

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

COMMERCIAL LIST

THE HONOURABLE MR.)

)

FRIDAY , THE 21ST DAY

JUSTICE MORAWETZ)

)

OF DECEMBER, 2012



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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

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

Plaintiffs

- and -

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

ORDER

THIS MOTION, made by 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) for an order i) approving 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 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., 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")) between the Ontario Plaintiffs and the defendant Ernst & Young ("Notice"); and ii) approving the plan of distribution of the Notice ("Notice Plan"), was heard on December 20, 2012, in Toronto, Ontario.

WHEREAS the Ontario Plaintiffs and Ernst & Young have agreed to the Ernst & Young Settlement in order to resolve all Ernst & Young Claims, including all claims asserted or that could be asserted against Ernst & Young in the above-captioned class proceeding;

AND ON BEING ADVISED that the defendant Sino-Forest has delivered to counsel for the plaintiffs a list of holders of Sino-Forest's securities as of June 2, 2011 (the "June 2, 2011 Shareholder List");

AND ON READING the materials filed, and on hearing submissions of counsel for the Ontario Plaintiffs and Ernst & Young, and upon hearing from counsel to the Monitor of Sino-Forest, FTI Consulting Inc.,

1. **THIS COURT ORDERS** that the time for service and filing of this notice of motion and motion record is validated and abridged and any further service thereof is dispensed with.
2. **THIS COURT ORDERS** that the Notice substantially in the form attached as **Schedule "A"** be and hereby is approved and shall be published, subject to the right of the plaintiffs and Ernst & Young to make minor non-material amendments to such form, by mutual agreement, as may be necessary or desirable.
3. **THIS COURT ORDERS** that notice shall be provided as follows:
 - 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 sncrl ("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. Within 5 business days of this Order, copies of the Notice, in English and French, will be posted by Class Counsel on their websites;
 - c. Within 5 business days of this Order, a copy of the Notice, in English and French, will be posted by Sino-Forest in a prominent location on the main page of the Sino-Forest website;

- d. Within 5 business days of this Order, Class Counsel will send or will cause to be sent copies of the Notice to the addresses on the June 2, 2011 Shareholder List and to 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;
- e. Within 5 business days of this Order, 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 be requested to send a statement to Class Counsel or its designee indicating that such mailing or electronic communication was completed as directed;
- f. Within 5 business days of this Order, 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. Within 5 business days of this Order, Class Counsel will cause copies of the Notice to be published in the following print publications:
 - i. *The Globe and Mail*, in English, in one weekday publication;
 - ii. *Wall Street Journal*, in English, in one weekday publication;

- iii. *National Post*, 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.

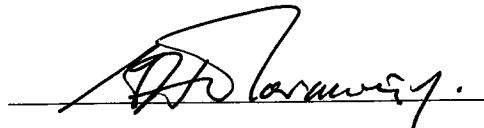
4. **THIS COURT ORDERS** that any persons objecting to the Settlement Agreement (as defined in the Notice), other than the persons who have filed a Notice of Appearance in the CCAA proceedings (the "Core Parties"), shall:

- a. deliver a Notice of Objection substantially in the form attached hereto as Schedule "B" ("Notice of Objection") to be received by the Monitor by no later than 5:00 p.m. (Eastern Time) on January 18, 2013, by mail, courier or email transmission, to the coordinates indicated on the Notice of Objection; and,
- b. comply with the litigation timetable attached hereto as Schedule "C",

and forthwith upon receipt of a Notice of Objection, the Monitor shall provide a copy of same to each of the Applicant, the Ad Hoc Committee of Noteholders, the Ad Hoc Committee of Purchasers of the Applicant's Securities and Ernst & Young LLP, and shall deliver a report to this court attaching all such notices.

5. **THIS COURT REQUESTS**, pursuant to the *Companies' Creditors Arrangement Act* (Canada), together with such other statutes, regulations and protocols as may apply, and as a matter of comity, that all courts, regulatory and administrative bodies, and other tribunals, in all provinces and territories of Canada, in the United States of America, and in all other nations or states, recognize this order and act in aid of and in a manner complementary to this order and this court in carrying out the terms of this order.

Date: December 21, 2012



ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO: The Honourable Justice Morawetz
LE / DANS LE REGISTRE NO.:



DEC 21 2012

**SCHEDULE "A": NOTICE
(ATTACHED)**

SINO-FOREST CORPORATION

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/> (the “Monitor’s Website”).

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”). If the settlement is approved, it will be final and binding and there will be no ability to pursue a claim (if any) against Ernst & Young through an opt-out process under class proceedings or similar legislation. The proposed settlement would settle, extinguish and bar all claims, globally, against Ernst & Young in relation to Sino-Forest including the allegations in the Proceedings. Ernst & Young does not admit to any wrongdoing or liability. The terms of the proposed settlement do not involve the resolution of any claims against Sino-Forest or any of the other defendants. For an update on CCAA orders affecting Sino-Forest, please see the CCAA Monitor’s website: www.cfcanada.fticonsulting.com/sfc. 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 “Class Action Website”).

The proposed settlement, if approved and its conditions fulfilled, provides that Ernst & Young will pay CAD\$117,000,000.00 to a Settlement Trust to be administered in accordance with orders of the court. It is the intention of Class Counsel to seek the court’s approval of a plan of allocation that distributes the settlement funds, net of counsel fees and other administrative costs and expenses, to members 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 in relation to Sino-Forest including any allegations relating to the Proceedings, including claims (if any) that could be advanced through an opt-out process under class proceedings or similar legislation. In considering whether or how they are affected by the proposed settlement, members of the E&Y Settlement Class and anyone else with claims against Ernst & Young in relation to Sino-Forest should consider the effect of the orders made and steps taken in the Sino-Forest CCAA Proceedings. More information on the Sino-Forest CCAA Proceedings can be found on the Monitor’s Website.

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

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

On February 4, 2013 at 10:00 a.m. (Eastern Time), 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 February 4, 2013 (the "Settlement 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 Settlement Approval Motion is granted, then there may be additional hearings at later dates in the Quebec Superior Court (the "Quebec Motion") and in the United States Bankruptcy Court for the Southern District of New York (the "US Motion") at which recognition and implementation of the Settlement Approval Motion and the Ernst & Young Settlement may be sought.

If the Settlement 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 Settlement Approval Motion and ask to make submissions regarding the proposed settlement with Ernst & Young.

Persons intending to object to the Ernst & Young Settlement Agreement are required to: (a) deliver a Notice of Objection, substantially in the form that can be found on the Monitor's Website and the Class Action Website, and, if this Notice is received by mail, enclosed with this Notice (the "Notice of Objection"), to the Monitor, by regular mail, courier or email transmission, to the coordinates indicated on the Notice of Objection, so that it is received by no later than 5:00 p.m. (Eastern Time) on January 18, 2013; and (b) comply with the litigation timetable set forth below. Copies of the Notices of Objection sent to the Monitor will be filed with the court.

Litigation Timetable

By order of the Ontario Superior Court of Justice, persons intending to participate in the Settlement Approval Motion must comply with the following timetable:

1. Motion materials are to be delivered no later than January 11, 2013.
2. Responding motion materials are to be delivered by January 18, 2013.
3. Cross-examinations on affidavits (if any) are to be conducted on January 24 and 25, 2013.
4. Written Submissions are to be exchanged on January 30, 2013.

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:

Koskie Minsky LLP

20 Queen St. West, Suite 900, Box 52, Toronto, ON, M5H 3R3

Re: Sino-Forest Class Action

Tel: **1.866.474.1739**

Email: **sinoforestclassaction@kmlaw.ca**

Siskinds LLP

680 Waterloo Street, P.O. Box 2520 London, ON N6A 3V8

Re: Sino-Forest Class Action

Tel: **1.800.461.6166 x.2380**

Email: **nicole.young@siskinds.com**

Siskinds Desmeules, sencl

43 Rue Buade, Bureau 320, Québec City, Québec, G1R 4A2

Re: Sino-Forest Class Action

Tel: **418.694-2009**

Email: **simon.hebert@siskindsdesmeules.com**

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

SCHEDULE "B"

NOTICE OF OBJECTION

TO: FTI CONSULTING CANADA INC.
acting in its capacity as Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa

Email: Jodi.porepa@fticonsulting.com

RE: SINO-FOREST CORPORATION—PROPOSED SETTLEMENT WITH ERNST & YOUNG LLP (the "ERNST & YOUNG SETTLEMENT")

I, _____ (please check all boxes that apply):
(insert name)

- am a current shareholder of Sino –Forest Corporation
- am a former shareholder of Sino –Forest Corporation
- am a current noteholder of Sino –Forest Corporation
- am a former noteholder of Sino –Forest Corporation
- other (please explain)

I acknowledge that pursuant to the order of Mr. Justice Morawetz dated December 20, 2012 (the "Order"), persons wishing to object to the Ernst & Young Settlement are required to complete and deliver this Notice of Objection to FTI Consulting Canada Inc., acting in its capacity as Monitor of Sino-Forest Corporation, by mail, courier or email to be received by no later than 5:00 p.m. (Eastern Time) on January 18, 2013, and comply with the litigation timetable appended as Schedule C to the Order.

I hereby give notice that I object to the Ernst & Young Settlement, for the following reasons:

- I DO NOT intend to appear at the hearing of the motion to approve the Ernst & Young Settlement, and I understand that my objection will be filed with the court prior to the hearing the motion at 10:00 a.m. on February 4, 2013, at 330 University Ave., 8th Floor Toronto, Ontario.

- I DO intend to appear, in person or by counsel, and to make submissions at the hearing of the motion to approve the Ernst & Young Settlement at 10:00 a.m. on February 4, 2013, at 330 University Ave., 8th Floor Toronto, Ontario.

MY ADDRESS FOR SERVICE IS:

MY LAWYER'S ADDRESS FOR SERVICE IS (if applicable):

Name:

Name:

Address:

Address:

Tel.:

Tel.:

Fax:

Fax:

Email:

Email:

Date: _____

Signature: _____

SCHEDULE "C"
LITIGATION TIMETABLE

1. Motion materials are to be delivered no later that **January 11, 2013**.
2. Responding motion materials are to be delivered by **January 18, 2013**.
3. Cross-examinations on affidavits (if any) are to be conducted on **January 24 and 25, 2013**,
4. Factums are to be exchanged on **January 30, 2013**
5. Motion to be heard on **February 4, 2013**.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT
TORONTO

ORDER

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Kirk Baert / Jonathan Bida
Tel: 416.977.8353 / Fax: 416.977.3316

Siskinds LLP
680 Waterloo Street
London, ON N6A 3V8
A. Dimitri Lascaris / Charles M. Wright
Tel: 519.672.2121 / Fax: 519.672.6065

Lawyers for the Ad Hoc Committee of Purchasers of the Applicant's Securities, including the Representative Plaintiffs in the Ontario Class Action