Pöyry (Beijing)"), the Settling Defendant.

Purpose for Opting Out (check only one):

My current intention is to begin individual litigation against Pöyry (Beijing) in relation to the matters alleged in the Proceedings.

I am opting out of the class action for a reason other than to begin individual litigation against Pöyry (Beijing) in relation to the matters alleged in the Proceedings. I am opting out for the following reason(s):

I UNDERSTAND THAT BY OPTING OUT I WILL NEVER BE ELIGIBLE TO RECEIVE BENEFITS OBTAINED BY WAY OF THE PÖYRY (BEIJING) SETTLEMENT AGREEMENT AND WILL BE UNABLE TO PARTICIPATE IN ANY FUTURE SETTLEMENT OR JUDGEMENT WITH OR AGAINST ANY OF THE REMAINING DEFENDANTS.

Signature:  Date Signed: 14/1/2012

Please mail your Opt Out Form to:  
Sino-Forest Class Action  
PO Box 3355  
London, ON N6A 4K3



This opt-out is submitted on condition that, and is intended to be effective only to the extent that, any defendant in this proceeding does not receive an order in this proceeding, which order becomes final, releasing any claim against such defendant, which includes a claim asserted on an opt-out basis by Montrusco Bolton Investments Inc. Otherwise, this opt out right would be wholly illusory.

# SINO-FOREST CLASS ACTION SETTLEMENT OPT OUT FORM

Must be Postmarked  
No Later Than  
January 15, 2013

THIS FORM IS NOT A REGISTRATION FORM OR A CLAIM FORM.  
THIS FORM EXCLUDES YOU FROM PARTICIPATION IN THE PÖYRY (BEIJING) SETTLEMENT AGREEMENT.  
DO NOT USE THIS FORM IF YOU WANT TO REMAIN IN THE CLASS.

Last Name: MONTRUSCO BOLTON | First Name: INVESTMENTS INC.

Current Address: 1501 MCGILL COLLEGE AVENUE  
SUITE 1200

City: MONTREAL | Prov./State: QC | Postal Code/Zip Code: H3A 3M8

Social Insurance Number/Social Security Number/Unique Tax Identifier: N/A

Telephone Number (Work): 514-842-6464 | Telephone Number (Home):

Total number of Sino-Forest securities purchased during the Class Period (March 19, 2007 to June 2, 2011): 302565

You must also accompany your Opt-Out form with brokerage statements, or other transaction records, listing all of your purchases of Sino-Forest common shares between March 19, 2007 to June 2, 2011, inclusive (the "Class Period").

Identification of person signing this Opt Out Form (please check):

I represent that I purchased Sino-Forest Corporation ("Sino-Forest") securities and am the above identified Class Member. I am signing this Form to EXCLUDE myself from the participation in the Sino-Forest Class Action Settlement Agreement reached between the Class and Pöyry (Beijing) Consulting Company Limited ("Pöyry (Beijing)"), the Settling Defendant.

Purpose for Opting Out (check only one):

My current intention is to begin individual litigation against Pöyry (Beijing) in relation to the matters alleged in the Proceedings.  
 I am opting out of the class action for a reason other than to begin individual litigation against Pöyry (Beijing) in relation to the matters alleged in the Proceedings. I am opting out for the following reason(s):

I UNDERSTAND THAT BY OPTING OUT I WILL NEVER BE ELIGIBLE TO RECEIVE BENEFITS OBTAINED BY WAY OF THE PÖYRY (BEIJING) SETTLEMENT AGREEMENT, AND WILL BE UNABLE TO PARTICIPATE IN ANY FUTURE SETTLEMENT OR JUDGEMENT WITH OR AGAINST ANY OF THE REMAINING DEFENDANTS.

Signature: [Handwritten Signature] | Date Signed: 14 January 2013

Please mail your Opt Out Form to:  
Sino-Forest Class Action  
PO Box 3355  
London, ON N6A 4K3



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

**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**

Court File No.: CV-11-431153-00CP

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

**BETWEEN:**

**THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND  
 EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF  
 OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING  
 ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and  
 ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED  
 (formerly known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W.  
 JUDSON MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E.  
 ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON  
 MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING)  
 CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES  
 (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES  
 CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL  
 INC., CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC.,  
 CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC.,  
 CREDIT SUISSE SECURITIES (USA) LLC and MERRILL LYNCH, PIERCE,  
 FENNER & SMITH INCORPORATED (successor by merger to Banc of America  
 Securities LLC)**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF DANIEL SIMARD**  
 (Sworn January 18, 2013)



I, Daniel Simard, of the City of Montréal, in the Province of Québec, MAKE OATH AND SAY:

1. I am the Chief Executive Officer and serve as a non-voting ex-officio member of the Board of Directors and Committees of Comité syndical national de retraite Bâtirente Inc. ("Bâtirente") and as such I have personal knowledge of the matters to which I depose in this affidavit.
2. I respectfully submit this affidavit in support of Bâtirente's and the other Objectors'<sup>1</sup> objections to the proposed settlement between the plaintiffs ("Ontario Plaintiffs") in the *Labourers' Pension Fund of Central and Eastern Canada v. Sino-Forest Corporation*, Court file No. 11-CV-431153CP ("Class Action") and Ernst & Young LLP and its related entities ("E&Y") (the "E&Y Settlement").
3. I also respectfully submit this affidavit in support of the motion by Bâtirente under Rule 10.03 of the *Rules of Civil Procedure* for relief from the binding effect of a Representation Order and a Settlement Approval Order in the event this Court appoints the Ontario Plaintiffs as representatives of all Securities Claimants and grants the proposed Settlement Approval Order.

**Grounds for Objection to the E&Y Settlement**

4. The grounds for Bâtirente's objections are as follows:
  - a) it was improper for the Ontario Plaintiffs to have traded away the opt out rights of class members in this Class Action, or to have rendered such opt out rights illusory, by agreeing to provide a full and final release under

<sup>1</sup> Invesco Canada Ltd., Northwest & Ethical Investments L.P., Comité Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc., Gestion Férique and Montrusco Bolton Investments Inc.

Article 11.1 ("Release") of the Plan of Compromise and Reorganization ("Plan") of the claims of Securities Claimants (as defined in Schedule A of the proposed order) against E&Y in this *Companies' Creditors Arrangement Act* ("CCAA") proceeding, in return for what the Ontario Plaintiffs' counsel believe to be a "substantial premium" amount to be paid by E&Y into the proposed Settlement Trust;

- b) it is improper for the Ontario Plaintiffs to seek, and it would be improper for the Court to approve, any settlement and any release of Securities Claimants' claims against E&Y, in this CCAA proceeding, under the present circumstances;
- c) it is improper for the Ontario Plaintiffs to seek, and it would be improper for the Court to approve, any settlement of class members' claims against E&Y in this Class Action without either (a) excluding the persons who opted out in response to the Pöyry notice if the Pöyry opt out procedure is found to have been proper, or (b) providing for certification, notice, and opt out rights to Securities Claimants in connection with this settlement -- and in either case assuring that any such opt outs are not illusory by virtue of any Releases as described above;
- d) it is improper and belated for the Ontario Plaintiffs to seek, and it would be improper for the Court to approve, the requested representation order in connection with the Release and settlement described above;
- e) it is improper for the Ontario Plaintiffs to present, and it would be improper for the Court to consider and approve, the E&Y Settlement in

instalments, particularly in the absence of any plan for distributing any funds deposited in the proposed Settlement Trust. In the absence of a distribution plan, the Objectors cannot evaluate the sufficiency of the E&Y settlement consideration; and

- f) the Objectors reserve the right to supplement these grounds in response to further information emerging in these proceedings.

Attached hereto and marked as Exhibit "A" is the Notice of Objection of Bâtirente dated January 17, 2013.

5. Bâtirente is a non-profit organization, created in 1987. Bâtirente was initiated by the Confederation of National Trade Unions ("CSN") to establish and promote a workplace retirement system for CSN-affiliated unions and other organizations. Most of Bâtirente's board members are elected from representatives of participating groups or appointed by the CSN executive committee.
6. More than 26,000 workers participate in a Bâtirente retirement plan and Bâtirente funds have total assets of approximately \$1.1 billion (non-audited) as at December 31, 2012.
7. Bâtirente, through the funds it manages, owned 11,875 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.

8. On September 26, 2011, Bâtirente, together with Northwest & Ethical Investments L.P. ("NEI"), issued a proposed class proceeding against Sino-Forest, certain officers and directors, the underwriters, the auditors, and other experts (No. CV-11-43582600-CP, the "NEI Action"). Kim Orr Barristers P.C. ("Kim Orr") was Bâtirente's counsel in the NEI Action and continues to be its outside counsel in these proceedings.

9. A number of other class proceedings were commenced against Sino-Forest. The plaintiffs in the various Ontario actions moved for carriage. On January 6, 2012, Justice Perell granted carriage to the plaintiffs in the *Labourers' Pension Fund of Central and Eastern Canada v. Sino-Forest Corporation*, No. 11-CV-431153CP (the "Class Action") and stayed the competing actions, including the NEI Action. In his reasons, Justice Perell explicitly noted that Bâtirente, NEI, and other institutional investors were "prime candidates to opt out of the class proceeding" if they were not selected as representative plaintiffs to pursue compensation, if they did not wish to proceed under the Class Action. Attached hereto and marked as Exhibit "B" are excerpts of the decision of Justice Perell granting carriage to the Class Action.

10. NEI's and Bâtirente's decisions not to seek leave to appeal the carriage decision was based in part on our understanding that we would be given the opportunity to opt out of the Class Action at an appropriate time, if we deemed it appropriate to do so.

11. Bâtirente has previously served as a representative plaintiff in a class action, and I am well aware that representative plaintiffs have a fundamental duty to represent the class and absent class members fairly and adequately and to act in their best interests. I also noted that the Ontario Plaintiffs in the Class Action confirmed that they had the same understanding of their duties during the carriage motion.

12. In my view, the Ontario Plaintiffs and Class Counsel have violated their duties to class members by acceding to a settlement with E&Y in which class members' opt out rights will be negated and/or rendered illusory.

13. Bâtirente remained interested in the Class Action after losing the carriage motion, and communicated occasionally with Kim Orr about the status of the litigation, while understanding that as an absent class member its interests were being represented by the Ontario Plaintiffs and Class Counsel in the Class Action.

14. On March 20, 2012, Class Counsel announced that they had reached a settlement with Pöyry (Beijing) Consulting Company Limited ("Pöyry"). Pöyry would provide certain cooperation to Class Counsel in the action but would not provide any monetary consideration to the class. The Pöyry settlement contemplated a normal procedure for certification of a settlement class, a settlement approval hearing, and opt out rights for class members that wished to exclude themselves.

15. Ten days later, Sino-Forest entered into *CCAA* proceedings, on March 30, 2012. The Class Action was stayed. In due course, the Ontario Plaintiffs applied for, and the *CCAA* court ordered, a partial lifting of the stay of proceedings to allow the Pöyry settlement to proceed in the Class Action under the *Class Proceedings Act*. Attached hereto and marked as Exhibit "C" is the Order of Justice Morawetz, dated May 8, 2012 and entered May 11, 2012, lifting the stay as to Pöyry.

16. In the meantime, and apparently in view of the fact that a class had not been certified yet in the Class Action, the Ontario Plaintiffs filed a motion in the *CCAA* proceedings on April 13, 2012, seeking a representation order under Rule 10 of the *Ontario Rules of Civil Procedure*. The proposed representation order specifically

provided that class members could opt out of the representation, and included a form of opt out letter that class members could submit for that purpose. However, for reasons that are unclear, the motion was adjourned *sine die* without being decided. Attached hereto and marked as Exhibits "D" and "E" are the Draft Representation Order of the Ad Hoc Committee of Purchasers of the Applicant's Securities dated April 13, 2012 and the Endorsement of the Honourable Mr. Justice Morawetz dated August 31, 2012 and October 9, 2012, respectively.

17. The proposed Pöyry settlement continued to move forward, however. After notice was sent out to the class, and after a hearing on September 21, 2012, Justice Perell entered an order certifying the proceeding "as a class proceeding, for purposes of settlement only," allowing opt outs, providing that opt outs "may no longer participate in any continuation or settlement of the within action," approving the settlement, entering a bar order, and setting an opt out deadline (later defined as January 15, 2013). Attached hereto and marked as Exhibits "F" and "G" are, respectively, a true copy of the Reasons for Decision of Justice Perell in the Class Action, dated September 25, 2012, and a copy of his Order, entered October 30, 2012.

18. We became aware that Class Counsel, acting for the Ontario Plaintiffs and other investors named the "Ad Hoc Committee of Purchasers of the Applicant's Securities," were participating in mediations among parties in the *CCAA* proceeding, including defendants in the Class Action. Bâtirente did not see any reason to participate in or object to those discussions.

19. I am informed by counsel that the version of the Plan distributed on November 28, 2012 – i.e., immediately before the E&Y Settlement was announced – explicitly

provided that claims against third-party defendants, including E&Y, were not affected by the Plan:

**7.5 Equity Class Action Claims Against the Third Party Defendants**  
 Notwithstanding anything to the contrary in this Plan, any Class Action Claim against the Third Party Defendants that relates to the purchase, sale or ownership of Existing Shares or Equity Interests: (a) is unaffected by this Plan; (b) is not discharged, released, cancelled or barred pursuant to this Plan; (c) shall be permitted to continue as against the Third Party Defendants; (d) shall not be limited or restricted by this Plan in any manner as to quantum or otherwise (including any collection or recovery for any such Class Action Claim that relates to any liability of the Third Party Defendants for any alleged liability of SFC); and (e) does not constitute an Equity Claim or an Affected Claim under this Plan.<sup>2</sup>

There was no indication prior to December 3, 2012, that any parties had any different intention.

20. Class Counsel and E&Y announced on December 3, 2012, that they had reached a proposed settlement, one of the terms of which apparently envisioned entry of full and final releases in favour of E&Y in the *CCAA* proceedings and/or settlement proceedings in the Class Action, the effect of which would be to negate the opt out rights of class members. This was a complete surprise to us at Bâtirente, in that nothing in the *CCAA* or Class Action proceedings portended such an attempt, and it was and is our understanding that opt out rights cannot be abrogated under these circumstances.

21. Bâtirente is especially concerned that E&Y, which should have acted as a gatekeeper guarding against abuse and fraud by participants in Canada's capital markets, allowed the Sino-Forest fraud to develop under its watch, and is now misusing a *CCAA*

<sup>2</sup> Amended Plan of Compromise and Reorganization dated November 28, 2012, Responding Motion Record of the Objectors, Tab \_\_\_\_.

proceeding in which it is only a third-party defendant in order to obtain a global Release from civil liability without providing injured investors the right to litigate their claims individually against E&Y after opting out of class litigation.

22. I respectfully refer and subscribe to the Affidavit of Eric J. Adelson, of Invesco, Ltd., another Objector represented by Kim Orr, with respect to our view of the E&Y Settlement.

23. I understand there is a risk that a class member's failure to opt out of the Pöyry settlement might be interpreted as depriving the class member of any opt out right with respect to the action or any additional settlements in the future. In view of that risk, and in order to preserve our rights as against Pöyry and the other parties in the CCAA proceeding and the Class Action, Bâtirente submitted an opt out form on January 15, 2013.

24. In order to avoid the possibility that Bâtirente might be excluded both from participating in the E&Y and/or other third-party defendant settlements, and from being able to prosecute claims against those defendants outside the Class Action, Bâtirente included a condition on the opt-out form:

This opt-out is submitted on condition that, and is intended to be effective only to the extent that, any defendant in this proceeding does not receive an order in this proceeding, which order becomes final, releasing any claim against such defendant, which includes a claim asserted on an opt-out basis by Comité Syndical National de Retraite Bâtirente Inc. Otherwise, this opt out right would be wholly illusory.

Attached hereto and marked as Exhibit "H" is a real and true copy of Bâtirente's opt out form (without trading records).



25. My understanding of opt out rights is that Bâtirente, by opting out, would not be able to participate in the Class Action, but that we were preserving our rights to pursue our own claims against the defendants in the Class Action, including Pöyry and E&Y (among others). The E&Y Settlement, and the framework that may allow other defendants to avail themselves of this procedure, would deprive Bâtirente of those rights.

**Order Requested**

26. Bâtirente respectfully requests that this Court dismiss the motion to approve the E&Y Settlement.

27. In the alternative, Bâtirente respectfully requests that relief from the binding effect of the Settlement Approval Order be granted to Bâtirente and the other Objectors represented by Kim Orr.

SWORN before me at the City of )  
Montréal, in the Province of Québec, )  
this 18<sup>th</sup> day of January, 2013. )

*Pierre Boies*  
A Commissioner for taking affidavits.  
2013-01-18



*Daniel Simard*  
DANIEL SIMARD

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

Superior Court File No.: CV-10-414302CP

SINO-FOREST CORPORATION, et al.

THE TRUSTEES OF THE LABOURERS' PENSION FUND  
OF CENTRAL AND EASTERN CANADA, et al.

- and -

Defendants

Plaintiffs

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF DANIEL SIMARD**

**KIM ORR BARRISTERS P.C.**

19 Mercer Street, 4<sup>th</sup> Floor  
Toronto, Ontario M5V 1H2

James C. Orr (LSUC #23180M)

Won J. Kim (LSUC #32918H)

Megan B. McPhee (LSUC #48351G)

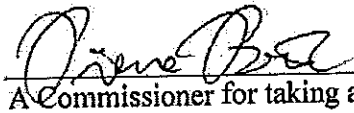
Michael C. Spencer (LSUC #59637F)

Tel: (416) 596-1414

Fax: (416) 598-0601

Lawyers for Invesco Canada Ltd., Northwest &  
Ethical Investments L.P., Comité Syndical  
National de Retraite Bâtirente Inc., Matrix Asset  
Management Inc., Gestion Férique and  
Montrusco Bolton Investments Inc.

This is Exhibit "H" to the affidavit of Daniel Simard,  
sworn before me at the City of Montréal, in the Province  
of Québec, this 18<sup>th</sup> day of January, 2013.

  
A Commissioner for taking affidavits.



This opt-out is submitted on condition that, and is intended to be effective only to the extent that, any defendant in this proceeding does not receive an order in this proceeding, which order becomes final, releasing any claim against such defendant, which includes a claim asserted on an opt-out basis by Comité Syndical National de Retraite Bâtirente Inc. Otherwise, this opt out right would be wholly illusory.

# SINO-FOREST CLASS ACTION SETTLEMENT OPT OUT FORM

Must be Postmarked  
No Later Than  
January 15, 2013

THIS FORM IS NOT A REGISTRATION FORM OR A CLAIM FORM.  
THIS FORM EXCLUDES YOU FROM PARTICIPATION IN THE PÖYRY (BEIJING) SETTLEMENT AGREEMENT.  
DO NOT USE THIS FORM IF YOU WANT TO REMAIN IN THE CLASS.

Last Name: **COMITÉ SYNDICAL NATIONAL DE** First Name: **RETRAITE BÂTIRENTE INC.**

Current Address: **203-2175 BOUL DE MAISONNEUVE E**

City: **MONTRÉAL** Prov./State: **Q.C.** Postal Code/Zip Code: **H2K 4S3**

Social Insurance Number/Social Security Number/Unique Tax Identifier: **N/A**

Telephone Number (Work): **514-525-5065** Telephone Number (Home): **87250**

Total number of Sino-Forest securities purchased during the Class Period (March 19, 2007 to June 2, 2011): **87250**

You must also accompany your Opt-Out form with brokerage statements, or other transaction records, listing all of your purchases of Sino-Forest common shares between March 19, 2007 to June 2, 2011, inclusive (the "Class Period").

Identification of person signing this Opt Out Form (please check):

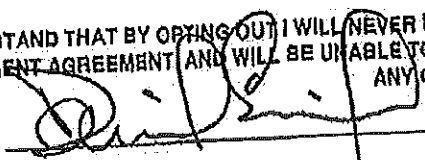
I represent that I purchased Sino-Forest Corporation ("Sino-Forest") securities and am the above identified Class Member. I am signing this Form to EXCLUDE myself from the participation in the Sino-Forest Class Action Settlement Agreement reached between the Class and Pöyry (Beijing) Consulting Company Limited ("Pöyry (Beijing)"), the Settling Defendant.

Purpose for Opting Out (check only one):

My current intention is to begin individual litigation against Pöyry (Beijing) in relation to the matters alleged in the Proceedings.

I am opting out of the class action for a reason other than to begin individual litigation against Pöyry (Beijing) in relation to the matters alleged in the Proceedings. I am opting out for the following reason(s):

I UNDERSTAND THAT BY OPTING OUT I WILL NEVER BE ELIGIBLE TO RECEIVE BENEFITS OBTAINED BY WAY OF THE PÖYRY (BEIJING) SETTLEMENT AGREEMENT AND WILL BE UNABLE TO PARTICIPATE IN ANY FUTURE SETTLEMENT OR JUDGEMENT WITH OR AGAINST ANY OF THE REMAINING DEFENDANTS.

Signature:  Date Signed: 01/11/2013

Please mail your Opt Out Form to:  
Sino-Forest Class Action  
PO Box 3355  
London, ON N6A 4K3



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

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**QUESTIONS ON WRITTEN EXAMINATION  
ON AFFIDAVIT OF CHRISTINA DORIA**

**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**

Court File No.: CV-11-431153-00CP

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**QUESTIONS ON WRITTEN EXAMINATION  
ON AFFIDAVIT OF CHRISTINA DORIA**

**BETWEEN:**

**THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG**

**Plaintiffs**

**- and -**

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (successor by merger to Banc of America Securities LLC)**

**Defendants**

Proceeding under the *Class Proceedings Act, 1992*

**QUESTIONS ON WRITTEN EXAMINATION  
ON AFFIDAVIT OF CHRISTINA DORIA**

**THE** Objectors, Invesco Canada Ltd., Northwest & Ethical Investments L.P., Comité Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc., Gestion Férique and Montrusco Bolton Investments Inc., have chosen to cross examine Christina Doria, an Associate at Baker & McKenzie LLP, Counsel to Pöyry (Beijing) Consulting Company Limited (“Pöyry”), on her affidavit sworn January 18, 2013, filed in response to the motion to approve the Ernst & Young Settlement, by written questions and require that the following questions be answered by affidavit in the Form attached as Schedule A, served by January 28, 2013:

1. Identify and provide copies of any documents constituting, reflecting, referred to in, or underlying the proffer of evidence and information referred to in paragraphs 5 and 6 of your affidavit;
2. Provide a brief narrative explaining the documented referenced in #1 above as well as a summary of any potential oral evidence referenced in the proffer of evidence which Pöyry is expected to provide in a trial of the common issues;
3. Identify and provide any verbal, oral, and/or documentary information and technical assistance that was provided to the Ontario Plaintiffs and Class Counsel as consideration for agreeing to settle all claims against Pöyry, including any information and cooperation provided under Articles 3.4(2)-3.4(6) of the Pöyry Settlement Agreement attached to your affidavit as Exhibit “A”.

January 25, 2013

**KIM ORR BARRISTERS P.C.**  
19 Mercer Street, 4<sup>th</sup> Floor  
Toronto, ON M5V 1H2

**James C. Orr** (LSUC #23180M)  
**Won J. Kim** (LSUC #32918H)  
**Megan B. McPhee** (LSUC #48351G)

**Michael C. Spencer** (LSUC #59637F)

Tel: (416) 596-1414

Fax: (416) 598-0601

Lawyers for Invesco Canada Ltd., Northwest &  
Ethical Investments L.P., Comité Syndical National  
de Retraite Bâtirente Inc., Matrix Asset  
Management Inc., Gestion Férique and Montrusco  
Bolton Investments Inc.

**TO: Baker & McKenzie LLP**  
Brookfield Place, Suite 2100  
181 Bay Street,  
Toronto, Ontario  
M5J 2T3

**John Pirie** (LSUC #40993K)  
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**David Gadsden** (LSUC #50749U)  
Tel: 416.865.6983  
Email: david.gadsden@bakermckenzie.com

Lawyers for Pöyry (Beijing) Consulting Company Limited

**SCHEDULE A**

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**ANSWERS ON WRITTEN EXAMINATION  
ON AFFIDAVIT OF CHRISTINA DORIA**

**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**

Court File No.: CV-11-431153-00CP

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**ANSWERS ON WRITTEN EXAMINATION  
ON AFFIDAVIT OF CHRISTINA DORIA**

**BETWEEN:**

**THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND  
EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF  
OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING  
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and ROBERT  
WONG**

**Plaintiffs**

**- and -**

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly  
known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN,**



**KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (successor by merger to Banc of America Securities LLC)**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**ANSWERS ON WRITTEN EXAMINATION  
ON AFFIDAVIT OF CHRISTINA DORIA**

I, Christina Doria, of the City of Toronto, in the Province of Ontario, an Associate at Baker & McKenzie LLP, Counsel to Pöyry (Beijing) Consulting Company Limited **MAKE OATH AND SAY** that the following answers to the Questions dated January 25, 2013 submitted by the Objectors are true, to the best of my knowledge, information and belief:

1. Identify and provide copies of any documents constituting, reflecting, referred to in, or underlying the proffer of evidence and information referred to in paragraphs 5 and 6 of your affidavit;

---

2. Provide a brief narrative explaining the documented referenced in #1 above as well as a summary of any potential oral evidence referenced in the proffer of evidence which Pöyry is expected to provide in a trial of the common issues;

---



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

Superior Court File No.: CV-10-414302CP

THE TRUSTEES OF THE LABOURERS' PENSION FUND  
OF CENTRAL AND EASTERN CANADA, et al.

- and -  
SINO-FOREST CORPORATION, et al.

Defendants

Plaintiffs

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

Proceeding commenced at Toronto

QUESTIONS ON WRITTEN  
EXAMINATION ON AFFIDAVIT OF  
CHRISTINA DORIA

KIM ORR BARRISTERS P.C.

19 Mercer Street, 4<sup>th</sup> Floor  
Toronto, Ontario M5V 1H2

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National de Retraite Bâtirente Inc., Matrix Asset  
Management Inc., Gestion Férique and  
Montrusco Bolton Investments Inc.

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

**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**

Court File No. CV-11-431153-00CP

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**BETWEEN:**

**THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND  
EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF  
OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING  
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT  
and ROBERT WONG**

Plaintiffs

-and-

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly  
known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON  
MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P.  
BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER  
WANG, GARRY J. WEST, PÖYRY (BEIJING) CONSULTING COMPANY  
LIMITED, CREDIT SUISSE SECURITIES (CANADA), INC., TD SECURITIES INC.,  
DUNDEE SECURITIES CORPORATION, RBC DOMINION SECURITIES INC.,  
SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL LYNCH  
CANADA INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS  
CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC and MERRILL LYNCH,  
PIERCE, FENNER & SMITH INCORPORATED  
(successor by merger to Banc of America Securities LLC)**

Defendants

Proceeding under the *Class Proceedings Act*, 1992

**RESPONSES TO QUESTIONS ON WRITTEN EXAMINATION ON AFFIDAVIT OF  
CHRISTINA DORIA (the "Doria Affidavit")**

**Response to Questions #1 and #2**

1. The evidentiary proffer referenced in the Doria Affidavit related to Pöyry (Beijing) Consulting Company Limited's ("Pöyry (Beijing)") interactions with Sino-Forest Corporation ("SFC") and others during the material timeframe. In or around late 2007, Pöyry (Beijing) raised concerns with SFC in relation to the quality and sufficiency of the information and data from SFC concerning the physical composition (fibre, species, age, etc.) of the forest holdings to be valued. These concerns were raised in connection with SFC's unique business model and an apparent rapid expansion in SFC's business. During this time, Pöyry (Beijing) pressed SFC to put in place a suitable forest inventory management system. By early 2010, Pöyry (Beijing) escalated matters by facilitating a meeting/conference call on April 9, 2010 with SFC and its auditor, Ernst & Young LLP ("E&Y"). During the meeting/conference call, Pöyry (Beijing) voiced concerns with respect to the insufficiency of information from SFC. Pöyry (Beijing) also wanted to discuss with E&Y and SFC what steps could be taken to improve the situation. Pöyry (Beijing) expected that E&Y would share its concerns and support its ongoing effort to have SFC provide more robust data and information, but E&Y did not, and matters did not improve. Attached as Schedule "A" are the minutes prepared by Pöyry (Beijing) following the above-noted meeting/conference call together with a covering email.

**Response to Question #3**

2. Refused. This question is overbroad and beyond the scope of the matters at issue in the present motion.

**BAKER & MCKENZIE LLP**  
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Email: david.gadsden@bakermckenzie.com  
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Lawyers for Pöyry (Beijing) Consulting  
Company Limited

**TO: KIM ORR BARRISTERS P.C.**  
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Won J. Kim (LSUC #32918H)  
Megan P. McPhee (LSUC #48351G)  
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Lawyers for Invesco Canada Ltd., Northwest & Ethical Investments L.P., Comité  
Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc., Gestion  
Férique and Montrusco Bolton Investments Inc.

# Schedule "A"

Meeting/Concall with Poyry on April 9 at 10am HKT

Thomas Maradin, Josephine.Man@ca.ey.com,  
 Fred.Clifford@ca.ey.com,  
 Yosanda Chiang to: Ron.P.Patrickson@ca.ey.com,  
 Graham.Robertson@ca.ey.com,  
 Richard.James@ca.ey.com, Alfred Hung, Eric Chan  
 Cc: Teresa Lau, "rudolf.rensburg@poyry.com", "doug.parsonson@poyry.com"  
 "steve.croskery@poyry.com", Yosanda Chiang, Dave Horsley, Allen Chan

04/15/2010 09:43 PM

History: This message has been forwarded.

Dear all,

Attached pls find the minutes for the meeting for your recod. This is likely that a follow-up meeting will be held on May 3 (Mon) or May 4 (Tue) and will be confirmed shortly. Thank you.

Regards,  
 Yosanda

From: Yosanda Chiang  
 Sent: Wednesday, March 31, 2010 11:08 AM  
 To: Dave Horsley; Thomas Maradin; Josephine.Man@ca.ey.com; Fred.Clifford@ca.ey.com;  
 doug.parsonson@poyry.com; Ron.P.Patrickson@ca.ey.com; Graham.Robertson@ca.ey.com;  
 Richard.James@ca.ey.com; rudolf.rensburg@poyry.com; Alfred Hung; Eric Chan  
 Cc: Yosanda Chiang; Teresa Lau  
 Subject: Meeting/Concall with Poyry on April 9 at 10am HKT  
 Importance: High

Dear all,

This is confirmed the meeting w/ Poyry held on April 9 (Fri) at 10am HKT (i.e. April 8 (Thur) at 10pm EST).

Mr. Doug Parsonson of Poyry, Eric, Tom and Alfred will be presented in person in our HK office.  
 Allen, Dave and EY team will dial in:

Dial in details as below :  
 International Dial-In Number: +852 2888 0011 or  
 Canada : 1 866 9922 906



PIN no. : 6328957641#  
Thank you.

Regards,  
Yosanda

From: David Horsley <davehorsley@sinoforest.com>  
To: Allen Chan; Allen (BB); Alfred Hung; Eric Chan; Thomas Maradin  
Cc: Yosanda Chiang; doug.parsonson@poyry.com <doug.parsonson@poyry.com>  
Sent: Fri Mar 26 00:48:26 2010  
Subject: Meeting with Poyry

We are planning a meeting for Friday April 9th at 10 am HK time with Poyry, SFC and EY. The purpose of the meeting is as follows;

- SF overview of changes - including requirements for quarterly reporting, evolving business model, IFRS, etc
- Poyry overview of our interpretation of the valuation requirements and how we implement these in practice
- Discussion of valuation approach and agreement on way forward including:
  - Data needs and timing arising
  - Report format and content for public release
- FMIS

Please confirm your availability asap.

We could follow this meeting with a second session that Alfred and I had discussed previously where we would re-start the FMIS project. As you and I have discussed we can jointly agree on a controlled and predictable workplan which will be achievable now Alfred has been able to get the Mainland managers up to speed on what is being planned.

Regards

Dave Horsley  
SVP & CFO  
Sino-Forest Corporation



Sino-Forest Minutes of Meeting 09 April, 2010.pdf

## Minutes of Meeting

Meeting Date: Friday, 09 April, 2010

Time: 10.00:am HKG time

### Attendees

Sino-Forest: Allen Chan, Thomas Maradin, Alfred Hung, Eric Chan.

Pöyry: Doug Parsonson, Rudolf van Rensburg, Steve Croskery

Via conference call

Sino-Forest: David Horsley

Ernst & Young Josephine Man, Graham Robertson, Fred Clifford, Ron P. Patrickson, L. Langel

### Agenda, Issues

- Pöyry opened the meeting and expressed its appreciation for the participants making time available.
- Doug Parsonson outlined the meeting agenda which included:
  - Pöyry's concern about forest data shortcomings for the 2009 valuation
  - High-level discussion of the action plan proposed by Pöyry to address the above concerns
  - E&Y comments in relation to the above two points
  - Requirements and approach to handle the upcoming quarterly valuations
  - Wrap-up of key decision points.
- Pöyry explained that while the 2009 valuation estimate is the best result possible given the limited forest inventory data available, a constructive sense of urgency is required to improve this situation for the 2010 valuation. Pöyry explained that, in almost all other valuation projects, Pöyry's role is to verify inventory data and yield tables provided by the client. In the case of Sino-Forest, this information is not forthcoming and the time and resources available to Pöyry to try and measure a sufficiently large number of inventory sample plots to derive statistically meaningful results is not feasible. For this reason, Pöyry is proposing action on two fronts for Sino-Forest to consider and the details of these action plans were to be discussed in a follow-on meeting between Sino-Forest and Pöyry.
- E&Y raised a question in relation to the difference between Sino-Forest's market capitalisation value and forest resource valuation estimate (which is close to book value). This question resulted in a discussion of Sino-Forest's business model versus estate model and assumptions that Pöyry adopts in deriving a forest value.
- Steve Croskery explained that Sino-Forest's business model is essentially a trading model of forest assets whereas Pöyry's valuation assumes a conventional management approach, where the underlying assumption is that the forest resource will be managed (as opposed to being sold) on a continuous basis.
- E&Y then posed the question as to what market Sino-Forest is then really operating in and if there are any possibilities to close the gap between the market capitalised value and the forest value. A rational market participant would want to maximise the cash flows and therefore the value.
- Doug Parsonson explained that Sino-Forest's business can almost be described as a "deal flow" whereas the forest valuation is based on a wood flow.

**Agenda, Issues**

- Allen Chan made the observation that as Sino-Forest is expanding its own plantation forest, its business model is actually shifting closer to what Pöyry models.
- David Horsley asked if a liquidation approach may not be more appropriate. Steve Croskery explained that the Pöyry wood flow model includes a front-end harvest loading which, to some extent, approximates the sale of forest. However, considerations such as available market for the volume and the reality of AAC and license availability must also be taken into consideration.
- E&Y raised the point that Sino-Forest's business model is truly unique. Essentially, the buyers of Sino-Forest stock are financial players that purchase and hold, betting on timber prices to increase.
- Sino-Forest observed that investors are willing to pay a higher price for the company's shares than what they may be willing to pay for the forest, as per the value estimate made by Pöyry.
- Sino-Forest market capitalisation therefore includes intangible assets which includes the company's unique ability to develop the forest trade deals, including the company's 16-year long track record.
- David Horsley explained the benefits of having a parallel "hybrid valuation model" that takes some of the future planned sale/acquisition transactions into consideration (useful to Sino-Forest in explaining some of the difference between Market Cap and BV). He requested that E&Y continues to think about the possible presentation of such a model and that a follow-up discussion may be necessary.

It was agreed that:

1. Another meeting would be scheduled to come to an agreement on the forest crop valuation methodology (modeling assumptions etc.) best suited to Sino-Forest and which is consistent with IAS41. This would involve Sino-Forest, E&Y and Pöyry.
2. Pöyry would prepare a proposal for Sino-Forest for the prompt establishment and implementation of an in-house forest inventory capacity and programme, in support of on-going forest valuation and strategic planning.

The meeting concluded at about 12.30 pm HK time.

Minutes taken by Rudolf van Rensburg

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

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

SINO-FOREST CORPORATION  
Plaintiffs

ERNST & YOUNG LLP, et al.  
Defendants

Court File No: CV-11-431153-00CP

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto, Ontario

RESPONSES TO QUESTIONS ON WRITTEN  
EXAMINATION ON AFFIDAVIT OF CHRISTINA DORIA  
DATED JANUARY 25, 2013

**BAKER & MCKENZIE LLP**

Barristers and Solicitors

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Lawyers for Pöyry (Beijing) Consulting Company Limited



**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

**MONITOR'S CERTIFICATE  
(Plan Implementation)**

All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Plan of Compromise and Reorganization of Sino-Forest Corporation ("SFC") dated December 3, 2012 (the "Plan"), which is attached as Schedule "A" to the Order of the Honourable Mr. Justice Morawetz made in these proceedings on the 10<sup>th</sup> day of December, 2012 (the "Order"), as such Plan may be further amended, varied or supplemented from time to time in accordance with the terms thereof.


Pursuant to paragraph 12 of the Order, FTI Consulting Canada Inc. (the "Monitor") in its capacity as Court-appointed Monitor of SFC delivers to SFC and Goodmans LLP this certificate and hereby certifies that:

1. The Monitor has received written notice from SFC and Goodmans LLP (on behalf of the Initial Consenting Noteholders) that the conditions precedent set out in section 9.1 of the Plan have been satisfied or waived in accordance with the terms of the Plan; and

2. The Plan Implementation Date has occurred and the Plan and the Plan Sanction Order are effective in accordance with their terms.

DATED at the City of Toronto, in the Province of Ontario, this 30<sup>th</sup> day of January, 2013.

FTI CONSULTING CANADA INC., in its capacity as Court-appointed Monitor of the Sino-Forest Corporation and not in its personal capacity

By:   
Name: Gregory P. Watson  
Title: Senior Managing Director

<p><b>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 OR COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION</b></p>	<p>Court File No. CV-12-9667-00CL</p>
<p><b>ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST)</b></p> <p>Proceedings commenced in Toronto</p>	
<p><b>MONITOR'S CERTIFICATE</b></p>	<p>153</p>
<p><b>GOWLING LAFLEUR HENDERSON LLP</b> First Canadian Place 100 King Street West, Suite 1600 Toronto, Ontario M5X 1G5</p> <p><b>Jennifer Stam (LSUC#: 46735J)</b> Tel: (416) 862-5697 Fax: (416) 862-7661 E-mail: <a href="mailto:jennifer.stam@gowlings.com">jennifer.stam@gowlings.com</a></p> <p>Lawyers for FTI Consulting Canada Inc., in its capacity as Monitor of the within proceedings.</p>	



Michael C. Spencer  
 Tel: (416) 349-6572  
 E-mail: mcs@kimorr.ca

VIA FACSIMILE AND E-MAIL

March 26, 2013

The Honourable Mr. Justice Morawetz  
 Commercial List Office  
 10th Floor, 393 University Avenue,  
 Toronto, ON  
 M5G 1E6

Your Honour:

Re: *Sino-Forest Corporation (Re) – CCAA Proceeding*, Court File No. CV-12-9667-00CL

*The Trustees of the Labourers' Pension Fund of Central and Eastern Canada v. Sino-Forest Corp.*, Court File No. CV-11-431153-00CP

This letter is respectfully submitted on behalf of Invesco Canada Ltd., Northwest & Ethical Investments L.P., Comité Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc., Gestion Férique and Montrusco Bolton Investments Inc. (the "Objectors" in the above proceedings) with respect to the proposed settlement with Ernst & Young LLP and related matters. This letter responds to the Court's request at this morning's conference for a specification in writing of our objections and alternative proposals for settling the Order with respect to the Court's Endorsement, dated March 20, 2013.

The Objectors maintain their opposition to the substance of the proposed settlement and related matters as previously argued to the Court. As stated at the conference, the Objectors respectfully raise three issues in connection with the form of order proposed by Class Counsel and E&Y (the "Proposed Order").

First, we note that the Endorsement states in numerous places that distribution of the Settlement Fund is an integral part of the CCAA Plan of Compromise of Sino-Forest ("Plan"). See, e.g., Endorsement paragraph 63 ("it is clear that Ernst & Young is contributing in a tangible way to the Plan, by its significant contribution of \$117 million."); see also paragraphs 36, 50, 54, 62, and 71. We also note that section 6(8) of the CCAA requires a plan of compromise or arrangement to provide "that all claims that are not equity claims are to be paid in full before [any] equity claim is to be paid." Similarly, Plan section 4.5 provides that, in light of the fact that non-equity creditors are not being paid in full, "Equity Claimants shall not receive any





consideration or distributions under the Plan ....” In the case of Sino-Forest, the non-equity creditors are the company’s noteholders as of the Distribution Record Date.

Paragraph 17 of the Proposed Order contemplates distribution of the Settlement Fund “to or for the benefit of the Securities Claimants for their claims against Ernst & Young.” Securities Claimants are defined in Appendix A of the Proposed Order as persons who acquired Sino-Forest securities, including shares and notes, at any time. This includes members of the class in the Class Action, i.e. Sino-Forest share purchasers and note purchasers during the class period, even if those persons subsequently have sold their shares or notes. “Securities Claimants” as a group thus include noteholders, but also note purchasers who no longer hold their notes, and also any share purchasers (who may or may not still be shareholders as well).

Some counsel at today’s conference indicated that the net Settlement Fund is intended to be paid to plaintiffs and class members in the Class Action – i.e., share and note purchasers during the class period. In our view, distribution of any settlement proceeds from E&Y to class members would be appropriate. However, since as currently configured the distribution of Settlement Fund amounts will occur as part of the Plan, as the Court found in its Endorsement, we are concerned that payments to share and note purchasers cannot be squared with *CCAA* section 6(8) and Plan section 4.5, as described above.

Although we acknowledge that the actual allocation of Settlement Fund amounts will be decided later, in our view the tension described above represents a fundamental problem stemming from using the *CCAA* to effectuate a third-party non-debtor settlement and releases in this situation, and we do not see any way to resolve that issue in the wording of the order. We understood Class Counsel to say that the Settlement Fund was intended to be “separate” from the Plan and thus not subject to section 6(8), and they may wish to clarify this in their proposed language for the order, although in our view that would not resolve the underlying problem.

Second, paragraph 4 of the Proposed Order appoints the Ontario Plaintiffs as “representatives on behalf of ... the ‘Securities Claimants’ ... in the Ontario Class Action, including for the purposes of and as contemplated by section 11.1 of the Plan, and more particularly the Ernst & Young Settlement and the Ernst & Young Release.” The Objectors continue to assert that their interests cannot be represented by the Ontario Plaintiffs for the reasons previously argued. In addition it seems clear that a conflict has developed between non-equity creditor noteholders and other securities claimants, as described in the section above, such that they cannot all be properly represented by the Ontario Plaintiffs and their counsel. Finally it is unclear whether the appointment is intended to cover representation of a certified class as against all remaining defendants in the class action; if the intent is more limited, as counsel seemed to indicate at the conference, in our view the word “including” could be removed in paragraph 4, so that the representation is expressly limited to section 11.1 of the Plan and more particularly the Ernst & Young Settlement and the Ernst & Young Release. While our clients object to that representation, at least the intended scope will be made clear.

Third, the Proposed Order does not deal with the status of the Objectors’ opt outs (mentioned at paragraph 80 of the Endorsement). The Objectors wish to opt out and believe they have, but we understand our friends’ position to be that the Releases are effective regardless. This could be clarified by inserting, in Paragraph 9 of the Proposed Order (describing the binding effect of the



Release) after the word "disability," the phrase: "... notwithstanding any purported Class Action opt-outs submitted by the Objectors or any other Person,...". Again, while our clients object to that outcome, at least the intended scope will be made clear.

Respectfully,

Michael C. Spencer

cc: The Service List, as attached  
E. Adelson, Invesco Canada Ltd.  
J. Mountain, Northwest & Ethical Investments L.P.  
D. Simard, Comité Syndical National de Retraite Bâtirente Inc.  
D. Balsdon, Matrix Asset Management Inc.  
L. Lizotte, Gestion Férique  
M. Natal, Montrusco Bolton Investments Inc.

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March 27, 2013

File 80089

**HAND DELIVERED**

Superior Court of Justice  
Commercial List  
330 University Avenue  
Toronto, ON M5G 1R7

Chris G. Paliare  
Ian J. Roland  
Ken Rosenberg  
Linda R. Rothstein  
Richard P. Stephenson  
Nick Coleman  
Margaret L. Waddell  
Donald K. Eady  
Gordon D. Capern  
Lily I. Harmer  
Andrew Lokan  
John Monger  
Odette Soriano  
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Emily Lawrence  
Denise Sayer  
Danny Kasner  
Tina H. Lie  
Jean-Claude Killey  
Jodi Martin  
Michael Fenrick  
Nasha Nijhawan  
Jessica Latimer  
Debra Newell  
Lindsay Scott  
Alysha Shore  
Gregory Ko

Dear Sirs/Mesdames:

**Re: Sino-Forest Corporation**  
**Court File No. CV-12-9667-00CL**

We write on behalf of the Ad Hoc Committee of Purchasers of the Applicant's Securities (the "Ad Hoc Purchasers") in connection with the referenced matter. Yesterday, we attended before Justice Morawetz to settle the terms of his order in this matter dated March 20, 2013. At that time and for the first time, Michael Spencer, on behalf of the Objectors to the Ernst & Young Settlement, expressed concerns with respect to the terms of the draft order. In response, His Honour asked the Objectors to provide detailed drafting comments in the form of a marked-up order and directed that we schedule any further attendance to settle the form of the order through your office.

Yesterday evening, Mr. Spencer sent a letter to His Honour detailing his concerns. Accordingly, we write to respond to those concerns, and to ask that you bring this letter to Justice Morawetz's attention and let us know whether he would like us to re-attend before him for the purpose of settling the order (and, if so, the first available date on which he is available), or if he prefers to deal with this matter on the basis of the correspondence, without any further attendance.

**Response to the Objectors' Concerns**

Mr. Spencer's letter purports to raise "concerns" regarding paragraphs 4, 9 and 17 of the draft settlement approval order and provides drafting comments for paragraphs 4 and 9. Mr. Spencer's other comments are argument and should have been raised on the motion before Justice Morawetz, upon which he has now rendered his decision. They were not.

HONORARY COUNSEL

Ian G. Scott, Q.C., O.C.  
(1934 - 2006)

The Ad Hoc Purchasers do not oppose the suggested change to paragraph 4 to remove the word "including", on the terms set out below. Otherwise, it is respectfully submitted that the order, which was circulated in advance of the February 4, 2013 hearing and the form of which was unopposed by any party at the motion, should not change.

**Paragraph 4**

Paragraph 4 of the settlement approval order provides as follows:

THIS COURT ORDERS that Ontario Plaintiffs are hereby recognized and appointed as representatives on behalf of those Persons described in Appendix "A" hereto (collectively, the "Securities Claimants") in these insolvency proceedings in respect of the Applicant (the "CCAA Proceedings") and in the Ontario Class Action, including for the purposes of and as contemplated by section 11.1 of the Plan, and more particularly the Ernst & Young Settlement and the Ernst & Young Release.

The Ad Hoc Purchasers do not oppose changing paragraph 4 by deleting the word "including" as proposed by Mr. Spencer, so that it reads as follows:

THIS COURT ORDERS that Ontario Plaintiffs are hereby recognized and appointed as representatives on behalf of those Persons described in Appendix "A" hereto (collectively, the "Securities Claimants") in these insolvency proceedings in respect of the Applicant (the "CCAA Proceedings") and in the Ontario Class Action, for the purposes of and as contemplated by section 11.1 of the Plan, and more particularly the Ernst & Young Settlement and the Ernst & Young Release.

In agreeing to this change, the Ad Hoc Purchasers do not concede that any conflict has developed among the Securities Claimants, as defined, or that the order does any more or any less than as drafted.

**Paragraph 9**

Paragraph 9 of the settlement approval order provides as follows:

THIS COURT ORDERS that this Order, the Ernst & Young Settlement and the Ernst & Young Release are binding upon each and every Person or entity having an Ernst & Young Claim, including those Persons who are under disability, and any requirements of rules 7.04(1) and 7.08(4) of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194 are dispensed with in respect of the Ontario Class Action.

In Mr. Spencer's letter, the Objectors propose amending this paragraph to add after the word "disability" the phrase "... notwithstanding any purported Class Action opt-outs submitted by the Objectors or any other Person,..."

This addition is unnecessary and might be taken to suggest that opt out rights would otherwise apply and that this Court's order eliminated opt out rights.

There is no ambiguity in paragraph 9 that requires clarification.

**Paragraph 17**

Paragraph 17 of the settlement approval order provides as follows:

THIS COURT ORDERS that after payment of class counsel fees, disbursements and taxes (including, without limitation, notice and administration costs and payments to Claims Funding International) and upon the approval of a Claims and Distribution Protocol, defined below, the entire balance of the Settlement Fund shall, subject to paragraph 18 below, be distributed to or for the benefit of the Securities Claimants for their claims against Ernst & Young, in accordance with a process for allocation and distribution among Securities Claimants, such process to be established by CCAA Representative Counsel and approved by further order of this court (the "Claims and Distribution Protocol").

The Objectors seek no drafting amendments to this paragraph. Instead, their "concerns" are properly argument which should have been made at the motion, but were not.

The process of allocation is to be determined, and court approval will be sought. Engaging in argument subsequent to the settlement approval motion and prior to the allocation motion should not be encouraged.

However, should His Honour be inclined to engage on the merits, we have set out our position as follows.

The Objectors argue that payments to share and note purchasers "cannot be squared" with subsection 6(8) of the CCAA and article 4.5 of the Plan.

The Objectors are incorrect and their submissions do not accord with the explicit language of the Plan or the purpose of subsection 6(8) of the CCAA. Paragraph 17 of the order provides for payment by Ernst & Young for claims against Ernst & Young. Such claims are not Equity Claims and thus article 4.5 of the Plan and subsection 6(8) of the CCAA do not apply.

Article 4.5 of the Plan provides for the release of "All Equity Claims" and indicates that Equity Claimants shall not receive consideration or distributions under the Plan. Its operation is limited to affecting Equity Claims. In contrast, the Plan provides that claims against non-debtors, such as Ernst & Young, are not Equity Claims:

1. Equity Claim is defined as a Claim, which itself is defined as "any right or claim ... that may be asserted or made against SFC";

2. Further, article 7.5 of the Plan expressly provides that the claims against Ernst & Young are not Equity Claims: "any Class Action Claim against the Third Party Defendants that relates to the purchase, sale or ownership of Existing Shares or Equity Interests... (e) does not constitute an Equity Claim or an Affected Claim under this Plan." [Emphasis added].

Article 4.5 of the Plan thus does not apply to payments pursuant to the Ernst & Young Settlement in satisfaction of claims against Ernst & Young.

More generally, sub-section 6(8) of the CCAA also does not apply. The Court of Appeal, in the course of upholding this Court's Equity Claims Decision (*Re Sino-Forest Corp.*, 2012 ONCA 816), recently explained the purpose of subsection 6(8) of the CCAA:

In our view, in enacting s. 6(8) of the CCAA, Parliament intended that a monetary loss suffered by a shareholder (or other holder of an equity interest) in respect of his or her equity interest *not* diminish the assets of the debtor available to general creditors in a restructuring. If a shareholder sues auditors and underwriters in respect of his or her loss, in addition to the debtor, and the auditors or underwriters assert claims of contribution or indemnity against the debtor, the assets of the debtor available to general creditors would be diminished by the amount of the claims for contribution and indemnity. (2012 ONCA 816 at para. 56)

Accordingly, subsection 6(8) of the CCAA is concerned with ensuring that the proceeds or value of the assets of the debtor corporation are used first to pay creditors' claims in priority to equity claims against the debtor. It is not concerned with distributions from non-debtors for non-equity claims. The claims against Ernst & Young are not equity claims under the CCAA and thus subsection 6(8) of the CCAA does not apply. This is reflected in the Plan itself and in particular through the definition of Equity Claim and article 7.5 of the Plan, as explained above.

The Objectors' submissions also continue to blur the principle governing treatment of third party releases in a CCAA plan as set forth in the *ATB Financial* case, and fail to address the solid, and unchallenged, evidentiary record before the court, including the affidavits and their exhibits of Mike Dean and Judson Martin, cataloguing the extensive contributions to the Plan and the CCAA process that the Ernst & Young Settlement provided in addition to the monetary contribution, including:

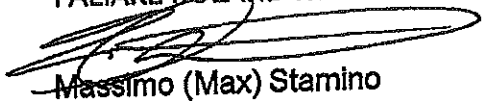
- (a) Ernst & Young agreed to support the Plan;
- (b) The Ernst & Young Settlement was a catalyst to other parties, including the Underwriters and BDO Limited, supporting the Plan;

- (c) Ernst & Young's support materially simplified and accelerated the Plan approval and implementation process;
- (d) Ernst & Young agreed that its claims against Sino-Forest and the Sino-Forest Subsidiaries are released, which claims were significant and material as stated above. In particular, the Proofs of Claim filed by Ernst & Young set out extensive claims that were asserted directly against the Sino-Forest Subsidiaries. None of these claims were addressed in the Equity Claims Order;
- (e) Ernst & Young has agreed to waive any leave to appeal to the Supreme Court of Canada in respect of the dismissal of its appeal by the Court of Appeal for Ontario of the Equity Claims Order;
- (f) By agreeing to release all these claims, Ernst & Young eliminated:
  - (i) Dilution of the Noteholders' recovery if Ernst & Young were ultimately to obtain judgments or settlements in respect of those claims;
  - (ii) The expense and management time otherwise to be incurred by Newco and the Subsidiaries in litigating these claims; and
  - (iii) What might otherwise have been a significant extension of the timelines to complete the restructuring of Sino-Forest;
- (g) Ernst & Young agreed not to receive any distributions of any kind under the Plan, as have the other Third Party Defendants. Without that agreement, the Unresolved Claims Reserve would have materially increased, with the potential for a corresponding dilution of consideration paid to the Affected Creditors;
- (h) Ernst & Young agreed not to pursue its objections generally to the Plan and its sanction, and agreed to not pursue all of its appeal rights in that regard.

The Ad Hoc Purchasers respectfully request the issuance of the settlement approval order, substantially in the form approved in this Court's reasons dated March 20, 2013, subject only to the additional change to paragraph 4 referenced above. Clean copies of the revised order are enclosed in the event that His Honour prefers to deal with this matter in writing.

We thank the Court for its attention to this matter.

Yours very truly,  
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP



Massimo (Max) Stamino  
MS:mj  
Encl.

c. Service List  
Clients

862862\_1.DOC





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March 27, 2013

**HAND DELIVERED**

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Superior Court of Justice  
Commercial List  
330 University Avenue  
Toronto, ON M5G 1R7

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Dear Sirs/Mesdames:

**Re: Sino-Forest Corporation  
Court File No. CV-12-9667-00CL**

We have read the letter of Massimo Starnino, counsel to the Ontario Plaintiffs, sent to the Court today. We agree with and support Mr. Starnino's response to the "concerns" raised by counsel to the Objectors on the Ernst & Young Settlement motion. We ask that this letter be brought to Justice Morawetz's attention.

The Ernst & Young Settlement was part of the complete package that led to the approval and sanction of the Plan and its implementation. The monetary contribution of Ernst & Young is but one part of the contributions by Ernst & Young to the Plan. That being said, it is worth noting that the definition of Securities Claimants includes the current noteholders as at the Plan sanction date, who are the non-equity creditors of Sino-Forest. The Ad Hoc Committee of Noteholders continues to support the Ernst & Young Settlement.

These "concerns" of the Objectors have been raised against the prospect of a leave to appeal motion and should properly have been raised as part of argument on the motion.

Sincerely,

Peter Griffin

cc. Service List

Court of Appeal File No.:  
S.C.J. Court File No.: CV-12-9667-00CL

**COURT OF APPEAL FOR ONTARIO**

**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**

Court of Appeal File No.:  
S.C.J. Court File No.: CV-11-431153-00CP

**COURT OF APPEAL FOR ONTARIO**

**BETWEEN:**

**THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND  
EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF  
OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING  
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and  
ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED  
(formerly known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W.  
JUDSON MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E.  
ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON  
MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING) CONSULTING  
COMPANY LIMITED, CREDIT SUISSE SECURITIES (CANADA), INC., TD  
SECURITIES INC., DUNDEE SECURITIES  
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC.,  
CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC.,  
CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC.,  
CREDIT SUISSE SECURITIES (USA) LLC and MERRILL LYNCH, PIERCE,  
FENNER & SMITH INCORPORATED (successor by merger to Banc of America  
Securities LLC)**

Defendants

*Proceeding under the Class Proceedings Act, 1992*

**NOTICE OF APPEAL**

**THE OBJECTORS (APPELLANTS) APPEAL** to the Court of Appeal from the  
order dated March 20, 2013 ("Settlement Approval Order") of the Honourable Mr. Justice

Morawetz approving the Ernst & Young LLP Settlement ("E&Y Settlement") and third party release of Ernst & Young LLP ("E&Y Release").

The Appellants also appeal the order dated March 20, 2013 ("Representation Dismissal Order") of Justice Morawetz dismissing the Appellants' motion for a representation order and dismissing their request for relief from the binding effect of the representation order appointing certain other persons (the Ontario Plaintiffs) as representatives, as part of the restructuring proceedings of Sino-Forest Corporation ("Sino-Forest" or the "applicant").

**THE APPELLANTS ASK:**

1. that an Order be granted setting aside the Settlement Approval Order;
2. that an Order be granted setting aside the Representation Dismissal Order;
3. such further and other relief as this Honourable Court may deem just.

**THE GROUNDS OF APPEAL** are as follows:

1. Justice Morawetz erred in entering the Settlement Approval Order approving the E&Y Settlement and E&Y Release under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 ("CCAA") in connection with the Plan of Compromise and Reorganization of Sino-Forest Corporation (the "Plan"), particularly in that:

(a) Justice Morawetz, the Supervising CCAA Judge in this proceeding, was designated on December 13, 2012, by Regional Senior Justice Then to hear the motion for approval of the E&Y Settlement pursuant to both the CCAA and the *Class Proceedings Act, 1992*, S.O. 1992, c. 6 ("CPA");

(b) the Settlement Approval Order in effect avoided or rejected application of the CPA in determining whether to approve the E&Y Settlement;

- (c) the Settlement Approval Order in effect refused to certify the class proceeding against E&Y under the *CPA*;
  - (d) the Settlement Approval Order in effect entered judgment on common issues or entered an aggregate assessment of monetary relief on the claims asserted under the *CPA* against E&Y, by fully and finally releasing E&Y from liability to class members upon satisfaction of the conditions of the settlement;
  - (e) the Ontario Plaintiffs did not appropriately and adequately represent the members of the class whose claims against E&Y are proposed to be settled and released;
  - (f) the *CPA* provides an adequate and appropriate alternative framework for the proposed settlement of the class action claims asserted against E&Y;
  - (g) the terms of the E&Y Settlement do not provide any assurance that settlement consideration would flow to the parties whose claims are proposed to be settled and released;
  - (h) the terms of the E&Y Settlement were construed by the Court not to provide opt out rights to the members of the class whose claims against E&Y are proposed to be settled and released;
  - (i) no-opt-out class action settlements are not permissible under the *CPA*; and,
  - (j) the Court did not address or decide whether the amount of consideration in the proposed E&Y Settlement was fair, reasonable, and adequate;
2. Justice Morawetz erred in entering the Representation Dismissal Order, particularly in that the Appellants would have more appropriately and adequately represented the interests of the members of the class who are equity claimants and/or the members who objected to the proposed E&Y Settlement, without any conflict of interest, and the interests

of justice would have been served thereby. The combined effect of the Representation Dismissal Order and Settlement Approval Order denied the Appellants their right to representation by counsel of their choice;

3. The Appellants have moved for leave to act as the representative party on this appeal;
4. Rules 10 and 61 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194;
5. Sections 6 and 134 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43;
6. Sections 5, 9, 17, 19, 24, 29, 30(3), 30(5) and 34 of the *Class Proceedings Act, 1992*, S.O. 1992, c. 6; and,
7. Such further and other grounds as counsel may advise.

**THE BASIS OF THE APPELLATE COURT'S JURISDICTION IS:**

1. The orders appealed from are final orders of a Judge of the Superior Court of Justice disposing of the rights of class members. Accordingly, the appeal lies directly to the Court of Appeal;
2. Section 6(1)(b) of the *Courts of Justice Act*, R.S.O. 1990, c. C-43; and,
3. Sections 30(3) and 30(5) of the *Class Proceedings Act, 1992*, S.O. 1992, c. 6.

The Appellants request that this appeal be heard at Toronto.

April 18, 2013

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Invesco Canada Ltd., Northwest & Ethical  
Investments L.P., Comité Syndical National  
de Retraite Bâtirente Inc., Matrix Asset  
Management Inc., Gestion Férique and  
Montrusco Bolton Investments Inc.

**TO: THE SERVICE LIST**

Court of Appeal File No.:  
Commercial Court File No.: CV-12-9667-00CL

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

Court of Appeal File No.:  
Superior Court File No.: CV-10-414302CP

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND  
EASTERN CANADA, et al.  
Plaintiffs

-and- SINO-FOREST CORPORATION, et al.  
Defendants

**COURT OF APPEAL FOR ONTARIO**

(Proceeding Commenced at Toronto)

NOTICE OF APPEAL

**KIM ORR BARRISTERS P.C.**  
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Syndical National de Rétraite Bâtirente Inc., Matrix Asset  
Management Inc., Gestion Férique and Monrusco Bolton  
Investments Inc.

Court of Appeal File No.: M42404  
Commercial Court File No.: CV-12-9667-00CL

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

AND IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION  
Superior Court File No.: CV-10-414362CP

-and- SINO-FOREST CORPORATION, et al.

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN CANADA, et al.  
Plaintiffs

Defendants

COURT OF APPEAL FOR ONTARIO

(Proceeding Commenced at Toronto)

COURT OF APPEAL FOR ONTARIO

BEFORE: DIMMOCK JA

DATE: May 1, 2013

DISPOSITION OF MOTION

Order to go as follows:

1. I am motion for the  
settled approval order & the  
Reportation also miscal order to  
be subjected by May 10/13  
sup bond not used detailed by

MOTION RECORD OF THE MOVING PARTIES  
(APPELLANTS) (Motion for Directions)

KIM ORR BARRISTERS P.C.  
19 Mercer Street, 4<sup>th</sup> Floor  
Toronto, Ontario M5V 1H2

Michael C. Spencer (LSUC #59637F)  
Won J. Kim (LSUC #32918H)  
Megan B. McPhee (LSUC #48351G)

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Lawyers for the Moving Parties (Appellants), Invesco Canada Ltd., Northwest & Ethical Investments L.P., Comité Syndical National de Retraite Bâtimente Inc., Matrix Asset Management Inc., Gestion Férique and Montrusco Bolton Investments Inc.

May 17/13



3. Leave motion for the sanction order to be considered with the leave motion for the settlement order & represent at a diarmial order.

4. Motion to quash to be lodged for hearing during the same week the leave motion is lodged (probably Thursday or Friday)

5. The issue of a representation for the purposes of the appeal reserved to the leave panel on the appeal panel as the issues of representation are of appeals.

6. Service of all documents on

by e-mail; proc/172 of since  
dispensed with

7. Reply / actions, if an <sup>act</sup> to be  
determined within 5 days of  
response returned.

8. Perfection of the appeal not required  
leave suspended pending the motion  
to quash; in other words time shall  
not run.

9. Leave motions to be lodged for  
the week of Jan 27/13, the  
motion to quash is set for.

Jan 28/13

30 min MOVING PARTY  
20 min RESPONDING PARTY.

10. Costs of today assessed to the  
Respondent the ~~expense~~ motion & return quash

Court of Appeal File No.: M42404  
Commercial Court File No.: CV-12-9667-00CL

-and- SINO-FOREST CORPORATION, et al.

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

Court of Appeal File No.: M42404  
Superior Court File No.: CV-10-414302CF

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

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND  
EASTERN CANADA, et al.  
Plaintiffs

-and- SINO-FOREST CORPORATION, et al.  
Defendants

COURT OF APPEAL FOR ONTARIO

(Proceeding Commenced at Toronto)

AFFIDAVIT OF TANYA T. JEMEC  
sworn April 22, 2013

KIM ORR BARRISTERS P.C.

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Canada Ltd., Northwest & Ethical Investments L.P., Comité  
Syndical National de Retraite Bâtiment Inc., Matrix Asset  
Management Inc., Gestion Férique and Montrusco Bolton  
Investments Inc.

11. The motion to  
consolidate the two  
motions + the appeals  
is dismissed.

Typed version of handwritten motion endorsement

The Trustees of the Labourers' Pension Fund of Central and Eastern  
Canada et al v. Sino-Forest Corporation et al

Court File No.: M42404 (M42399)

Heard: May 1, 2013

Simmons J.A.:

[1] Order to go as follows:

1. Leave motion for the settlement approval order and the representation dismissal order to be perfected by May 10, 2013 and responding material delivered by May 17, 2013.
2. Motion to quash to be perfected by May 10, 2013.
3. Leave motion for the sanction order to be consolidated with the leave motion for the settlement order and representation dismissal order.
4. Motion to quash to be listed for hearing during the same week the leave motions are listed (preferably Thursday or Friday).
5. The issue of representation for the purposes of any appeal reserved to the leave panel or the appeal panel as are issues of expediting any appeals.
6. Service of all documents may be by email; proof of service dispensed with.

7. Reply factums, if any, to be delivered within 5 days of responding material.
8. Perfection of the appeal not requiring leave suspended pending the motion to quash; in other words time shall not run.
9. Leave motions to be listed for the week of June 24, 2013, the motion to quash is set for June 28, 2013 – 30 minutes for the moving party, 20 minutes for the responding party.
10. Costs of today reserved to the panel hearing the leave motions and motion to quash.
11. The motion to consolidate the leave motions and the appeals is dismissed.

“Janet Simmons J.A.”

Court of Appeal File No.: M42399  
Court of Appeal File No.: M42404  
Court of Appeal File No.: C56961  
S.C.J. Court File No.: CV-12-9667-00CL

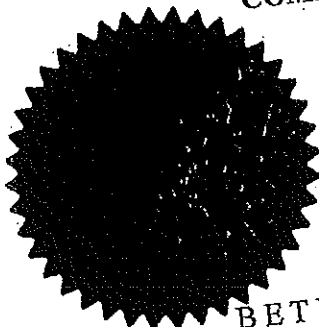
COURT OF APPEAL FOR ONTARIO

THE HONOURABLE JUSTICE SIMMONS )  
)  
)

WEDNESDAY, THE  
1<sup>ST</sup> DAY OF MAY, 2013

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

Court of Appeal File No.: M42399  
Court of Appeal File No.: M42404  
Court of Appeal File No.: C56961  
S.C.J. Court File No.: CV-11-431153-00CP



COURT OF APPEAL FOR ONTARIO

BETWEEN:

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND  
EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF  
OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING  
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and  
ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED  
(formerly known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W.  
JUDSON MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E.  
ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON  
MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING)  
CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES  
(CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES  
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL  
INC., CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC.,  
CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC.,

**CREDIT SUISSE SECURITIES (USA) LLC and MERRILL LYNCH, PIERCE,  
FENNER & SMITH INCORPORATED (successor by merger to Banc of America  
Securities LLC)** Defendants

Proceeding under the *Class Proceedings Act, 1992*

**ORDER**

**THIS MOTION**, made by the Moving Parties (Appellants) Invesco Canada Ltd., Northwest & Ethical Investments L.P., Comité Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc., Gestion Férique and Montrusco Bolton Investments Inc. for directions on administrative matters was heard this day, at Osgoode Hall, 130 Queen St. West, Toronto, Ontario.

**ON READING** the motion record and factum of the Appellants and the motion record and factum of the responding parties, including the consent of the Appellants and of the responding parties, and on hearing the submissions of the lawyers for the Appellants and the responding parties:

1. **THIS COURT ORDERS** that all materials filed on the hearing before Justice Morawetz giving rise to the Settlement Approval Order and Representation Dismissal Order (S.C.J. Court File No.: CV-12-9667-00CL and CV-11-431153-00CP) shall be transferred to the Court of Appeal. This Court further orders that the parties may rely on those materials for the motions for leave to appeal the Settlement Approval Order, and Representation Dismissal Order, and the appeal in Court File No. C56961 and if leave is granted, any appeal.

2. THIS COURT ORDERS that there will be no costs for the motion.

ENTERED AT / INSCRIPT À TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

JUN 05 2013

PER / PAR: SDS

*Clay Simons*  
Registrar Court of Appeal for Ontario  
SIMMONS, J.



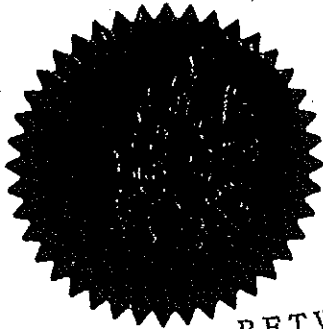


Court of Appeal File No.: M42068  
Court of Appeal File No.: M42399  
Court of Appeal File No.: M42404  
Court of Appeal File No.: C56961  
S.C.J. Court File No.: CV-12-9667-00CL

COURT OF APPEAL FOR ONTARIO

THE HONOURABLE MADAM )  
JUSTICE SIMMONS )  
WEDNESDAY, THE  
1<sup>ST</sup> DAY OF MAY, 2013

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



Court of Appeal File No.: M42068  
Court of Appeal File No.: M42399  
Court of Appeal File No.: M42404  
Court of Appeal File No.: C56961  
S.C.J. Court File No.: CV-11-431153-00CP

COURT OF APPEAL FOR ONTARIO

BETWEEN:

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND  
EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF  
OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING  
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and  
ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED  
(formerly known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W.  
JUDSON MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E.  
ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON  
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CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL  
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FENNER & SMITH INCORPORATED (successor by merger to Banc of America Securities LLC) Defendants

Proceeding under the *Class Proceedings Act, 1992*

ORDER

THIS MOTION, made by the Moving Parties (Appellants) Invesco Canada Ltd., Northwest & Ethical Investments L.P., Comité Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc., Gestion Férique and Montrusco Bolton Investments Inc. for directions on administrative matters including consolidating, expediting and seeking representative status on motions for leave to appeal and in the appeals thereof, was heard this day, at Osgoode Hall, 130 Queen St. West, Toronto, Ontario.

ON READING the motion record and factum of the Appellants and the motion record and factum of the responding parties, and on hearing the submissions of the lawyers for the Appellants and the responding parties,

1. THIS COURT ORDERS that all materials related to this motion, the motions for leave to appeal bearing Court of Appeal File No.: M42068 and M42399, the appeal in Court File No. C56961 and, if leave is granted, any appeal from the orders dated March 20, 2013 of the Honourable Mr. Justice Morawetz ("Settlement Approval Order" and "Representation Dismissal Order", Court of Appeal File No.: M42399), the order dated December 10, 2012 of the Honourable Mr. Justice Morawetz ("Sanction Order", Court of Appeal File No.: M42068) and the motions to quash the Appellants' Notice of Appeal (Court of Appeal File No.: C56961), may be served by electronic mail, and that proof of receipt of that electronic mail is not required to validate service and is hereby dispensed with for the purpose of filing the materials with the Court.

2. **THIS COURT ORDERS** that the motion for leave to appeal the Sanction Order shall be consolidated and heard together with the motion for leave to appeal the Settlement Approval Order and Representation Dismissal Order.
3. **THIS COURT ORDERS** that the motion to consolidate the hearing of the motions for leave to appeal and the related appeals, orally and before a panel of three judges, is dismissed.
4. **THIS COURT ORDERS** that the motion for leave to appeal the Settlement Approval Order and the Representation Dismissal Order shall be perfected by May 10, 2013, responding material shall be served by May 17, 2013 and reply factums, if any, shall be served by May 27, 2013.
5. **THIS COURT ORDERS** that the motions to quash the Appellants' Notice of Appeal shall be perfected by May 10, 2013 and responding materials shall be served by May 17, 2013.
6. **THIS COURT ORDERS** that the timelines for perfecting the appeal initiated by the Appellants' Notice of Appeal shall be suspended pending the result of the motions to quash such that time shall not run;
7. **THIS COURT ORDERS** that the motions for leave to appeal shall be listed for the week of June 24, 2013;
8. **THIS COURT ORDERS** that the motions to quash the Appellants' Notice of Appeal shall be heard on June 28, 2013. The moving party shall be permitted 30 minutes for argument and the responding party shall be permitted 20 minutes for argument.

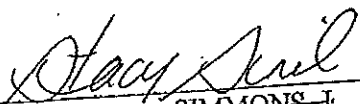
9. THIS COURT ORDERS that the Appellants' motions for leave to act as the representative party for the purposes of any appeal and to expedite any appeals is reserved to the leave panel or the appeal panel.

10. THIS COURT ORDERS that the costs of this motion for directions is reserved to the panel hearing the motions for leave to appeal and the motions to quash the Appellants' Notice of Appeal.

ENTERED AT / INSCRIPT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

JUN 05 2013

PER / PAR: SOS

  
\_\_\_\_\_  
SIMMONS, J.  
*Registrar. Court of Appeal for Ontario*

Court of Appeal File No.: M42068  
Court of Appeal File No.: M42399  
Court of Appeal File No.: M42404  
Court of Appeal File No.: C56961  
Commercial Court File No.: CV-12-9667-00CL

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, RSC 1985, c. C-56, AS AMENDED,  
AND IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

Court of Appeal File No.: M42068  
Court of Appeal File No.: M42399  
Court of Appeal File No.: M42404  
Court of Appeal File No.: C56961  
Superior Court File No.: CV-10-414302CP

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL  
AND EASTERN CANADA, et al.

Plaintiffs/Appellants

-and-

SINO-FOREST CORPORATION, et al.

Defendants/Respondents

COURT OF APPEAL FOR ONTARIO

(Proceeding Commenced at Toronto)

ORDER

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Northwest & Ethical Investments L.P., Comité Syndical National de  
Retraite Bâtière Inc., Matrix Asset Management Inc., Gestion  
Férique and Montrusco Bolton Investments Inc.

File Number: \_\_\_\_\_

**INVESCO CANADA LTD., et al.**  
Applicants (Applicants)

- and -

**SINO-FOREST CORPORATION, et al.**  
Respondents (Respondents)

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**IN THE SUPREME COURT OF CANADA  
(ON APPEAL FROM COURT OF APPEAL FOR  
ONTARIO)**

Proceeding commenced at Toronto  
Proceeding under the Class Proceedings Act, 1992

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**APPLICATION FOR LEAVE TO APPEAL OF  
THE APPLICANTS INVESCO CANADA LTD.,  
NORTHWEST & ETHICAL INVESTMENTS L.P.,  
COMITÉ SYNDICAL NATIONAL DE RETRAITE  
BÂTIRENTE INC., MATRIX ASSET  
MANAGEMENT INC., GESTION FÉRIQUE, AND  
MONTRUSCO BOLTON INVESTMENTS INC.**

**VOLUME III OF IV**

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