

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 COMPRISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

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*

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TO: THE ATTACHED SERVICE LIST

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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 COMPRISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

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

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Defendants

Proceeding under the *Class Proceedings Act, 1992*

NOTICE OF MOTION

TAKE NOTICE that the Ad Hoc Committee of Purchasers of the Applicant's Securities, including the plaintiffs in the action commenced against Sino-Forest Corporation ("Sino-Forest") in the Ontario Superior Court of Justice, bearing (Toronto) Court File No. CV-11-431153-00CP (the "Ontario Plaintiffs" and the "Ontario Class Action", respectively) will make a motion to the Honourable Justice Morawetz on December 18, 2012, at 10:00 a.m., or at such other time and place as the Court may direct, at 330 University Avenue, 8th Floor, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion will be heard orally.

THE MOTION IS FOR an Order:

1. If necessary, validating and abridging the time for service and filing of this notice of motion and motion record, and dispensing with any further service thereof;
2. Approving the form and content of the notice of the hearing to approve the Ernst & Young Settlement as defined in the Plan of Compromise and Reorganization of Sino-Forest dated December 3, 2012 as approved by the Order of the Honourable Justice Morawetz dated December 10, 2012 (the "Plan") (the "Settlement Approval Hearing"), attached hereto as Schedule "A" (the "Notice"); and
3. Directing that the dissemination and publication of the Notice be conducted as follows (the "Notice Plan"):
 - a. Siskinds LLP and Koskie Minsky LLP (together, "Class Counsel") shall provide or cause to be provided a copy of the Notice directly, either electronically or by mail, to all individuals or entities who have contacted Siskinds LLP and Koskie Minsky LLP (together, "Class Counsel") or Siskinds Desmeules sencrl ("Desmeules") regarding this action, and to any person or entity who requests a copy of the Notice, provided that such person or entity has furnished his, her or its contact information to Class Counsel or Desmeules;
 - b. Class Counsel will send or will cause to be sent copies of the Notice to the addresses on the holders of Sino-Forest securities as of June 2, 2011 and the

current Service Lists in Court File Nos. CV-12-9667-00CL (the “CCAA Proceeding”) and CV-11-431153-00CP (the Ontario Class Action) by electronic mail;

- c. Class Counsel will send or cause to be sent copies of the Notice to all 196 Canadian brokers who are known to Class Counsel, with a cover letter directing those brokers to provide a copy of the Notice, either by mail or electronically, to those of their clients who are or have been beneficial owners of Sino-Forest securities. Brokers will also be requested to send a statement to Class Counsel or its designee indicating that such mailing or electronic communication was completed as directed;
- d. Copies of the Notice, in English and French, will be posted by Class Counsel on their websites;
- e. Copies of the Notice, in English and French, will be posted in a prominent location on the main page of the Sino-Forest website;
- f. Class Counsel will issue and cause to be disseminated a press release which incorporates the Notice;
- g. Class Counsel will provide hyper-links to the Notice from the following twitter accounts:
 - i. @kmlawllp; and
 - ii. @SiskindsLLP;
- h. Copies of the Notice will be published in the following print publications:
 - i. *The Globe and Mail*, in English, in one weekday publication;
 - ii. *National Post*, in English, in one weekday publication
 - iii. *Wall Street Journal*, in English, in one weekday publication;
 - iv. *La Presse*, in French, in one weekday publication; and

v. *Le Soleil*, in French, in one weekday publication.

THE GROUNDS FOR THE MOTION ARE:

1. On November 29, 2012, the Ontario Plaintiffs and Ernst & Young LLP (“Ernst & Young”), among others, entered into the Ernst & Young Settlement, in order to resolve all Ernst & Young Claims (as defined in the Plan) including all claims asserted or that could be asserted against Ernst & Young in the above-captioned class proceeding;
2. The Honourable Justice Morawetz is the supervising CCAA judge in the CCAA Proceeding. Pursuant to s. 34 of the *Class Proceedings Act* (the “CPA”), the Honourable Justice Morawetz has been assigned by the Honourable Justice Then, Regional Senior Justice, to hear the Settlement Approval Hearing and ancillary matters related to the Ernst & Young Settlement for purposes of both the *Companies’ Creditors Arrangement Act* and the CPA;
3. The Settlement Approval Hearing has been scheduled for January 4, 2012;
4. The Ontario Plaintiffs and Ernst & Young have agreed on the form of notice to class members and any other party with an Ernst & Young Claim of the Settlement Approval Hearing (the “Notice”);
5. The Notice will advise class members, and everyone, including non-Canadians, who has, had, could have had or may have a claim of any kind against Ernst & Young, Ernst & Young Global Limited or any of its member firms and any person or entity affiliated or connected thereto, in relation to Sino-Forest, Ernst & Young’s audits of Sino-Forest’s financial statements and any other work performed by Ernst & Young related to Sino-Forest, of the Settlement Approval Hearing, the terms of the Settlement Agreement, and

the parties' right to object to or make submissions regarding the Settlement Agreement at the Settlement Approval Hearing in accordance with the terms of the order sought; and

6. The Notice Plan is sufficient for the purposes of notifying class members, and everyone, including non-Canadians, who has, had, could have had or may have a claim of any kind against Ernst & Young, Ernst & Young Global Limited or any of its member firms and any person or entity affiliated or connected thereto, in relation to Sino-Forest, Ernst & Young's audits of Sino-Forest's financial statements and any other work performed by Ernst & Young related to Sino-Forest, of the Settlement Approval Hearing, and of providing them an adequate opportunity to object to or make submissions regarding the Settlement Agreement;
7. Sections 2, 5, 6, 8, 12, 17, 20, 29, and 34(1), among others, of the *CPA*;
8. The *Rules of Civil Procedure*, O Reg 194; and
9. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The affidavit of Jonathan Ptak, sworn December 17, 2012; and
2. Such further and other evidence as counsel may advise and this Honourable Court may deem just.

December 17, 2012

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SINO-FOREST CORPORATION CLASS ACTION

TO CURRENT AND FORMER SINO-FOREST SHAREHOLDERS AND NOTEHOLDERS

Notice of Proposed Settlement with Ernst & Young LLP

TO: Everyone, including non-Canadians, who acquired Sino-Forest Corporation (“Sino-Forest”) securities (including shares and/or notes) in the primary or secondary market in any jurisdiction between March 31, 2006 and August 26, 2011 (the “E&Y Settlement Class”) and to everyone, including non-Canadians, who has, had, could have had or may have a claim of any kind against Ernst & Young LLP, Ernst & Young Global Limited or any of its member firms and any person or entity affiliated or connected thereto (“Ernst & Young”), in relation to Sino-Forest, Ernst & Young’s audits of Sino-Forest’s financial statements and any other work performed by Ernst & Young related to Sino-Forest.

Background of Sino-Forest Class Action and CCAA Proceeding

In June and July of 2011, class actions were commenced in the Ontario Superior Court of Justice (the “Ontario Proceeding”) and the Québec Superior Court (the “Québec Proceeding”) (collectively, the “Proceedings”) by certain plaintiffs (the “Plaintiffs”) against Sino-Forest, its senior officers and directors, its underwriters, a consulting company, and its auditors, including Ernst & Young. In January 2012, a proposed class action was commenced against Sino-Forest and other defendants in the Southern District of New York (the “US Action”). The actions alleged that the public filings of Sino-Forest contained false and misleading statements about Sino-Forest’s assets, business, and transactions.

Since that time, the litigation has been vigorously contested. On March 30, 2012, Sino-Forest obtained creditor protection under the *Companies’ Creditors Arrangement Act* (the “CCAA”), within which proceeding the Ontario Superior Court ordered a stay of proceedings against the company and other parties, including Ernst & Young (the “CCAA Proceeding”). Orders and other materials relevant to the CCAA Proceeding can be found at the CCAA Monitor’s website at <http://cfcanada.fticonsulting.com/sfc/>.

On December 10, 2012, a Plan of Arrangement was approved by the court in the CCAA Proceeding. As part of this Plan of Arrangement, the court approved a framework by which the Plaintiffs may enter into settlement agreements with any of the third-party defendants to

the Proceedings. The Plan expressly contemplates the Ernst & Young Settlement (as defined in the Plan), approval of which is now sought.

Who Acts For the E&Y Settlement Class

Koskie Minsky LLP, Siskinds LLP, and Siskinds Desmeules, sencl (“Class Counsel”) represent the E&Y Settlement Class in the Proceedings. If you want to be represented by another lawyer, you may hire one to appear in court for you at your own expense.

You will not have to directly pay any fees and expenses to Class Counsel. However, if this action succeeds or there is a monetary settlement, Class Counsel will seek to have their fees and expenses paid from any money obtained for the class or paid separately by the defendants.

Proposed Settlement with Ernst & Young

The Plaintiffs have entered into a proposed settlement with Ernst & Young (the “Settlement Agreement”). The proposed settlement would settle all claims, globally, against Ernst & Young in relation to the allegations in the Proceedings. Ernst & Young does not admit to any wrongdoing or liability. The proposed settlement does not involve the resolution of any claims against Sino-Forest or any of the other defendants. A complete copy of the Settlement Agreement and other information about these proceedings is available at: www.kmlaw.ca/sinoforestclassaction and www.classaction.ca.

The proposed settlement, if approved and its conditions fulfilled, provides that Ernst & Young will pay CAD\$117,000,000.00 for the benefit of the E&Y Settlement Class. In return, the action will be dismissed against Ernst & Young, and there will be an order forever barring claims against it regarding any allegations relating to the Proceedings.

The settlement agreement with Ernst & Young is subject to court approval, as discussed below.

Hearings to Approve Settlement on January 4, 2013 in Toronto, Ontario and Subsequent Hearings in Ontario, Quebec and the United States.

On January 4, 2013 at ● a.m., there will be a settlement approval hearing before the Ontario Superior Court of Justice. The hearing will be heard at the Canada Life Building, 330 University Avenue, 8th Floor, Toronto, Ontario. The exact courtroom number will be available on a notice board on the 8th Floor.

If the settlement approval motion which is being heard by the Ontario Superior Court of Justice on January 4, 2013 (the “Ontario Approval Motion”) is granted, then there will be a

further hearing at a later date before the Ontario Superior Court of Justice (the “Ontario Allocation/Fee Motion”) at which Class Counsel will seek that Court’s approval of (1) the plan for allocating the net Ernst & Young settlement fund among the members of the E&Y Settlement Class; and (2) the fees and expense reimbursement requests of Class Counsel.

In addition, if the Ontario Approval Motion is granted, then there may be additional hearings at later dates in the Quebec Superior Court (the “Quebec Motion”) and in the Southern District of New York (the “US Motion”) at which counsel to the plaintiffs in the Quebec Proceeding and the US Action, respectively, may seek the recognition and implementation of the Ontario Approval Motion and the Ernst & Young Settlement.

If the Ontario Approval Motion is granted, then a further notice will be disseminated to members of the E&Y Settlement Class advising them of the time and place of the Ontario Allocation/Fee Motion and any Quebec Motion and/or US Motion.

Members of the E&Y Settlement Class, and everyone, including non-Canadians, who has, had, could have had or may have a claim of any kind against Ernst & Young, in relation to Sino-Forest, Ernst & Young’s audits of Sino-Forest’s financial statements and any other work performed by Ernst & Young related to Sino-Forest, may attend at the hearing of the Ontario Approval Motion and ask to make submissions regarding the proposed settlement with Ernst & Young.

Any person who wishes to object to the Ernst & Young Settlement Agreement must provide written notice to Class Counsel at the addresses below by NO LATER THAN FOUR (4) DAYS BEFORE THE SETTLEMENT APPROVAL HEARING.

Further Information

If you would like additional information or to object to the Ernst & Young Settlement Agreement, please contact Koskie Minsky LLP, Siskinds LLP, or Siskinds Desmeules LLP at the addresses below:

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Interpretation

If there is a conflict between the provisions of this notice and the Settlement Agreement, the terms of the Settlement Agreement will prevail.

Please do not direct inquiries about this notice to the Court. All inquiries should be directed to Class Counsel.

DISTRIBUTION OF THIS NOTICE HAS BEEN AUTHORIZED BY THE ONTARIO
SUPERIOR COURT OF JUSTICE

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 COMPRISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

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 JONATHAN PTAK

I, **JONATHAN PTAK**, of the City of Toronto, in the Province of Ontario AFFIRM:

1. I am a partner at Koskie Minsky LLP, who, along with Siskinds LLP (together “Class Counsel”), are counsel to the plaintiffs in the above-captioned class proceeding (the “Class Plaintiffs”).
2. For purposes of the above-captioned proceeding under the *Companies’ Creditors Arrangement Act* (the “*CCAA Proceedings*”), Class Counsel have retained Paliare Roland Rosenberg Rothstein LLP, who represent the Ad Hoc Committee of Purchasers of the Applicant’s Securities, including the Class Plaintiffs (together, the “Ontario Plaintiffs”).
3. I have knowledge of the matters deposed to below. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information, and I believe such information to be true.

NATURE OF THIS MOTION

4. On November 29, 2012, the Ontario Plaintiffs and Ernst & Young LLP (“Ernst & Young”), among others, entered into the Ernst & Young Settlement (as defined in the Plan of Compromise and Reorganization of Sino-Forest Corporation (“Sino-Forest”) dated December 3, 2012 as approved by the Order of the Honourable Justice Morawetz dated December 10, 2012 (the “Plan” and the “Sanction Order”, respectively)), in order to resolve all Ernst & Young Claims (as defined in the Plan), including all claims asserted or that could be asserted against Ernst & Young in the above-captioned class proceeding. A copy of the Minutes of Settlement is attached hereto as **Exhibit “A”**. A copy of the Plan is attached hereto as **Exhibit “B”**. A copy of the Sanction Order is attached hereto as **Exhibit “C”**.

5. On December 3, 2012, Class Counsel publicly announced that the Plaintiffs had entered into a conditional settlement agreement with Ernst & Young for CAN\$117 million. A copy of that press release is attached hereto as **Exhibit “D”**.

6. On December 3 and 4, 2012, a number of articles appeared in major media outlets announcing the settlement and stating that the settlement remained subject to court approval. For example, on December 3, 2012, one such article appeared in www.globeandmail.com and was entitled “E&Y settlement sets record for auditors”. A copy of that article is attached hereto as **Exhibit “E”**. A similar article appeared on Reuters on December 3, 2012. A copy of that article is attached hereto as **Exhibit “F”**. As a result of the publication of these and other articles, I believe that the settlement and the fact that it is subject to court approval have been broadly disseminated.

7. In the Supplement to the Thirteenth Report of the Monitor for Sino-Forest, the Monitor reported that, on December 3, 2012, the creditors of Sino-Forest voted overwhelmingly in favour of the Plan, which included the relevant terms of the Ernst & Young Settlement and the Ernst & Young Release (as defined by the Plan). A copy of the Supplement to the Thirteenth Report of the Monitor for Sino-Forest (without appendixes) is attached hereto as **Exhibit “G”**

8. By order dated December 10, 2012 (the Sanction Order), this Honourable Court approved the Plan, which included the relevant terms of the Ernst & Young Settlement and the Ernst & Young Release (as defined by the Plan). The Sanction Order is attached hereto at Exhibit “C”, as indicated above.

9. The Honourable Justice Then, Regional Senior Justice, has assigned pursuant to s. 34 of the *Class Proceedings Act* the Honourable Justice Morawetz to hear the motion to approve the

Settlement Agreement (the “Settlement Approval Hearing”) and ancillary matters related to the Ernst & Young Settlement for purposes of both the *Companies’ Creditors Arrangement Act* and the *Class Proceedings Act, 1992*. A copy of the letter from the Honourable Justice Then, Regional Senior Justice dated December 13, 2012 is attached hereto as **Exhibit “H”**.

10. The Settlement Approval Hearing has been scheduled for January 4, 2012. A copy of the endorsement of the Honourable Justice Morawetz scheduling the Settlement Approval Hearing is attached hereto as **Exhibit “I”**.

11. The Ontario Plaintiffs and Ernst & Young have agreed on the form of notice to class members and everyone, including non-Canadians, who has, had, could have had or may have a claim of any kind against Ernst & Young, Ernst & Young Global Limited or any of its member firms and any person or entity affiliated or connected thereto, in relation to Sino-Forest, Ernst & Young’s audits of Sino-Forest’s financial statements and any other work performed by Ernst & Young related to Sino-Forest (the “Notice”). The Notice will advise class members and such other parties of the Settlement Approval Hearing, the terms of the Settlement Agreement, the parties’ right to object to or make submissions regarding the Settlement Agreement, and of certain subsequent hearings in Ontario and, potentially, Quebec and the United States relating to the Ernst & Young Settlement. Marked and attached as **Exhibit “J”** is a copy of the proposed Notice.

12. Sino-Forest has previously provided to the Ontario Plaintiffs a list of the names and addresses of holders of Sino-Forest securities as of June 2, 2011 (the “June 2, 2011 Shareholder List”). There are slightly more than 3,000 deliverable addresses on the June 2, 2011 Shareholder List.

13. Class Counsel are aware of 196 brokers in Canada, and will mail the Notice to those brokers or cause the Notice to be mailed to them, as discussed below.

14. On May 17 2012, Justice Perell approved the notice of the approval hearing of the settlement between Pöyry (Beijing) Consulting Company Limited (“Pöyry”) and the Ontario Plaintiffs. That notice was disseminated between June 18 and July 11, 2012. The plan of dissemination for that notice was not as broad as the Notice Plan currently proposed, as it did not include mailings to brokers, a press release, or publication via Twitter.

15. On September 25, 2012, Justice Perell approved a notice of the approval of the Pöyry settlement, the certification of this class proceeding, and how members may exercise their rights to opt-out of the class proceeding (the “Pöyry Notice”). The Pöyry Notice was disseminated between November 16 and 29, 2012. This Notice Plan goes beyond the Pöyry Notice plan, in that this Notice Plan includes publication of the Notice via Twitter and press release.

16. To date, Class Counsel have been contacted by 1,017 persons regarding these proceedings. Another 52 persons have contacted Siskinds Desmeules, sencrl, an affiliate of Siskinds and counsel to the class in a parallel action against Sino-Forest and others in Quebec. In addition, those who have served Notices of Appearance in the CCAA Proceedings have had and will have notice of the Settlement Approval Hearing and the Ernst & Young Settlement.

17. The Ontario Plaintiffs and Ernst & Young have agreed on the method of disseminating the Notice. The proposed method of dissemination is as follows:

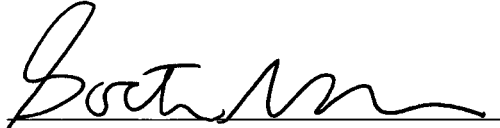
- (a) Class Counsel shall provide or cause to be provided a copy of the Notice directly, either electronically or by mail, to all individuals or entities who have contacted Class Counsel or Siskinds Desmeules sencrl (“Desmeules”) regarding this action, and to any person or entity who requests a copy of the Notice, provided that such

person or entity has furnished his, her or its contact information to Class Counsel or Desmeules;

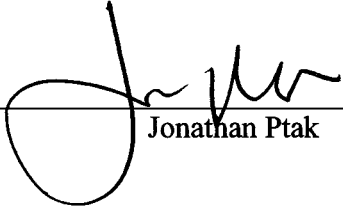
- (b) Class Counsel will send or will cause to be sent copies of the Notice to the addresses on the holders of Sino-Forest securities as of June 2, 2011 and the current Service Lists in Court File Nos. CV-12-9667-00CL (the “CCAA Proceeding”);
- (c) Copies of the Notice, in English and French, will be posted by Class Counsel on their websites
- (d) A copy of the Notice will be posted by Sino-Forest and in a prominent location on the main page of the Sino-Forest website;
- (e) Class Counsel will issue and cause to be disseminated a press release which incorporates the Notice;
- (f) Class Counsel will provide hyper-links to the Notice from the following twitter accounts:
 - (i) @kmlawllp; and
 - (ii) @SiskindsLLP;
- (g) Copies of the Notice will be published in the following print publications:
 - (i) *The Globe and Mail*, in English, in one weekday publication;
 - (ii) *National Post*, in English, in one weekday publication
 - (iii) *Wall Street Journal*, in English, in one weekday publication;
 - (iv) *La Presse*, in French, in one weekday publication; and
 - (v) *Le Soleil*, in French, in one weekday publication;

18. I believe the notice plan will be sufficient for the purposes of notifying class members of the Settlement Approval Hearing, and of providing them an adequate opportunity to object to or make submissions regarding the Settlement Agreement.

SWORN before me at the City of)
Toronto, in the Province of Ontario,)
this 17th day of December, 2012.)



A Commissioner, etc.)



Jonathan Ptak

This is Exhibit "A" mentioned and referred to in the Affidavit of Jonathan Ptak, sworn before me at the City of Toronto, in the Province of Ontario, this 17th day of December, 2012.



A Commissioner, etc.

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

B E T W E E N:

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;



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;



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:

KOSKIE MINSKY LLP
Lawyers for the Plaintiffs

Date:

SISKINDS LLP
Lawyers for the Plaintiffs

Date:

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

Date:

November 29, 2012



**LENCZNER SLAGHT ROYCE SMITH
GRIFFIN LLP**

Lawyers for Ernst & Young LLP, and on behalf
of Ernst & Young Global Limited and all
member firms thereof



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



(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;



- (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.



This is Exhibit "B" mentioned and referred to in the Affidavit of Jonathan Ptak, sworn before me at the City of Toronto, in the Province of Ontario, this 17th day of December, 2012.



A Commissioner, etc.

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

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

December 3, 2012

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PLAN OF COMPROMISE AND REORGANIZATION

WHEREAS Sino-Forest Corporation (“SFC”) is insolvent;

AND WHEREAS, on March 30, 2012 (the “**Filing Date**”), the Honourable Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted an initial Order in respect of SFC (as such Order may be amended, restated or varied from time to time, the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) and the *Canada Business Corporation Act*, R.S.C. 1985, c. C-44, as amended (the “**CBCA**”);

AND WHEREAS, on August 31, 2012, the Court granted a Plan Filing and Meeting Order (as such Order may be amended, restated or varied from time to time, the “**Meeting Order**”) pursuant to which, among other things, SFC was authorized to file this plan of compromise and reorganization and to convene a meeting of affected creditors to consider and vote on this plan of compromise and reorganization.

NOW THEREFORE, SFC hereby proposes this plan of compromise and reorganization pursuant to the CCAA and CBCA.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In the Plan, unless otherwise stated or unless the subject matter or context otherwise requires:

“**2013 Note Indenture**” means the indenture dated as of July 23, 2008, by and between SFC, the entities listed as subsidiary guarantors therein, and The Bank of New York Mellon, as trustee, as amended, modified or supplemented.

“**2014 Note Indenture**” means the indenture dated as of July 27, 2009, by and between SFC, the entities listed as subsidiary guarantors therein, and Law Debenture Trust Company of New York, as trustee, as amended, modified or supplemented.

“**2016 Note Indenture**” means the indenture dated as of December 17, 2009, by and between SFC, the entities listed as subsidiary guarantors therein, and The Bank of New York Mellon, as trustee, as amended, modified or supplemented.

“**2017 Note Indenture**” means the indenture dated as of October 21, 2010, by and between SFC, the entities listed as subsidiary guarantors therein, and Law Debenture Trust Company of New York, as trustee, as amended, modified or supplemented.

“**2013 Notes**” means the aggregate principal amount of US\$345,000,000 of 5.00% Convertible Senior Notes Due 2013 issued pursuant to the 2013 Note Indenture.

“2014 Notes” means the aggregate principal amount of US\$399,517,000 of 10.25% Guaranteed Senior Notes Due 2014 issued pursuant to the 2014 Note Indenture.

“2016 Notes” means the aggregate principal amount of US\$460,000,000 of 4.25% Convertible Senior Notes Due 2016 issued pursuant to the 2016 Note Indenture.

“2017 Notes” means the aggregate principal amount of US\$600,000,000 of 6.25% Guaranteed Senior Notes Due 2017 issued pursuant to the 2017 Note Indenture.

“Accrued Interest” means, in respect of any series of Notes, all accrued and unpaid interest on such Notes, at the regular rates provided in the applicable Note Indentures, up to and including the Filing Date.

“Administration Charge” has the meaning ascribed thereto in the Initial Order.

“Administration Charge Reserve” means the cash reserve to be established by SFC on the Plan Implementation Date in the amount of \$500,000 or such other amount as agreed to by the Monitor and the Initial Consenting Noteholders, which cash reserve: (i) shall be maintained and administered by the Monitor, in trust, for the purpose of paying any amounts secured by the Administration Charge; and (ii) upon the termination of the Administration Charge pursuant to the Plan, shall stand in place of the Administration Charge as security for the payment of any amounts secured by the Administration Charge.

“Affected Claim” means any Claim, D&O Claim or D&O Indemnity Claim that is not: an Unaffected Claim; a Section 5.1(2) D&O Claim; a Conspiracy Claim; a Continuing Other D&O Claim; a Non-Released D&O Claim; or a Subsidiary Intercompany Claim, and “Affected Claim” includes any Class Action Indemnity Claim. For greater certainty, all of the following are Affected Claims: Affected Creditor Claims; Equity Claims; Noteholder Class Action Claims (other than the Continuing Noteholder Class Action Claims); and Class Action Indemnity Claims.

“Affected Creditor” means a Person with an Affected Creditor Claim, but only with respect to and to the extent of such Affected Creditor Claim.

“Affected Creditor Claim” means any Ordinary Affected Creditor Claim or Noteholder Claim.

“Affected Creditors Class” has the meaning ascribed thereto in section 3.2(a) hereof.

“Affected Creditors Equity Sub-Pool” means an amount of Newco Shares representing 92.5% of the Newco Equity Pool.

“Alternative Sale Transaction” has the meaning ascribed thereto in section 10.1 hereof.

“Alternative Sale Transaction Consideration” has the meaning ascribed thereto in section 10.1 hereof.

“Applicable Law” means any applicable law, statute, order, decree, consent decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law whether in Canada,

the United States, Hong Kong, the PRC or any other country, or any domestic or foreign state, county, province, city or other political subdivision or of any Governmental Entity.

“Auditors” means the former auditors of SFC that are named as defendants to the Class Actions Claims, including for greater certainty Ernst & Young LLP and BDO Limited.

“Barbados Loans” means the aggregate amount outstanding at the date hereof pursuant to three loans made by SFC Barbados to SFC in the amounts of US\$65,997,468.10 on February 1, 2011, US\$59,000,000 on June 7, 2011 and US\$176,000,000 on June 7, 2011.

“Barbados Property” has the meaning ascribed thereto in section 6.4(j) hereof.

“BIA” means the *Bankruptcy and Insolvency Act*, R. S. C. 1985, c. B-3.

“Business Day” means a day, other than Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario.

“Canadian Tax Act” means the *Income Tax Act* (Canada) and the *Income Tax Regulations*, in each case as amended from time to time.

“Causes of Action” means any and all claims, actions, causes of action, demands, counterclaims, suits, rights, entitlements, litigation, arbitration, proceeding, hearing, complaint, debt, obligation, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries of whatever nature that any Person may be entitled to assert in law, equity or otherwise, whether known or unknown, foreseen or unforeseen, reduced to judgment or not reduced to judgment, liquidated or unliquidated, contingent or non-contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly, indirectly or derivatively, existing or hereafter arising and whether pertaining to events occurring before, on or after the Filing Date.

“CBCA” has the meaning ascribed thereto in the recitals.

“CCAA” has the meaning ascribed thereto in the recitals.

“CCAA Proceeding” means the proceeding commenced by SFC under the CCAA on the Filing Date in the Ontario Superior Court of Justice (Commercial List) under court file number CV-12-9667-00CL.

“Charges” means the Administration Charge and the Directors’ Charge.

“Claim” means any right or claim of any Person that may be asserted or made against SFC, in whole or in part, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express,

implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature, including any right or ability of any Person (including any Directors or Officers of SFC or any of the Subsidiaries) to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (A) is based in whole or in part on facts prior to the Filing Date, (B) relates to a time period prior to the Filing Date, or (C) is a right or claim of any kind that would be a claim provable against SFC in bankruptcy within the meaning of the BIA had SFC become bankrupt on the Filing Date, or is an Equity Claim, a Noteholder Class Action Claim against SFC, a Class Action Indemnity Claim against SFC, a Restructuring Claim or a Lien Claim, provided, however, that "Claim" shall not include a D&O Claim or a D&O Indemnity Claim.

"Claims Bar Date" has the meaning ascribed thereto in the Claims Procedure Order.

"Claims Procedure" means the procedure established for determining the amount and status of Claims, D&O Claims and D&O Indemnity Claims, including in each case any such claims that are Unresolved Claims, pursuant to the Claims Procedure Order.

"Claims Procedure Order" means the Order under the CCAA of the Honourable Justice Morawetz dated May 14, 2012, establishing, among other things, a claims procedure in respect of SFC and calling for claims in respect of the Subsidiaries, as such Order may be amended, restated or varied from time to time.

"Class Action Claims" means, collectively, any rights or claims of any kind advanced or which may subsequently be advanced in the Class Actions or in any other similar proceeding, whether a class action proceeding or otherwise, and for greater certainty includes any Noteholder Class Action Claims.

"Class Actions" means, collectively, the following proceedings: (i) *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); (ii) *Guining Liu v. Sino-Forest Corporation et al.* (Quebec Superior Court, Court File No. 200-06-000132-111); (iii) *Allan Haigh v. Sino-Forest Corporation et al.* (Saskatchewan Court of Queen's Bench, Court File No. 2288 of 2011); and (iv) *David Leopard et al. v. Allen T.Y. Chan et al.* (District Court of the Southern District of New York, Court File No. 650258/2012).

"Class Action Court" means, with respect to the Class Action Claims, the court of competent jurisdiction that is responsible for administering the applicable Class Action Claim.

"Class Action Indemnity Claim" means any right or claim of any Person that may be asserted or made in whole or in part against SFC and/or any Subsidiary for indemnity, contribution, reimbursement or otherwise from or in connection with any Class Action Claim asserted against

such Person. For greater certainty, Class Action Indemnity Claims are distinct from and do not include Class Action Claims.

“Consent Date” means May 15, 2012.

“Conspiracy Claim” means any D&O Claim alleging that the applicable Director or Officer committed the tort of civil conspiracy, as defined under Canadian common law.

“Continuing Noteholder Class Action Claim” means any Noteholder Class Action Claim that is: (i) a Section 5.1(2) D&O Claim; (ii) a Conspiracy Claim; (iii) a Non-Released D&O Claim; (iv) a Continuing Other D&O Claim; (v) a Noteholder Class Action Claim against one or more Third Party Defendants that is not an Indemnified Noteholder Class Action Claim; (vi) the portion of an Indemnified Noteholder Class Action Claim that is permitted to continue against the Third Party Defendants, subject to the Indemnified Noteholder Class Action Limit, pursuant to section 4.4(b)(i) hereof.

“Continuing Other D&O Claims” has the meaning ascribed thereto in section 4.9(b) hereof.

“Court” has the meaning ascribed thereto in the recitals.

“D&O Claim” means (i) any right or claim of any Person that may be asserted or made in whole or in part against one or more Directors or Officers of SFC that relates to a Claim for which such Directors or Officers are by law liable to pay in their capacity as Directors or Officers of SFC, or (ii) any right or claim of any Person that may be asserted or made in whole or in part against one or more Directors or Officers of SFC, in that capacity, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty and including, for greater certainty, any monetary administrative or other monetary penalty or claim for costs asserted against any Officer or Director of SFC by any Government Entity) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof, is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature, including any right or ability of any Person to advance a claim for contribution or indemnity from any such Directors or Officers of SFC or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (A) is based in whole or in part on facts prior to the Filing Date, or (B) relates to a time period prior to the Filing Date.

“D&O Indemnity Claim” means any existing or future right of any Director or Officer of SFC against SFC that arose or arises as a result of any Person filing a D&O Proof of Claim (as

defined in the Claims Procedure Order) in respect of such Director or Officer of SFC for which such Director or Officer of SFC is entitled to be indemnified by SFC.

“Defence Costs” has the meaning ascribed thereto in section 4.8 hereof.

“Director” means, with respect to SFC or any Subsidiary, anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of such SFC Company.

“Directors’ Charge” has the meaning ascribed thereto in the Initial Order.

“Direct Registration Account” means, if applicable, a direct registration account administered by the Transfer Agent in which those Persons entitled to receive Newco Shares and/or Newco Notes pursuant to the Plan will hold such Newco Shares and/or Newco Notes in registered form.

“Direct Registration Transaction Advice” means, if applicable, a statement delivered by the Monitor, the Trustees, the Transfer Agent or any such Person’s agent to any Person entitled to receive Newco Shares or Newco Notes pursuant to the Plan on the Initial Distribution Date and each subsequent Distribution Date, as applicable, indicating the number of Newco Shares and/or Newco Notes registered in the name of or as directed by the applicable Person in a Direct Registration Account.

“Direct Subsidiaries” means, collectively, Sino-Panel Holdings Limited, Sino-Global Holdings Inc., Sino-Panel Corporation, Sino-Capital Global Inc., SFC Barbados, Sino-Forest Resources Inc. Sino-Wood Partners, Limited.

“Distribution Date” means the date or dates from time to time set in accordance with the provisions of the Plan to effect distributions in respect of the Proven Claims, excluding the Initial Distribution Date.

“Distribution Escrow Position” has the meaning ascribed thereto in section 5.2(d) hereof.

“Distribution Record Date” means the Plan Implementation Date, or such other date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

“DTC” means The Depository Trust Company, or any successor thereof.

“Early Consent Equity Sub-Pool” means an amount of Newco Shares representing 7.5% of the Newco Equity Pool.

“Early Consent Noteholder” means any Noteholder that:

- (a) (i) as confirmed by the Monitor on June 12, 2012, executed the (A) RSA, (B) a support agreement with SFC and the Direct Subsidiaries in the form of the RSA or (C) a joinder agreement in the form attached as Schedule C to the RSA; (ii) provided evidence satisfactory to the Monitor in accordance with section 2(a) of the RSA of the Notes held by such Noteholder as at the Consent Date (the **“Early Consent Notes”**), as such list of Noteholders and Notes held has been verified

and is maintained by the Monitor on a confidential basis; and (iii) continues to hold such Early Consent Notes as at the Distribution Record Date; or

- (b) (i) has acquired Early Consent Notes; (ii) has signed the necessary transfer and joinder documentation as required by the RSA and has otherwise acquired such Early Consent Notes in compliance with the RSA; and (iii) continues to hold such Early Consent Notes as at the Distribution Record Date.

“Effective Time” means 8:00 a.m. (Toronto time) on the Plan Implementation Date or such other time on such date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

“Eligible Third Party Defendant” means any of the Underwriters, BDO Limited and Ernst & Young (in the event that the Ernst & Young Settlement is not completed), together with any of their respective present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns (but excluding any Director or Officer and successors, administrators, heirs and assigns of any Director or Officer in their capacity as such), and any Director or Officer together with their respective successors, administrators, heirs and assigns.

“Employee Priority Claims” means the following Claims of employees and former employees of SFC:

- (a) Claims equal to the amounts that such employees and former employees would have been qualified to receive under paragraph 136(1)(d) of the BIA if SFC had become bankrupt on the Filing Date; and
- (b) Claims for wages, salaries, commissions or compensation for services rendered by them after the Filing Date and on or before the Plan Implementation Date.

“Encumbrance” means any security interest (whether contractual, statutory, or otherwise), hypothec, mortgage, trust or deemed trust (whether contractual, statutory, or otherwise), lien, execution, levy, charge, demand, action, liability or other claim, action, demand or liability of any kind whatsoever, whether proprietary, financial or monetary, and whether or not it has attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including: (i) any of the Charges; and (ii) any charge, security interest or claim evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system.

“Equity Cancellation Date” means the date that is the first Business Day at least 31 days after the Plan Implementation Date, or such other date as may be agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

“Equity Claim” means a Claim that meets the definition of “equity claim” in section 2(1) of the CCAA and, for greater certainty, includes any of the following:

- (a) any claim against SFC resulting from the ownership, purchase or sale of an equity interest in SFC, including the claims by or on behalf of current or former shareholders asserted in the Class Actions;

- (b) any indemnification claim against SFC related to or arising from the claims described in sub-paragraph (a), including any such indemnification claims against SFC by or on behalf of any and all of the Third Party Defendants (other than for Defence Costs, unless any such claims for Defence Costs have been determined to be Equity Claims subsequent to the date of the Equity Claims Order); and
- (c) any other claim that has been determined to be an Equity Claim pursuant to an Order of the Court.

“Equity Claimant” means any Person having an Equity Claim, but only with respect to and to the extent of such Equity Claim.

“Equity Claimant Class” has the meaning ascribed thereto in section 3.2(b).

“Equity Claims Order” means the Order under the CCAA of the Honourable Justice Morawetz dated July 27, 2012, in respect of Shareholder Claims and Related Indemnity Claims against SFC, as such terms are defined therein.

“Equity Interest” has the meaning set forth in section 2(1) of the CCAA.

“Ernst & Young” means Ernst & Young LLP (Canada), Ernst & Young Global Limited and all other 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 excludes any Director or Officer (in their capacity as such) and successors, administrators, heirs and assigns of any Director or Officer (in their capacity as such).

“Ernst & Young Claim” means any and all demands, claims, actions, Causes of Action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any claim, indebtedness, liability, obligation, demand or cause of action of whatever nature that any Person, including any Person who may claim contribution or indemnification against or from them and also including for greater certainty the SFC Companies, the Directors (in their capacity as such), the Officers (in their capacity as such), the Third Party Defendants, Newco, Newco II, the directors and officers of Newco and Newco II, the Noteholders or any Noteholder, any past, present or future holder of a direct or indirect equity interest in the SFC Companies, any past, present or future direct or indirect investor or security holder of the SFC Companies, any direct or indirect security holder of Newco or Newco II, the Trustees, the Transfer Agent, the Monitor, and each and every member (including members of any committee or governance council), present and former affiliate, partner, associate, employee, servant, agent, contractor, director, officer, insurer and each and every successor, administrator, heir and assign of each of any of the foregoing may or could (at any time past present or future) be entitled to assert against Ernst & Young, including any and all claims in respect of statutory liabilities of Directors (in their capacity as such), Officers (in their capacity as such) and any alleged fiduciary (in any capacity) whether known or unknown, matured or unmatured, direct or derivative, foreseen or unforeseen, suspected or unsuspected, contingent or not contingent, existing or hereafter arising, based in whole or in part

on any act or omission, transaction, dealing or other occurrence existing or taking place on, prior to or after the Ernst & Young Settlement Date relating to, arising out of or in connection with the SFC Companies, the SFC Business, any Director or Officer (in their capacity as such) and/or professional services performed by Ernst & Young or any other acts or omissions of Ernst & Young in relation to the SFC Companies, the SFC Business, any Director or Officer (in their capacity as such), including for greater certainty but not limited to any claim arising out of:

- (a) all audit, tax, advisory and other professional services provided to the SFC Companies or related to the SFC Business up to the Ernst & Young Settlement Date, including for greater certainty all audit work performed, all auditors' opinions and all consents in respect of all offering of SFC securities and all regulatory compliance delivered in respect of all fiscal periods and all work related thereto up to and including the Ernst & Young Settlement Date;
- (b) all claims advanced or which could have been advanced in any or all of the Class Actions;
- (c) all claims advanced or which could have been advanced in any or all actions commenced in all jurisdictions prior the Ernst & Young Settlement Date; or
- (d) all Noteholder Claims, Litigation Trust Claims or any claim of the SFC Companies,

provided that "Ernst & Young Claim" does not include any proceedings or remedies that may be taken against Ernst & Young by the Ontario Securities Commission or by staff of the Ontario Securities Commission, and the jurisdiction of the Ontario Securities Commission and staff of the Ontario Securities Commission in relation to Ernst & Young under the Securities Act, R.S.O. 1990, c. S-5 is expressly preserved.

"Ernst & Young Orders" has the meaning ascribed thereto in section 11.1(a) hereof.

"Ernst & Young Release" means the release described in 11.1(b) hereof.

"Ernst & Young Settlement" means the settlement as reflected in the Minutes of Settlement executed on November 29, 2012 between Ernst & Young LLP, on behalf of itself and Ernst & Young Global Limited and all member firms thereof and the plaintiffs in Ontario Superior Court Action No. CV-11-4351153-00CP and in Quebec Superior Court No. 200-06-00132-111, and such other documents contemplated thereby.

"Ernst & Young Settlement Date" means the date that the Monitor's Ernst & Young Settlement Certificate is delivered to Ernst & Young.

"Excluded Litigation Trust Claims" has the meaning ascribed thereto in section 4.12(a) hereof.

"Excluded SFC Assets" means (i) the rights of SFC to be transferred to the Litigation Trust in accordance with section 6.4(o) hereof; (ii) any entitlement to insurance proceeds in respect of Insured Claims, Section 5.1(2) D&O Claims and/or Conspiracy Claims; (iii) any secured property of SFC that is to be returned in satisfaction of a Lien Claim pursuant to section 4.2(c)(i)

hereof; (iv) any input tax credits or other refunds received by SFC after the Effective Time; and (v) cash in the aggregate amount of (and for the purpose of): (A) the Litigation Funding Amount; (B) the Unaffected Claims Reserve; (C) the Administration Charge Reserve; (D) the Expense Reimbursement and the other payments to be made pursuant to section 6.4(d) hereof (having regard to the application of any outstanding retainers, as applicable); (E) any amounts in respect of Lien Claims to be paid in accordance with section 4.2(c)(ii) hereof; and (F) the Monitor's Post-Implementation Reserve; (vi) any office space, office furniture or other office equipment owned or leased by SFC in Canada; (vii) the SFC Escrow Co. Share; (viii) Newco Promissory Note 1; and (ix) Newco Promissory Note 2.

"Existing Shares" means all existing shares in the equity of SFC issued and outstanding immediately prior to the Effective Time and all warrants, options or other rights to acquire such shares, whether or not exercised as at the Effective Time.

"Expense Reimbursement" means the aggregate amount of (i) the reasonable and documented fees and expenses of the Noteholder Advisors, pursuant to their respective engagement letters with SFC, and other advisors as may be agreed to by SFC and the Initial Consenting Noteholders and (ii) the reasonable fees and expenses of the Initial Consenting Noteholders incurred in connection with the negotiation and development of the RSA and this Plan, including in each case an estimated amount for any such fees and expenses expected to be incurred in connection with the implementation of the Plan, including in the case of (ii) above, an aggregate work fee of up to \$5 million (which work fee may, at the request of the Monitor, be paid by any of the Subsidiaries instead of SFC).

"Filing Date" has the meaning ascribed thereto in the recitals.

"Fractional Interests" has the meaning given in section 5.12 hereof.

"FTI HK" means FTI Consulting (Hong Kong) Limited.

"Governmental Entity" means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

"Government Priority Claims" means all Claims of Governmental Entities in respect of amounts that were outstanding as of the Plan Implementation Date and that are of a kind that could be subject to a demand under:

- (a) subsections 224(1.2) of the Canadian Tax Act;
- (b) any provision of the *Canada Pension Plan* or the *Employment Insurance Act* (Canada) that refers to subsection 224(1.2) of the Canadian Tax Act and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or employee's premium or employer's premium as defined in the *Employment*

Insurance Act (Canada), or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts; or

- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Canadian Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
- (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Canadian Tax Act; or
 - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a “province providing a comprehensive pension plan” as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a “provincial pension plan” as defined in that subsection.

“**Greenheart**” means Greenheart Group Limited, a company established under the laws of Bermuda.

“**Indemnified Noteholder Class Action Claims**” has the meaning ascribed thereto in section 4.4(b)(i) hereof.

“**Indemnified Noteholder Class Action Limit**” means \$150 million or such lesser amount agreed to by SFC, the Monitor, the Initial Consenting Noteholders and counsel to the Ontario Class Action Plaintiffs prior to the Plan Implementation Date or agreed to by the Initial Consenting Noteholders and counsel to the Class Action Plaintiffs after the Plan Implementation Date.

“**Initial Consenting Noteholders**” means, subject to section 12.7 hereof, the Noteholders that executed the RSA on March 30, 2012.

“**Initial Distribution Date**” means a date no more than ten (10) Business Days after the Plan Implementation Date or such other date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

“**Initial Newco Shareholder**” means a Person to be determined by the Initial Consenting Noteholders prior to the Effective Time, with the consent of SFC and the Monitor, to serve as the initial sole shareholder of Newco pursuant to section 6.2(a) hereof.

“**Initial Order**” has the meaning ascribed thereto in the recitals.

“**Insurance Policies**” means, collectively, the following insurance policies, as well as any other insurance policy pursuant to which SFC or any Director or Officer is insured: ACE INA Insurance Policy Number DO024464; Chubb Insurance Company of Canada Policy Number 8209-4449; Lloyds of London, England Policy Number XTFF0420; Lloyds of London, England

Policy Number XTFF0373; and Travelers Guarantee Company of Canada Policy Number 10181108, and **“Insurance Policy”** means any one of the Insurance Policies.

“Insured Claim” means all or that portion of any Claim for which SFC is insured and all or that portion of any D&O Claim for which the applicable Director or Officer is insured, in each case pursuant to any of the Insurance Policies.

“Intellectual Property” means: (i) patents, and applications for patents, including divisional and continuation patents; (ii) registered and unregistered trade-marks, logos and other indicia of origin, pending trade-mark registration applications, and proposed use application or similar reservations of marks, and all goodwill associated therewith; (iii) registered and unregistered copyrights, including all copyright in and to computer software programs, and applications for and registration of such copyright (including all copyright in and to the SFC Companies’ websites); (iv) world wide web addresses and internet domain names, applications and reservations for world wide web addresses and internet domain names, uniform resource locators and the corresponding internet sites; (v) industrial designs; and (vi) trade secrets and proprietary information not otherwise listed in (i) through (v) above, including all inventions (whether or not patentable), invention disclosures, moral and economic rights of authors and inventors (however denominated), confidential information, technical data, customer lists, corporate and business names, trade names, trade dress, brand names, know-how, formulae, methods (whether or not patentable), designs, processes, procedures, technology, business methods, source codes, object codes, computer software programs (in either source code or object code form), databases, data collections and other proprietary information or material of any type, and all derivatives, improvements and refinements thereof, howsoever recorded, or unrecorded.

“Letter of Instruction” means a form, to be completed by each Ordinary Affected Creditor and each Early Consent Noteholder, and that is to be delivered to the Monitor in accordance with section 5.1 hereof, which form shall set out:

- (a) the registration details for the Newco Shares and, if applicable, Newco Notes to be distributed to such Ordinary Affected Creditor or Early Consent Noteholder in accordance with the Plan; and
- (b) the address to which such Ordinary Affected Creditor’s or Early Consent Noteholder’s Direct Registration Transaction Advice or its Newco Share Certificates and Newco Note Certificates, as applicable, are to be delivered.

“Lien Claim” means any Proven Claim of a Person indicated as a secured creditor in Schedule “B” to the Initial Order (other than the Trustees) that is secured by a lien or encumbrance on any property of SFC, which lien is valid, perfected and enforceable pursuant to Applicable Law, provided that the Charges and any Claims in respect of Notes shall not constitute “Lien Claims”.

“Lien Claimant” means a Person having a Lien Claim, other than any Noteholder or Trustee in respect of any Noteholder Claim.

“Litigation Funding Amount” means the cash amount of \$1,000,000 to be advanced by SFC to the Litigation Trustee for purposes of funding the Litigation Trust on the Plan Implementation Date in accordance with section 6.4(o) hereof.

“Litigation Funding Receivable” has the meaning ascribed thereto in section 6.4(o) hereof.

“Litigation Trust” means the trust to be established on the Plan Implementation Date at the time specified in section 6.4(p) in accordance with the Litigation Trust Agreement pursuant to the laws of a jurisdiction that is acceptable to SFC and the Initial Consenting Noteholders, which trust will acquire the Litigation Trust Claims and will be funded with the Litigation Funding Amount in accordance with the Plan and the Litigation Trust Agreement.

“Litigation Trust Agreement” means the trust agreement dated as of the Plan Implementation Date, between SFC and the Litigation Trustee, establishing the Litigation Trust.

“Litigation Trust Claims” means any Causes of Action that have been or may be asserted by or on behalf of: (a) SFC against any and all third parties; or (b) the Trustees (on behalf of the Noteholders) against any and all Persons in connection with the Notes issued by SFC; provided, however, that in no event shall the Litigation Trust Claims include any (i) claim, right or cause of action against any Person that is released pursuant to Article 7 hereof or (ii) any Excluded Litigation Trust Claim. For greater certainty: (x) the claims being advanced or that are subsequently advanced in the Class Actions are not being transferred to the Litigation Trust; and (y) the claims transferred to the Litigation Trust shall not be advanced in the Class Actions.

“Litigation Trust Interests” means the beneficial interests in the Litigation Trust to be created on the Plan Implementation Date.

“Litigation Trustee” means a Person to be determined by SFC and the Initial Consenting Noteholders prior to the Effective Time, with the consent of the Monitor, to serve as trustee of the Litigation Trust pursuant to and in accordance with the terms thereof.

“Material” means a fact, circumstance, change, effect, matter, action, condition, event, occurrence or development that, individually or in the aggregate, is, or would reasonably be expected to be, material to the business, affairs, results of operations or financial condition of the SFC Companies (taken as a whole).

“Material Adverse Effect” means a fact, event, change, occurrence, circumstance or condition that, individually or together with any other event, change or occurrence, has or would reasonably be expected to have a material adverse impact on the assets, condition (financial or otherwise), business, liabilities, obligations (whether absolute, accrued, conditional or otherwise) or operations of the SFC Companies (taken as a whole); provided, however, that a Material Adverse Effect shall not include and shall be deemed to exclude the impact of any fact, event, change, occurrence, circumstance or condition resulting from or relating to: (A) changes in Applicable Laws of general applicability or interpretations thereof by courts or Governmental Entities or regulatory authorities, which changes do not have a Material disproportionate effect on the SFC Companies (taken as a whole), (B) any change in the forestry industry generally, which does not have a Material disproportionate effect on the SFC Companies (taken as a whole) (relative to other industry participants operating primarily in the PRC), (C) actions and omissions

of any of the SFC Companies required pursuant to the RSA or this Plan or taken with the prior written consent of the Initial Consenting Noteholders, (D) the effects of compliance with the RSA or this Plan, including on the operating performance of the SFC Companies, (E) the negotiation, execution, delivery, performance, consummation, potential consummation or public announcement of the RSA or this Plan or the transactions contemplated thereby or hereby, (F) any change in U.S. or Canadian interest rates or currency exchange rates unless such change has a Material disproportionate effect on the SFC Companies (taken as a whole), and (G) general political, economic or financial conditions in Canada, the United States, Hong Kong or the PRC, which changes do not have a Material disproportionate effect on the SFC Companies (taken as a whole).

“Meeting” means the meeting of Affected Creditors, and any adjournment or extension thereof, that is called and conducted in accordance with the Meeting Order for the purpose of considering and voting on the Plan.

“Meeting Order” has the meaning ascribed thereto in the recitals.

“Monitor” means FTI Consulting Canada Inc., in its capacity as Court-appointed Monitor of SFC in the CCAA Proceeding.

“Monitor’s Post-Implementation Reserve” means the cash reserve to be established by SFC on the Plan Implementation Date in the amount of \$5,000,000 or such other amount as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders, which cash reserve shall be maintained and administered by the Monitor for the purpose of administering SFC and the Claims Procedure, as necessary, from and after the Plan Implementation Date.

“Monitor’s Ernst & Young Settlement Certificate” has the meaning ascribed thereto in section 11.1(a) hereof.

“Monitor’s Named Third Party Settlement Certificate” has the meaning ascribed thereto in section 11.2(b) hereof.

“Named Directors and Officers” means Andrew Agnew, William E. Ardell, James Bowland, Leslie Chan, Michael Cheng, Lawrence Hon, James M.E. Hyde, Richard M. Kimel, R. John (Jack) Lawrence, Jay A. Lefton, Edmund Mak, Tom Maradin, Judson Martin, Simon Murray, James F. O’Donnell, William P. Rosenfeld, Peter Donghong Wang, Garry West and Kee Y. Wong, in their respective capacities as Directors or Officers, and **“Named Director or Officer”** means any one of them.

“Named Third Party Defendant Settlement” means a binding settlement between any applicable Named Third Party Defendant and one or more of: (i) the plaintiffs in any of the Class Actions; and (ii) the Litigation Trustee (on behalf of the Litigation Trust) (if after the Plan Implementation Date), provided that, in each case, such settlement must be acceptable to SFC (if on or prior to the Plan Implementation Date), the Monitor, the Initial Consenting Noteholders (if on or prior to the Plan Implementation Date) and the Litigation Trustee (if after the Plan Implementation Date), and provided further that such settlement shall not affect the plaintiffs in the Class Actions without the consent of counsel to the Ontario Class Action Plaintiffs.

“Named Third Party Defendant Settlement Order” means a court order approving a Named Third Party Defendant Settlement in form and in substance satisfactory to the applicable Named Third Party Defendant, SFC (if occurring on or prior to the Plan Implementation Date), the Monitor, the Initial Consenting Noteholders (if on or prior to the Plan Implementation Date), the Litigation Trustee (if after the Plan Implementation Date) and counsel to the Ontario Class Action Plaintiffs (if the plaintiffs in any of the Class Actions are affected by the applicable Named Third Party Defendant Settlement).

“Named Third Party Defendant Release” means a release of any applicable Named Third Party Defendant agreed to pursuant to a Named Third Party Defendant Settlement and approved pursuant to a Named Third Party Defendant Settlement Order, provided that such release must be acceptable to SFC (if on or prior to the Plan Implementation Date), the Monitor, the Initial Consenting Noteholders (if on or prior to the Plan Implementation Date) and the Litigation Trustee (if after the Plan Implementation Date), and provided further that such release shall not affect the plaintiffs in the Class Actions without the consent of counsel to the Ontario Class Action Plaintiffs.

“Named Third Party Defendants” means the Third Party Defendants listed on Schedule “A” to the Plan in accordance with section 11.2(a) hereof, provided that only Eligible Third Party Defendants may become Named Third Party Defendants.

“Newco” means the new corporation to be incorporated pursuant to section 6.2(a) hereof under the laws of the Cayman Islands or such other jurisdiction as agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

“Newco II” means the new corporation to be incorporated pursuant to section 6.2(b) hereof under the laws of the Cayman Islands or such other jurisdiction as agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

“Newco II Consideration” has the meaning ascribed thereto in section 6.4(x) hereof.

“Newco Equity Pool” means all of the Newco Shares to be issued by Newco on the Plan Implementation Date. The number of Newco Shares to be issued on the Plan Implementation Date shall be agreed by SFC, the Monitor and the Initial Consenting Noteholders prior to the Plan Implementation Date.

“Newco Note Certificate” means a certificate evidencing Newco Notes.

“Newco Notes” means the new notes to be issued by Newco on the Plan Implementation Date in the aggregate principal amount of \$300,000,000, on such terms and conditions as are satisfactory to the Initial Consenting Noteholders and SFC, acting reasonably.

“Newco Promissory Note 1”, **“Newco Promissory Note 2”**, **“Newco Promissory Note 3”** and **“Newco Promissory Notes”** have the meanings ascribed thereto in sections 6.4(k), 6.4(m), 6.4(n) and 6.4(q) hereof, respectively.

“Newco Share Certificate” means a certificate evidencing Newco Shares.

“Newco Shares” means common shares in the capital of Newco.

“Non-Released D&O Claims” has the meaning ascribed thereto in section 4.9(f) hereof.

“Noteholder Advisors” means Goodmans LLP, Hogan Lovells and Conyers, Dill & Pearman LLP in their capacity as legal advisors to the Initial Consenting Noteholders, and Moelis & Company LLC and Moelis and Company Asia Limited, in their capacity as the financial advisors to the Initial Consenting Noteholders.

“Noteholder Claim” means any Claim by a Noteholder (or a Trustee or other representative on the Noteholder’s behalf) in respect of or in relation to the Notes owned or held by such Noteholder, including all principal and Accrued Interest payable to such Noteholder pursuant to such Notes or the Note Indentures, but for greater certainty does not include any Noteholder Class Action Claim.

“Noteholder Class Action Claim” means any Class Action Claim, or any part thereof, against SFC, any of the Subsidiaries, any of the Directors and Officers of SFC or the Subsidiaries, any of the Auditors, any of the Underwriters and/or any other defendant to the Class Action Claims that relates to the purchase, sale or ownership of Notes, but for greater certainty does not include a Noteholder Claim.

“Noteholder Class Action Claimant” means any Person having or asserting a Noteholder Class Action Claim.

“Noteholder Class Action Representative” means an individual to be appointed by counsel to the Ontario Class Action Plaintiffs.

“Noteholders” means, collectively, the beneficial owners of Notes as of the Distribution Record Date and, as the context requires, the registered holders of Notes as of the Distribution Record Date, and **“Noteholder”** means any one of the Noteholders.

“Note Indentures” means, collectively, the 2013 Note Indenture, the 2014 Note Indenture, the 2016 Note Indenture and the 2017 Note Indenture.

“Notes” means, collectively, the 2013 Notes, the 2014 Notes, the 2016 Notes and the 2017 Notes.

“Officer” means, with respect to SFC or any Subsidiary, anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or *de facto* officer of such SFC Company.

“Ontario Class Action Plaintiffs” means the plaintiffs in the Ontario class action case styled as *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).

“Order” means any order of the Court made in connection with the CCAA Proceeding or this Plan.

“Ordinary Affected Creditor” means a Person with an Ordinary Affected Creditor Claim.

“Ordinary Affected Creditor Claim” means a Claim that is not: an Unaffected Claim; a Noteholder Claim; an Equity Claim; a Subsidiary Intercompany Claim; a Noteholder Class Action Claim; or a Class Action Indemnity Claim (other than a Class Action Indemnity Claim by any of the Third Party Defendants in respect of the Indemnified Noteholder Class Action Claims).

“Other Directors and/or Officers” means any Directors and/or Officers other than the Named Directors and Officers.

“Permitted Continuing Retainer” has the meaning ascribed thereto in section 6.4(d) hereof.

“Person” means any individual, sole proprietorship, limited or unlimited liability corporation, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, body corporate, joint venture, trust, pension fund, union, Governmental Entity, and a natural person including in such person’s capacity as trustee, heir, beneficiary, executor, administrator or other legal representative.

“Plan” means this Plan of Compromise and Reorganization (including all schedules hereto) filed by SFC pursuant to the CCAA and the CBCA, as it may be further amended, supplemented or restated from time to time in accordance with the terms hereof or an Order.

“Plan Implementation Date” means the Business Day on which this Plan becomes effective, which shall be the Business Day on which the Monitor has filed with the Court the certificate contemplated in section 9.2 hereof, or such other date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

“PRC” means the People’s Republic of China.

“Proof of Claim” means the “Proof of Claim” referred to in the Claims Procedure Order, substantially in the form attached to the Claims Procedure Order.

“Pro-Rata” means:

- (a) with respect to any Noteholder in relation to all Noteholders, the proportion of (i) the principal amount of Notes beneficially owned by such Noteholder as of the Distribution Record Date plus the Accrued Interest owing on such Notes as of the Filing Date, in relation to (ii) the aggregate principal amount of all Notes outstanding as of the Distribution Record Date plus the aggregate of all Accrued Interest owing on all Notes as of the Filing Date;
- (b) with respect to any Early Consent Noteholder in relation to all Early Consent Noteholders, the proportion of the principal amount of Early Consent Notes beneficially owned by such Early Consent Noteholder as of the Distribution Record Date in relation to the aggregate principal amount of Early Consent Notes held by all Early Consent Noteholders as of the Distribution Record Date; and

- (c) with respect to any Affected Creditor in relation to all Affected Creditors, the proportion of such Affected Creditor's Affected Creditor Claim as at any relevant time in relation to the aggregate of all Proven Claims and Unresolved Claims of Affected Creditors as at that time.

"Proven Claim" means an Affected Creditor Claim to the extent that such Affected Creditor Claim is finally determined and valued in accordance with the provisions of the Claims Procedure Order, the Meeting Order or any other Order, as applicable.

"Released Claims" means all of the rights, claims and liabilities of any kind released pursuant to Article 7 hereof.

"Released Parties" means, collectively, those Persons released pursuant to Article 7 hereof, but only to the extent so released, and each such Person is referred to individually as a **"Released Party"**.

"Required Majority" means a majority in number of Affected Creditors with Proven Claims, and two-thirds in value of the Proven Claims held by such Affected Creditors, in each case who vote (in person or by proxy) on the Plan at the Meeting.

"Remaining Post-Implementation Reserve Amount" has the meaning ascribed thereto in section 5.7(b) hereof.

"Restructuring Claim" means any right or claim of any Person that may be asserted or made in whole or in part against SFC, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind arising out of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation on or after the Filing Date and whether such restructuring, termination, repudiation or disclaimer took place or takes place before or after the date of the Claims Procedure Order.

"Restructuring Transaction" means the transactions contemplated by this Plan (including any Alternative Sale Transaction that occurs pursuant to section 10.1 hereof).

"RSA" means the Restructuring Support Agreement executed as of March 30, 2012 by SFC, the Direct Subsidiaries and the Initial Consenting Noteholders, and subsequently executed or otherwise agreed to by the Early Consent Noteholders, as such Restructuring Support Agreement may be amended, restated and varied from time to time in accordance with its terms.

"Sanction Date" means the date that the Sanction Order is granted by the Court.

"Sanction Order" means the Order of the Court sanctioning and approving this Plan.

"Section 5.1(2) D&O Claim" means any D&O Claim that is not permitted to be compromised pursuant to section 5.1(2) of the CCAA, but only to the extent not so permitted, provided that any D&O Claim that qualifies as a Non-Released D&O Claim or a Continuing Other D&O Claim shall not constitute a Section 5.1(2) D&O Claim.

"Settlement Trust" has the meaning ascribed thereto in section 11.1(a) hereof.

“Settlement Trust Order” means a court order that establishes the Settlement Trust and approves the Ernst & Young Settlement and the Ernst & Young Release, in form and in substance satisfactory to Ernst & Young and counsel to the Ontario Class Action Plaintiffs, provided that such order shall also be acceptable to SFC (if occurring on or prior to the Plan Implementation Date), the Monitor and the Initial Consenting Noteholders, as applicable, to the extent, if any, that such order affects SFC, the Monitor or the Initial Consenting Noteholders, each acting reasonably.

“SFC” has the meaning ascribed thereto in the recitals.

“SFC Advisors” means Bennett Jones LLP, Appleby Global Group, King & Wood Mallesons and Linklaters LLP, in their respective capacities as legal advisors to SFC, and Houlihan Lokey Howard & Zukin Capital, Inc., in its capacity as financial advisor to SFC.

“SFC Assets” means all of SFC’s right, title and interest in and to all of SFC’s properties, assets and rights of every kind and description (including all restricted and unrestricted cash, contracts, real property, receivables or other debts owed to SFC, Intellectual Property, SFC’s corporate name and all related marks, all of SFC’s ownership interests in the Subsidiaries (including all of the shares of the Direct Subsidiaries and any other Subsidiaries that are directly owned by SFC immediately prior to the Effective Time), all of SFC’s ownership interest in Greenheart and its subsidiaries, all SFC Intercompany Claims, any entitlement of SFC to any insurance proceeds and a right to the Remaining Post-Implementation Reserve Amount), other than the Excluded SFC Assets.

“SFC Barbados” means Sino-Forest International (Barbados) Corporation, a wholly-owned subsidiary of SFC established under the laws of Barbados.

“SFC Business” means the business operated by the SFC Companies.

“SFC Continuing Shareholder” means the Litigation Trustee or such other Person as may be agreed to by the Monitor and the Initial Consenting Noteholders.

“SFC Companies” means, collectively, SFC and all of the Subsidiaries, and **“SFC Company”** means any of them.

“SFC Escrow Co.” means the company to be incorporated as a wholly-owned subsidiary of SFC pursuant to section 6.3 hereof under the laws of the Cayman Islands or such other jurisdiction as agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

“SFC Escrow Co. Share” has the meaning ascribed thereto in section 6.3 hereof.

“SFC Intercompany Claim” means any amount owing to SFC by any Subsidiary or Greenheart and any claim by SFC against any Subsidiary or Greenheart.

“Subsidiaries” means all direct and indirect subsidiaries of SFC, other than (i) Greenheart and its direct and indirect subsidiaries and (ii) SFC Escrow Co., and **“Subsidiary”** means any one of the Subsidiaries.

“Subsidiary Intercompany Claim” means any Claim by any Subsidiary or Greenheart against SFC.

“Tax” or **“Taxes”** means any and all federal, provincial, municipal, local and foreign taxes, assessments, reassessments and other governmental charges, duties, impositions and liabilities including for greater certainty taxes based upon or measured by reference to income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, all licence, franchise and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions, together with all interest, penalties, fines and additions with respect to such amounts.

“Taxing Authorities” means any one of Her Majesty the Queen, Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of Canada and each and every province or territory of Canada and any political subdivision thereof, any similar revenue or taxing authority of the United States, the PRC, Hong Kong or other foreign state and any political subdivision thereof, and any Canadian, United States, Hong Kong, PRC or other government, regulatory authority, government department, agency, commission, bureau, minister, court, tribunal or body or regulation-making entity exercising taxing authority or power, and **“Taxing Authority”** means any one of the Taxing Authorities.

“Third Party Defendants” means any defendants to the Class Action Claims (present or future) other than SFC, the Subsidiaries, the Named Directors and Officers or the Trustees.

“Transfer Agent” means Computershare Limited (or a subsidiary or affiliate thereof) or such other transfer agent as Newco may appoint, with the prior written consent of the Monitor and the Initial Consenting Noteholders.

“Trustee Claims” means any rights or claims of the Trustees against SFC under the Note Indentures for compensation, fees, expenses, disbursements or advances, including reasonable legal fees and expenses, incurred or made by or on behalf of the Trustees before or after the Plan Implementation Date in connection with the performance of their respective duties under the Note Indentures or this Plan.

“Trustees” means, collectively, The Bank of New York Mellon in its capacity as trustee for the 2013 Notes and the 2016 Notes, and Law Debenture Trust Company of New York in its capacity as trustee for the 2014 Notes and the 2017 Notes, and **“Trustee”** means either one of them.

“Unaffected Claim” means any:

- (a) Claim secured by the Administration Charge;
- (b) Government Priority Claim;
- (c) Employee Priority Claim;

- (d) Lien Claim;
- (e) any other Claim of any employee, former employee, Director or Officer of SFC in respect of wages, vacation pay, bonuses, termination pay, severance pay or other remuneration payable to such Person by SFC, other than any termination pay or severance pay payable by SFC to a Person who ceased to be an employee, Director or Officer of SFC prior to the date of this Plan;
- (f) Trustee Claims; and
- (g) any trade payables that were incurred by SFC (i) after the Filing Date but before the Plan Implementation Date; and (ii) in compliance with the Initial Order or other Order issued in the CCAA Proceeding.

“Unaffected Claims Reserve” means the cash reserve to be established by SFC on the Plan Implementation Date and maintained by the Monitor, in escrow, for the purpose of paying certain Unaffected Claims in accordance with section 4.2 hereof.

“Unaffected Creditor” means a Person who has an Unaffected Claim, but only in respect of and to the extent of such Unaffected Claim.

“Undeliverable Distribution” has the meaning ascribed thereto in section 5.4.

“Underwriters” means any underwriters of SFC that are named as defendants in the Class Action Claims, including for greater certainty 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).

“Unresolved Claim” means an Affected Creditor Claim in respect of which a Proof of Claim has been filed in a proper and timely manner in accordance with the Claims Procedure Order but that, as at any applicable time, has not been finally (i) determined to be a Proven Claim or (ii) disallowed in accordance with the Claims Procedure Order, the Meeting Order or any other Order.

“Unresolved Claims Escrow Agent” means SFC Escrow Co. or such other Person as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders.

“Unresolved Claims Reserve” means the reserve of Newco Shares, Newco Notes and Litigation Trust Interests, if any, to be established pursuant to sections 6.4(h)(ii) and 6.4(r) hereof in respect of Unresolved Claims as at the Plan Implementation Date, which reserve shall be held and maintained by the Unresolved Claims Escrow Agent, in escrow, for distribution in accordance with the Plan. As at the Plan Implementation Date, the Unresolved Claims Reserve will consist of that amount of Newco Shares, Newco Notes and Litigation Trust Interests as is necessary to make any potential distributions under the Plan in respect of the following Unresolved Claims: (i) Class Action Indemnity Claims in an amount up to the Indemnified Noteholder Class Action Limit; (ii) Claims in respect of Defence Costs in the amount of \$30 million or such other amount

as may be agreed by the Monitor and the Initial Consenting Noteholders; and (iii) other Affected Creditor Claims that have been identified by the Monitor as Unresolved Claims in an amount up to \$500,000 or such other amount as may be agreed by the Monitor and the Initial Consenting Noteholders.

“**Website**” means the website maintained by the Monitor in respect of the CCAA Proceeding pursuant to the Initial Order at the following web address: <http://cfcanda.fticonsulting.com/sfc>.

1.2 Certain Rules of Interpretation

For the purposes of the Plan:

- (a) any reference in the Plan to an Order, agreement, contract, instrument, indenture, release, exhibit or other document means such Order, agreement, contract, instrument, indenture, release, exhibit or other document as it may have been or may be validly amended, modified or supplemented;
- (b) the division of the Plan into “articles” and “sections” and the insertion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of the Plan, nor are the descriptive headings of “articles” and “sections” intended as complete or accurate descriptions of the content thereof;
- (c) unless the context otherwise requires, words importing the singular shall include the plural and *vice versa*, and words importing any gender shall include all genders;
- (d) the words “includes” and “including” and similar terms of inclusion shall not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation, but rather shall mean “includes but is not limited to” and “including but not limited to”, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;
- (e) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. (Toronto time) on such Business Day;
- (f) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;
- (g) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time

to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation; and

- (h) references to a specified "article" or "section" shall, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of the Plan, whereas the terms "the Plan", "hereof", "herein", "hereto", "hereunder" and similar expressions shall be deemed to refer generally to the Plan and not to any particular "article", "section" or other portion of the Plan and include any documents supplemental hereto.

1.3 Currency

For the purposes of this Plan, all amounts shall be denominated in Canadian dollars and all payments and distributions to be made in cash shall be made in Canadian dollars. Any Claims or other amounts denominated in a foreign currency shall be converted to Canadian dollars at the Reuters closing rate on the Filing Date.

1.4 Successors and Assigns

The Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Plan.

1.5 Governing Law

The Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of the Plan and all proceedings taken in connection with the Plan and its provisions shall be subject to the jurisdiction of the Court.

1.6 Schedule "A"

Schedule "A" to the Plan is incorporated by reference into the Plan and forms part of the Plan.

ARTICLE 2 PURPOSE AND EFFECT OF THE PLAN

2.1 Purpose

The purpose of the Plan is:

- (a) to effect a full, final and irrevocable compromise, release, discharge, cancellation and bar of all Affected Claims;
- (b) to effect the distribution of the consideration provided for herein in respect of Proven Claims;