

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**

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
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(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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(Motion for Fee Approval, returnable December 13, 2013)**

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

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

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

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

**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**

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

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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**

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FENNER & SMITH INCORPORATED (successor by merger to Banc of America
Securities LLC)**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**NOTICE OF MOTION
(Motion for Approval of Counsel Fees,
returnable December 13, 2013)**

TAKE NOTICE that the plaintiffs will make a motion to the Honourable Justice Morawetz on December 13, 2013, at 10:00 a.m., at 330 University Avenue, 8th Floor, Toronto, Ontario, or at such other time and place as the Court may direct.

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

THE MOTION IS FOR:

1. an order approving the fees and disbursements of Siskinds LLP and Koskie Minsky LLP (collectively “Canadian Class Counsel”) and insolvency counsel Paliare Roland Rosenberg Rothstein LLP; and
2. such further and other relief as counsel may request and this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. On July 20, 2011, this action was commenced against Sino-Forest Corporation (“Sino-Forest”), Ernst & Young LLP and other defendants in Ontario under the *Class Proceedings Act, 1992*;
2. This action relate to allegations of fraud against Sino-Forest and misrepresentations in its public disclosure;
3. There has been an enormous amount of work done by Canadian class counsel in order to achieve this historic settlement. In addition, Canadian Class Counsel and insolvency counsel were required to expend a tremendous amount of time participating in the *CCAA* proceeding in order to ensure that claims against the auditors, underwriters and other solvent defendants in this action were minimally affected in any restructuring of Sino-Forest;
4. On November 29, 2012, the plaintiffs and Ernst & Young LLP (“E&Y”), among others, entered into a settlement (the “Settlement”). The Settlement provides for a payment of \$117 million in full settlement of all claims that relate to Sino-Forest as against E&Y, Ernst & Young Global Limited, and their affiliates;

5. The Settlement was approved by this Court on March 20, 2013. The settlement approval order provides that the fees and disbursements of Canadian Class Counsel together with insolvency counsel are to be paid from the settlement trust, subject to court approval of such fees and disbursements in accordance with the laws of Ontario governing the payment of counsel's fees and disbursements in class proceedings;
6. Canadian Class Counsel have acted in these proceedings on a contingency fee basis and collectively seek approval of \$17,846,250 (exclusive of tax) for fees plus disbursements;
7. The requested fees and disbursements are consistent with the retainer agreement entered into with the plaintiffs and are fair and reasonable;
8. The requested fees are within the range of percentages that Ontario courts have approved in the past.
9. Canadian Class Counsel took on significant risk for claims against Ernst & Young because of the multiple legal impediments to establishing liability and recovering damages against an auditor under Canadian and U.S. law – even if there was wrongdoing;
10. Canadian Class Counsel took on the risk of no success and minimal recovery, while at the same time having to devote a massive amount of time, money and other resources to the prosecution of this action;
11. The settlement obtained, \$117 million, is the largest auditor settlement in Canadian history – *by a factor of two*. Canadian Class Counsel successfully achieved a very good settlement;
12. The plaintiffs support the fee request and consider it reasonable;
13. *Companies Creditors' Arrangement Act*, R.S.C. 1985, c. C-36;
14. *Class Proceedings Act, 1992*, S.O. 1992, c. 6;
15. *Courts of Justice Act*, R.S.O. 1990, c. C.43; and
16. such further and other grounds as this Honourable Court may permit.

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

1. The Affidavit of Charles Wright;
2. The Affidavit of Joseph Mancinelli;
3. The Affidavit of Michael Gallagher;
4. The Affidavit of Richard Grottheim;
5. The Affidavit of David Grant;
6. The Affidavit of Robert Wong;
7. The Affidavit of Heather Palmer; and
8. Such further and other materials as counsel may advise and this Honourable Court may permit.

November 25, 2013

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- 5 -

**PALIARE ROLAND ROSENBERG
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Lawyers for the plaintiffs and CCAA
Representative Counsel pursuant to the
settlement approval order dated March 20, 2013

TO: THE ATTACHED SERVICE LIST

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

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

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

and

Sino-Forest Corporation, et al.

Superior Court File No: CV-10-414302

Plaintiffs

Defendants

ONTARIO
SUPERIOR COURT OF JUSTICE
Commercial List
Proceeding under the *Class Proceedings Act, 1992*
Proceeding commenced at Toronto

NOTICE OF MOTION
(Motion for Approval of Counsel Fees,
returnable December 13, 2013)

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Lawyers for the plaintiffs and CCAA Representative Counsel

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

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

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, 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 DAVID C. GRANT**

I, DAVID C. GRANT, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY:

1. I am a plaintiff in this action. Accordingly, I have knowledge of the matters herein deposed. 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.

2. I purchased 100 Guaranteed Senior Notes of Sino-Forest on October 21, 2010 at a purchase price of US\$101.50 per note. I held these notes until January 30, 2013, which I understand was the plan implementation date for Sino-Forest's restructuring.

3. I have reviewed the proposed claims process for the distribution of the proceeds from the settlement with Ernst & Young. (the "Claims and Distribution Protocol"). I believe that it provides a fair and reasonable method for distributing the settlement. It awards compensation based on (a) the losses suffered by each claimant attributable to the alleged misrepresentations; and (b) the strengths of different types of claims that the claimant advances against Ernst & Young. This means that persons with stronger claims would receive more on a per dollar basis than persons with weaker claims. In my view, this makes a fair distinction as it reflects the risks of different claims.

4. As a noteholder as of the plan implementation date, I would not participate in the claims process. Instead, I will receive a *pro rata* share of \$5 million that is being paid to noteholders as of the plan implementation date. I am advised by Daniel Bach of Siskinds LLP, one of my counsel, that the allocation of \$5 million to these noteholders is consistent with the estimate of the damages suffered by the noteholders and the strengths of their claims.

5. I also support the fee request of Koskie Minsky LLP, Siskinds LLP and Siskinds Demeules in the amount of \$17,846,250 plus \$2,320,013 in HST (totaling \$20,166,263). I am satisfied that this amount is fair and reasonable.

6. My retainer agreement provides a sliding scale of compensation based on the value of settlement obtained by class counsel and the stage of the litigation. If there was a small or no recovery, counsel would likely get paid less than the time, money and resources they

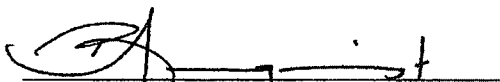
committed. If there is a large recovery, such as the Ernst & Young settlement, then counsel may be paid accordingly. I considered the fee arrangement fair and reasonable when I entered the retainer agreement with counsel and I still consider it fair and reasonable.

7. In addition, the fees sought are consistent with the large risks that my counsel assumed in advancing this litigation. This action arises out of an alleged fraud that pervaded every aspect of Sino-Forest's business. I have received periodic updates on this action and it is apparent that the prosecution of this action is highly complex and resource-intensive. I am advised by Mr. Bach and I believe that my counsel has committed a significant amount of time, money and resources to advance this action and will continue to do so as they pursue claims against the other defendants.

8. In light of these risks and the substantial commitment of time, money and resources by my counsel, I support the requested fees.

9. I swear this affidavit in support of the motion for approval of the plan of allocation and approval of class counsel fees and for no other or improper purpose.

SWORN BEFORE ME at the City of
Calgary, in the Province of Alberta on
November 14, 2013.



Commissioner for Taking Affidavits

Brett Turnquist
Barrister & Solicitor



DAVID C. GRANT

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

AFFIDAVIT OF DAVID C. GRANT

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

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

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

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,
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INCORPORATED (successor by merger to Banc of America Securities LLC)

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF MICHAEL GALLAGHER

- 2 -

I, MICHAEL GALLAGHER, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am a member of the board of trustees of the International Union of Operating Engineers Local 793 Pension Plan (the "OE Fund"), plaintiffs in this action, and I have knowledge of the matters herein deposed. 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.
2. The OE Fund is a Canadian multi-employer pension plan representing 20,867 active, inactive, retired and deferred vested members.
3. The trustees of the OE Fund purchased Sino-Forest shares between July 2007 and June 2011. All of the purchases were made over the Toronto Stock Exchange.
4. On June 1, 2011, the trustees held approximately 324,100 shares of Sino-Forest with a market value of \$18.21 per share or \$5,901,861. Since that time, the trustees have sold most of these shares with significant losses. The trustees continued to hold approximately 37,350 shares until January 30, 2013. I am advised by Mark Zigler of Koskie Minsky LLP, one of my counsel, that the shares were cancelled on January 30, 2013 as part of Sino-Forest's restructuring and are of no value. Attached and marked as **Exhibit "A"** is a statement of all the OE Fund's purchases and sales of Sino-Forest shares.
5. I have reviewed the proposed claims process for the distribution of the proceeds from the settlement with Ernst & Young. (the "Claims and Distribution Protocol"). I believe that it provides a fair and reasonable method for distributing the settlement. It awards compensation based on (a) the losses suffered by each claimant attributable to the alleged misrepresentations; and (b) the strengths of different types of claims that the claimant advances against Ernst & Young. This means that persons with stronger claims would receive more on a per dollar basis than persons with weaker claims. I and the other trustees have discussed this approach to dividing the settlement proceeds. We believe this makes a fair distinction among different claims as it reflects the risks of different claims.

6. Under the proposed Claims and Distribution Protocol, our claims against Ernst & Young would be divided into three categories: (a) shares purchased on the Toronto Stock Exchange (TSX) between March 19, 2007 and March 17, 2008; (b) shares purchased on the TSX between March 18, 2008 and August 11, 2008; and (c) shares purchased on the TSX between August 12, 2008 and June 2, 2011.

7. I understand that each of the three claims will be treated differently. Mr. Zigler has explained to me that the claims for these different time periods face different risks. In particular, the claims for earlier purchases face limitation periods in respect of misrepresentation claims under the *Securities Act*. Claims in the first time period also face challenges because they are based on Ernst & Young's audits from 2000-2003. The other claims are based on audits in for 2007-2010 fiscal years. In essence, the compensation we will receive varies depending on when we purchased the shares.

8. I also support the fee request of Koskie Minsky LLP, Siskinds LLP and Siskinds Demeules in the amount of \$17,846,250 plus \$2,320,013 in HST (totaling \$20,166,263). This amount will be shared with two other law firms and is based on extensive work in the class proceeding and in protecting our interests and those of other securities purchasers in the insolvency proceeding. We are satisfied that this amount is fair and reasonable.

9. This amount is also less than the fees provided for in the retainer agreement that I and the trustees agreed to at the beginning of this litigation. The retainer agreement provides a sliding scale of compensation based on the value of settlement obtained by our counsel and the stage of the litigation. If there was a small or no recovery, counsel would likely get paid less than the time, money and resources they committed. If there is a large recovery, such as the Ernst & Young settlement, then counsel would be paid accordingly. I and the other trustees considered the fee arrangement fair and reasonable when we entered the retainer agreement with counsel and we still consider it fair and reasonable.

10. In addition, the fees sought are consistent with the large risks that our counsel assumed in advancing this litigation. This action arises out of an alleged fraud that pervaded every aspect of Sino-Forest's business. I and the other trustees have received periodic updates on this action and it is apparent that the prosecution of this action is highly complex and

- 4 -

resource-intensive. I am advised by Mr. Zigler and I believe that my counsel has committed a significant amount of time, money and resources to advance this action and will continue to do so as they pursue claims against the other defendants.

11. In light of these risks and the substantial commitment of time, money and resources by my counsel, I support the requested fees.

12. I swear this affidavit in support of the motion for approval of the plan of allocation and approval of class counsel fees and for no other or improper purpose.

SWORN BEFORE ME at the Town of
Oakville in the Province of Ontario on
October 30, 2013.

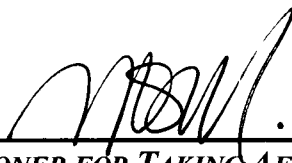


Commissioner for Taking Affidavits



MICHAEL GALLAGHER

*THIS IS EXHIBIT "A" REFERRED TO IN THE
AFFIDAVIT OF MICHAEL GALLAGHER
SWORN BEFORE ME, THIS 30 DAY OF OCTOBER, 2013*



A COMMISSIONER FOR TAKING AFFIDAVITS, ETC.

Summary of Transactions in Sino's Shares

TRADE DATE	TYPE	# OF SHARES	PRICE PER UNIT
McLean Budden			
01-Feb-11	Buy	5,700	\$22.2215
02-Feb-11	Buy	2,500	\$22.7232
03-Feb-11	Buy	2,800	\$22.7766
04-Feb-11	Buy	2,700	\$23.2396
07-Feb-11	Buy	2,000	\$23.8432
08-Feb-11	Buy	8,800	\$24.4734
08-Feb-11	Buy	1,500	\$24.55
17-May-11	Buy	300	\$20.48
17-May-11	Buy	3,500	\$20.6637
18-May-11	Buy	2,500	\$20.8238
18-May-11	Buy	400	\$20.79
19-May-11	Buy	500	\$20.9666
19-May-11	Buy	1,900	\$21.0764
20-May-11	Buy	4,500	\$20.4702
24-May-11	Buy	2,400	\$19.4105
21-Jun-11	Sell	42,000	\$1.8407
Morrison Williams			
20-Jan-11	Buy	181,700	\$21.535
14-Mar-11	Buy	83,800	\$21.526
15-Mar-11	Buy	30,600	\$21.616
3-Jun-11	Sell	296,100	\$5.147
Greystone			
05-Jul-07	Buy	800	\$17.1374
06-Jul-07	Buy	700	\$17.0498
09-Jul-07	Buy	200	\$17
10-Jul-07	Buy	1800	\$17.042
11-Jul-07	Buy	300	\$17.25
16-Jul-07	Buy	400	\$17.6
17-Jul-07	Buy	900	17.7783

18-Jul-07	Buy	3900	17.9749
18-Jul-07	Buy	300	17.8849
20-Jul-07	Buy	2700	18.8874
23-Jul-07	Buy	600	18.4758
24-Jul-07	Buy	600	18.0999
25-Jul-07	Buy	1000	17.3125
26-Jul-07	Buy	700	16.7498
27-Jul-07	Buy	2200	17.098
30-Jul-07	Buy	3200	17.1184
31-Jul-07	Buy	5000	17.171
01-Aug-07	Buy	600	15.9966
02-Aug-07	Buy	200	16.05
03-Aug-07	Buy	400	16.05
07-Aug-07	Buy	600	15.4422
09-Aug-07	Buy	1000	15.7949
10-Aug-07	Buy	1200	14.9193
10-Aug-07	Buy	1000	15.2581
13-Aug-07	Buy	1000	15.0395
14-Aug-07	Buy	800	15.1954
15-Aug-07	Buy	800	14.9744
16-Aug-07	Buy	4600	13.8702
17-Aug-07	Buy	2250	13.9638
20-Aug-07	Buy	800	14.0159
21-Aug-07	Buy	2200	13.9995
22-Aug-07	Buy	300	14.3237
23-Aug-07	Buy	1400	16.1001
24-Aug-07	Buy	450	16.9357
29-Aug-07	Buy	1000	17.4422
30-Aug-07	Buy	600	17.5898
04-Sep-07	Buy	5200	18.23
10-Sep-07	Buy	1000	18.85
26-Sep-07	Buy	1600	22.2955

27-Sep-07	Buy	1200	21.8191
02-Oct-07	Buy	800	23.2441
03-Oct-07	Buy	5430	23.1858
04-Oct-07	Buy	2300	23.165
11-Oct-07	Buy	3970	24.7695
23-Oct-07	Sell	2700	22.4873
22-Jan-08	Buy	2900	15.9431
28-Jan-08	Sell	700	17.711
26-Feb-08	Sell	270	19.1641
04-Mar-08	Sell	1200	18.9003
20-Mar-08	Buy	2200	14.9113
04-Apr-08	Sell	2700	17.5524
21-Apr-08	Sell	1200	15.3125
22-Apr-08	Sell	600	15.2969
21-May-08	Sell	860	18.0225
22-May-08	Sell	840	17.99
08-Jul-08	Buy	1400	16.4677
11-Aug-08	Buy	1720	14.9995
12-Aug-08	Buy	130	16.4084
13-Aug-08	Buy	2100	17.5051
20-Aug-08	Buy	320	18.8381
21-Aug-08	Buy	1380	19.4353
10-Sep-08	Buy	1740	17.7225
11-Sep-08	Buy	880	18.0153
07-Oct-08	Buy	3260	10.7574
14-Oct-08	Buy	1900	10.6571
15-Oct-08	Buy	4700	9.9627
18-Nov-08	Buy	2400	6.6901
21-Nov-08	Buy	1700	5.6527
25-Feb-09	Buy	4100	8.9626
26-Feb-09	Buy	1400	8.9057
21-May-09	Sell	1600	12.6417

02-Jun-09	Sell	1700	13.256
06-Oct-09	Sell	1200	16.5709
18-Feb-10	Buy	2900	20.2981
13-May-10	Sell	1700	18.3831
09-Jun-10	Buy	1000	16.4574
20-Jul-10	Buy	1500	16.1303
08-Sep-10	Sell	1300	18.7328
07-Oct-10	Sell	4800	17.3474
09-Nov-10	Sell	1600	22.262
04-Feb-11	Sell	1660	22.9815
16-Mar-11	Buy	1400	21.9237
05-May-11	Buy	700	21.268
26-May-11	Buy	17300	18.4451
6-Jul-11	Sell	22800	4.7579
26-Jul-11	Sell	17,900	7.4341
27-Jul-11	Sell	3,100	7.5853
26-Aug-11	Sell	16,310	1.72

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

AFFIDAVIT OF MICHAEL GALLAGHER

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

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

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
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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
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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 JOSEPH MANCINELLI

I, JOSEPH MANCINELLI, of the City of Hamilton, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the chair of the board of trustees of the Labourers' Pension Fund of Central and Eastern Canada (the "Labourers Fund"), plaintiffs in this action and I have knowledge of the matters herein deposed. 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.

Background of the Labourers Fund and Its Investment In Sino-Forest

2. The Labourers Fund is a Canadian multi-employer pension funds representing 52,100 active, retired, inactive and deferred vested members in Ontario, New Brunswick, Nova Scotia, PEI and Newfoundland and Labrador. The Labourers Fund has more than \$2.5 billion in assets.

3. The trustees of the Labourers Fund purchased Sino-Forest shares between December 2009 and June 2011. This included a purchase of 32,300 shares in Sino-Forest's December 2009 primary market distribution of shares.. Otherwise, the share purchases were made in the secondary market over the Toronto Stock Exchange.

4. The trustees held a total of 128,700 shares on June 1, 2011, with a market value of \$18.21 per share or \$2,343,627 at the close of trading on June 1, 2011. On June 2 and 3, 2011, the trustees sold their holdings for net proceeds \$695,993.96. Attached and marked as **Exhibit "A"** is a summary of the trustees' transactions in Sino-Forest's shares.

Sino-Forest Litigation And Settlement With Ernst & Young

5. On July 20, 2011, this action was commenced against Sino-Forest and other defendants, including Sino-Forest's auditor, Ernst & Young LLP. I understand that class actions were also commenced in Québec, Saskatchewan and New York.

6. The key allegations against Sino-Forest are that it had substantially misrepresented its financial position to investors. In essence, the company was not nearly the incredible success it had claimed to be. This became apparent in the months following the commencement of this action. Sino-Forest began a steep financial decline. The large investments in Sino-Forest were gone. By March 2012, Sino-Forest was insolvent and sought protection from its creditors under the *Companies Creditors' Arrangement Act*.

7. Accordingly, save for any insurance, there would be no recovery from Sino-Forest. Instead, recovery from Sino-Forest's service providers is the focus of this action. The trustees and the other plaintiffs allege that Sino-Forest's auditors and underwriters failed in their gatekeeper obligations.

8. There has been a significant amount of activity in this action. There have been numerous motions in the action, including a certification hearing. In addition, I understand that our counsel expended a tremendous amount of time participating in Sino-Forest's insolvency in order to ensure that the claims against the auditors, underwriters and other solvent defendants were minimally affected in any restructuring of Sino-Forest.

9. There have also been efforts to settle the claims against all defendants. This included a court-ordered mediation among all parties in September 2012. The mediation did not result in

a settlement with all defendants. However, it provided a starting point for further negotiations with one of Sino-Forest's former auditor, Ernst & Young LLP.

10. These negotiations continued through the Fall of 2012 and there was a mediation on November 2012. On November 29, 2012, the trustees and the other plaintiffs entered into minutes of settlement with Ernst & Young. The settlement provides for payment of \$117 million in full settlement of all claims against Ernst & Young and its affiliates relating to Sino-Forest. The settlement was approved on March 20, 2013.

The Proposed Claims and Distribution Protocol

11. Our counsel has designed a claims process for the distribution of the settlement proceeds, net of class counsel fees and other necessary payments (the "Claims and Distribution Protocol").

12. I and the other trustees provided input on the Claims and Distribution Protocol and have reviewed the final version. In our view, it reflects a fair and balanced method for dividing the settlement proceeds among persons who purchased Sino-Forest securities (the "Securities Claimants") and who may have claims against Ernst & Young LLP.

13. The Claims and Distribution Protocol awards compensation based on (a) the actual losses suffered; and (b) the strengths of different types of claims that the claimant advances against Ernst & Young LLP. A particular claimant may have different types of claims depending on the purchases that it made and each claim would be treated differently depending on the risks faced for the particular claim.

14. For example, the Labourers Fund purchased Sino-Forest shares in both the primary market (the December 2009 prospectus offering) and in the secondary market (the Toronto Stock Exchange). These two claims would be treated differently in the claims process. The primary market claim has no discount applied to the losses as it is the strongest claim relative to other types of claims against Ernst & Young. In contrast, the secondary market claim will have a discount applied to the losses to reflect that if this matter proceeded to trial, recovery against Ernst & Young for a secondary market claim on a per dollar of loss basis would likely be substantially lower than for the primary market claims.

15. The Labourers Fund would not receive either the highest or the lowest level of compensation on a per dollar basis pursuant to the Claims and Distribution Protocol. I and the other trustees accept this is reasonable and that a claims process that takes into account the strengths of different claims is fair to all claimants. Stronger claims should be compensated more and weaker claims less.

Class Counsel's Fees

16. Koskie Minsky LLP, Siskinds LLP and Siskinds Demeules ("Canadian Class Counsel") are seeking \$19,162,500 plus \$2,491,125 in HST (totaling \$21,653,625) for class counsel fees in this action. I and the other trustees appreciate that this is a substantial sum of money for counsel fees. Nevertheless, I and the other trustees believe that this amount is fair and reasonable, given the large risks that our counsel undertook and continue to bear in the prosecution of this action.

17. Class counsel agreed to pursue this action on a contingency fee basis and to assume responsibility for litigation expenses, including expert fees. Without successful recovery, the

trustees have no obligation to pay Canadian Class Counsel, we have no obligation to pay for litigation expenses and we have an indemnity in respect of adverse costs. The trustees are committed to the prosecution of this action, but we recognize that Canadian Class Counsel has accepted almost all of the financial risk that comes with the advancement of this litigation on our behalf and on behalf of other harmed Sino-Forest investors.

18. From the outset, this action had significant risk, largely because the most culpable defendants, Sino-Forest and its senior officers have little or no means to satisfy a large judgement. I understand that this action was made even more risky as a result of Sino-Forest's insolvency. For example, it was possible that claims against Ernst & Young and other solvent defendants could be released as part of a restructuring for little or no compensation to harmed investors.

19. Our counsel committed to expending millions of dollars in time, money and other resources to prosecute this action with the significant risk of either achieving judgement against defendants unable to pay that judgment or having the claims released in order to facilitate the restructuring of Sino-Forest. I am satisfied that our counsel has pursued this action vigorously and has worked to maximize recovery.

20. Furthermore, the requested fees conform to what is provided for in our retainer agreement. In particular, the retainer agreement provides for a sliding scale of counsel fees depending on the monetary level of success and the stage of the litigation, as follows¹:

	For the first \$20 million of any Recovery	For the portion of the Recovery between \$20 million and \$40 million	For the portion of the Recovery between \$40 million and \$60 million	For the portion of the Recovery in excess of \$60 million
If the Action is settled or there is judgment before the Court renders a decision on a certification motion	twenty-five percent (25%)	twenty percent (20%)	fifteen percent (15%)	ten percent (10%)
If the Action is settled or there is judgment after the Court renders a decision on a certification motion and before the commencement of the Common Issues trial;	twenty-seven and a half percent (27.5%)	twenty-two and a half percent (22.5%)	seventeen and a half percent (17.5%)	twelve and a half percent (12.5%)
If the Action is settled after the commencement of the Common Issues trial or is determined by judgment after the trial.	thirty percent (30.0%)	twenty-five percent (25.0%)	twenty percent (20.0%)	fifteen percent (15.0%)

21. This grid ties class counsel compensation directly to the degree of success achieved, while at the same time ensuring the overall fees are not excessive. These percentages cut both ways for class counsel. If recovery in the action were small, then, no matter how much class counsel had spent in time, money and other resources, they would be held to a percentage of that small amount. On the other hand, if class counsel achieved large recovery in the action, they would be compensated accordingly, though their fees would be subject to percentages that decline as the recovery gets larger.

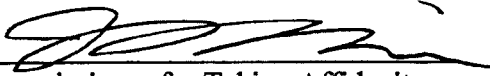
22. In this case, the fees sought reflect 16.4% of the settlement or 18% if compared to the estimated proportion of the settlement attributable to Canadian claims. Furthermore, in the

¹ I note that the retainer agreement contains a typographical error in this grid. The third column refers to a range of \$20 million to 40 million. It should show a range of \$40 million to \$60 million, which is what was intended.

event of future recovery in this action, the overall percentage will decline to reflect the overall recovery.

23. I and the other trustees considered this approach fair and reasonable when we entered the retained agreement at the outset of this action and continue to believe it is fair and reasonable. Compensating our counsel based on the retainer agreement is appropriate.

24. I swear this affidavit in support of the motion for approval of the plan of allocation and approval of class counsel fees and for no other or improper purpose.

Provision of Statute
 SWORN BEFORE ME at the City of
Collingwood in the State of Florida,
 United States on ~~June~~ *October 2*, 2013.

 Commissioner for Taking Affidavits
Sonathan Best


 JOSEPH MANCINELLI

***THIS IS EXHIBIT "A" REFERRED TO IN THE
AFFIDAVIT OF JOSEPH MANCINELLI
SWORN BEFORE ME, THIS 2ND DAY OF OCTOBER, 2013***

A handwritten signature in black ink, appearing to read 'J. Mancinelli', written over a horizontal line.

A COMMISSIONER FOR TAKING AFFIDAVITS, ETC.

Summary of Transactions in Sino's Shares

TRADE DATE	TYPE	# OF SHARES	PRICE PER UNIT
11-Dec-09	Buy	6,500	\$17.443
11-Dec-09	Buy	6,500	\$17.351
11-Dec-09	Buy	6,500	\$17.329
11-Dec-09	Buy	13,000	\$17.203
11-Dec-09	Buy	11,800	\$17.250
11-Dec-09	Buy	32,300	\$16.800
18-Dec-09	Buy	8,300	\$17.260
18-Dec-09	Buy	8,800	\$17.250
04-Jan-10	Sell	6,900	\$19.694
12-Jan-10	Sell	10,700	\$21.104
17-Feb-10	Sell	11,700	\$19.775
18-Mar-10	Buy	9,300	\$19.487
29-Mar-10	Buy	18,400	\$19.000
01-Apr-10	Sell	7,300	\$20.065
01-Apr-10	Sell	5,900	\$20.086
16-Apr-10	Sell	35,600	\$19.846
19-Apr-10	Sell	16,000	\$19.781
04-May-10	Sell	4,900	\$17.880
05-May-10	Sell	6,100	\$17.628
05-May-10	Sell	5,700	\$17.533
05-May-10	Sell	10,600	\$17.780
08-Jul-10	Buy	17,800	\$15.600
08-Jul-10	Buy	27,900	\$15.500
09-Jul-10	Buy	4,700	\$15.825
09-Jul-10	Buy	100	\$15.960
12-Jul-10	Buy	2,500	\$16.038
13-Jul-10	Buy	14,400	\$16.000
13-Jul-10	Buy	5,900	\$16.000
28-Sep-10	Buy	13,200	\$16.852
28-Sep-10	Buy	8,700	\$16.870
01-Oct-10	Buy	9,300	\$17.200

14-Oct-10	Sell	4,900	\$19.279
14-Oct-10	Sell	10,200	\$19.360
21-Oct-10	Sell	1,300	\$20.419
04-Nov-10	Buy	5,000	\$21.378
04-Nov-10	Buy	3,300	\$21.378
05-Nov-10	Buy	8,300	\$21.420
05-Nov-10	Buy	5,900	\$21.280
10-Nov-10	Buy	7,500	\$22.097
10-Nov-10	Buy	1,300	\$22.000
13-Dec-10	Sell	8,400	\$24.140
20-Jan-11	Sell	4,200	\$21.602
20-Jan-11	Sell	2,900	\$21.602
21-Jan-11	Sell	3,100	\$21.750
21-Jan-11	Sell	200	\$21.623
03-Feb-11	Sell	7,000	\$22.800
08-Feb-11	Sell	2,500	\$24.490
08-Feb-11	Sell	5,400	\$24.485
08-Feb-11	Sell	800	\$24.500
18-Feb-11	Sell	6,900	\$22.493
18-Feb-11	Sell	3,200	\$22.493
15-Mar-11	Buy	10,500	\$21.273
15-Mar-11	Buy	2,900	\$21.228
15-Mar-11	Buy	1,200	\$21.750
15-Mar-11	Buy	6,500	\$21.786
18-Mar-11	Buy	3,300	\$23.196
18-Mar-11	Buy	5,700	\$23.150
30-Mar-11	Sell	9,500	\$24.990
31-Mar-11	Sell	2,300	\$25.790
31-Mar-11	Sell	3,600	\$25.790
07-Apr-11	Sell	300	\$24.790
07-Apr-11	Sell	100	\$24.760
11-Apr-11	Sell	2,200	\$24.083
12-Apr-11	Sell	4,000	\$23.658

14-Apr-11	Sell	8,900	\$24.000
14-Apr-11	Sell	8,500	\$24.300
11-May-11	Sell	1,100	\$21.821
13-May-11	Buy	9,400	\$19.550
13-May-11	Buy	4,800	\$19.550
13-May-11	Buy	4,100	\$19.550
13-May-11	Buy	12,200	\$19.499
16-May-11	Buy	8,000	\$19.750
18-May-11	Sell	5,300	\$20.820
18-May-11	Sell	3,800	\$20.820
25-May-11	Buy	12,800	\$19.160
25-May-11	Buy	4,000	\$19.123
25-May-11	Buy	4,600	\$19.140
27-May-11	Buy	4,600	\$17.800
27-May-11	Buy	2,300	\$17.800
30-May-11	Buy	2,300	\$18.810
30-May-11	Buy	1,500	\$18.769
30-May-11	Buy	2,800	\$18.730
02-Jun-11	Sell	300	\$13.813
03-Jun-11	Sell	8,900	\$5.007
03-Jun-11	Sell	17,700	\$5.375
03-Jun-11	Sell	22,200	\$5.321
03-Jun-11	Sell	48,700	\$5.319
03-Jun-11	Sell	21,700	\$5.701
03-Jun-11	Sell	8,800	\$6.024
03-Jun-11	Sell	400	\$5.230

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the Class Proceedings Act, 1992

Proceeding commenced at **Toronto**

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Jonathan Ptak

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

APOSTILLE**(Convention de La Haye du 5 octobre 1961)****1. Country : Sweden****This public document****2. has been signed by Anne-Marie Bonde****3. acting in the capacity of Notary Public****4. bears the seal/stamp of****Notary Public in Stockholm****Certified****5. at Stockholm****6. the 15.11.2013****7. by Adrienne de Jounge****Notary Public****8. No 1368****9. Seal/stamp:****10. Signature:***Adrienne de Jounge*

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

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

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

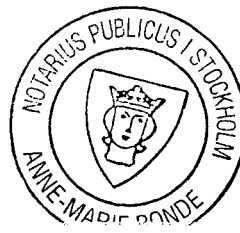
- and -

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, 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 RICHARD GROTTHEIM



I, RICHARD GROTTHEIM, of the City of Stockholm, in the Country of Sweden,
SWEAR:

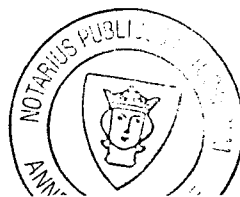
1. I am the chief executive officer of Sjunde AP-Fonden (“AP7”), a plaintiff in this action. Accordingly, I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of our information and believe such information to be true.

2. AP7 is the Seventh Swedish National Pension Fund and is part of Sweden’s national pension system. AP7 is governed by a Board of Directors.

3. AP7 purchased Sino-Forest shares between April 21, 2010 and January 14, 2011. AP7 held 139,398 shares on June 1, 2011, with a market value of \$18.21 per share or \$2,538,438.00 in total. On August 24, 2011, AP7 sold 43,095 Sino-Forest shares for net proceeds of \$188,829.36. AP7 continued to hold 96,303 shares of Sino-Forest until the shares were cancelled as part of Sino-Forest’s restructuring. Attached and marked as **Exhibit “A”** is a statement of all AP7’s purchases and sales of Sino-Forest shares.

4. I have reviewed the proposed claims process for the distribution of the proceeds from the settlement with Ernst & Young. (the “Claims and Distribution Protocol”). Based on my discussions with counsel, I believe that the Claims and Distribution Protocol provides a fair and reasonable method for distributing the settlement. I have been advised by my counsel that the Claims and Distribution Protocol awards compensation based on (a) the losses suffered by each claimant attributable to the alleged misrepresentations; and (b) the strengths of different types of claims that the claimant advances against Ernst & Young. I understand this to mean that persons with stronger claims would receive more on a per dollar basis than persons with weaker claims. Based on my discussions with counsel, I believe the Claims and Distribution Protocol makes a fair distinction among different claims as it reflects the risks of different claims.

5. Under the proposed Claims and Distribution Protocol, AP7’s claim would fall under one category, being claims for share purchased in the secondary market (the Toronto Stock Exchange) between August 12, 2008 and June 2, 2011. This claim will be assign a “risk



RG

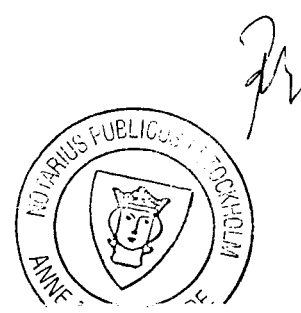
adjustment factor” to reflect the strength of claims purchased during this period as compared to other claims against Ernst & Young, such as shares purchased pursuant to a prospectus.

6. I also support the fee request of Koskie Minsky LLP, Siskinds LLP and Siskinds Demeules in the amount of \$17,846,250 plus \$2,320,013 in HST (totaling \$20,166,263). I am satisfied that this amount is fair and reasonable.

7. AP7’s retainer agreement with counsel provides for a sliding scale of compensation based on the value of settlement obtained by class counsel and the stage of the litigation. If there was a small or no recovery, counsel would likely get paid less than the time, money and resources they committed. If there is a large recovery, such as the Ernst & Young settlement, then counsel would be paid accordingly. AP7 considered the fee arrangement fair and reasonable when we entered the retainer agreement with counsel and we still consider it fair and reasonable.

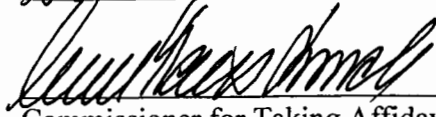
8. In addition, the fees sought are consistent with the large risks that our counsel assumed in advancing this litigation. This action arises out of an alleged fraud that pervaded every aspect of Sino-Forest’s business. AP7 has received periodic updates on this action and it is apparent that the prosecution of this action is highly complex and resource-intensive. I understand that my counsel has committed a significant amount of time, money and resources to advance this action and will continue to do so as they pursue claims against the other defendants.

9. In light of these risks and the substantial commitment of time, money and resources by my counsel, I support the requested fees.

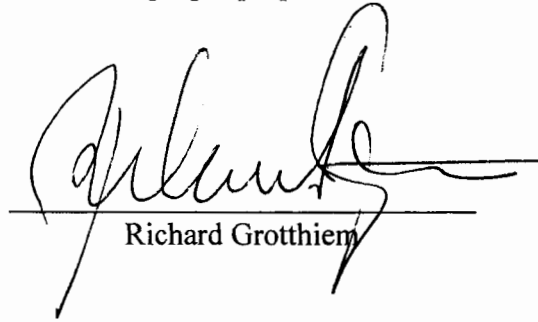


10. I swear this affidavit in support of the motion for approval of the plan of allocation and approval of class counsel fees and for no other or improper purpose.

SWORN BEFORE ME at the City of Stockholm in the country of Sweden on November 13, 2013.




Commissioner for Taking Affidavits
Anne-Marie Bonde,
Notary Public



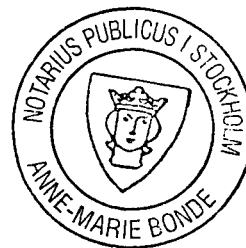
Richard Grothiem



**EXHIBIT "A" TO THE AFFIDAVIT OF RICHARD GROTTHEIM
SWORN BEFORE ME, THIS ___ DAY OF NOVEMBER, 2013**



Commissioner for Taking Affidavits
Anne-Marie Bonde, Notary Public



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

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

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceedings Under the *Class Proceedings Act*, 1992

Proceeding commenced at **Toronto**

AFFIDAVIT OF RICHARD GROTTHEIM

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



[Handwritten signature]

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

**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**

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, 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

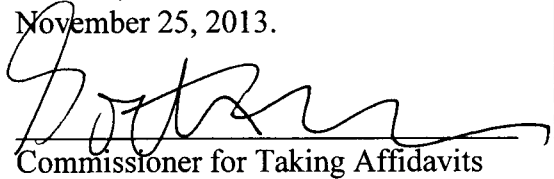
Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF HEATHER PALMER
(sworn November 25, 2013)**

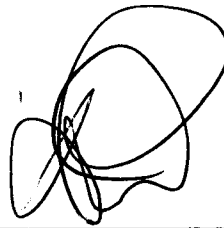
I, Heather Palmer, of the City of Toronto, in the Province of Ontario MAKE OATH AND SAY:

1. I am a legal assistant at Koskie Minsky LLP.
2. Attached as **Exhibit "A"** is a copy of a document titled Summary of Transactions in Sino's Shares. Jonathan Bida advised me and I believe that these are Sjunde AP-Fonden transactions in Sino-Forest securities as described in the Affidavit of Richard Grottheim dated November 13, 2013. Mr. Bida advised me and I believe that this document was inadvertently omitted from Mr. Grottheim's affidavit.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario on November 25, 2013.

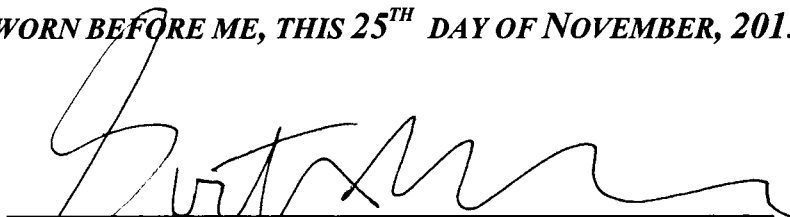


Commissioner for Taking Affidavits



HEATHER PALMER

***THIS IS EXHIBIT "A" REFERRED TO IN THE
AFFIDAVIT OF HEATHER PALMER
SWORN BEFORE ME, THIS 25TH DAY OF NOVEMBER, 2013***



A COMMISSIONER FOR TAKING AFFIDAVITS, ETC.

Summary of Transactions in Sino's Shares

TRADE DATE	TYPE	# OF SHARES	PRICE PER UNIT
4/21/2010	Purchase	2,945	\$19.6986
4/22/2010	Purchase	4,000	\$19.80
4/22/2010	Purchase	1,020	\$19.80
4/23/2010	Purchase	5,500	\$19.80
4/26/2010	Purchase	1,994	\$19.5122
4/27/2010	Purchase	71,500	\$19.3148
4/29/2010	Purchase	6,085	\$19.3206
4/27/2010	Purchase	1,500	\$19.5152
4/28/2010	Purchase	4,070	\$18.6711
5/5/2010	Purchase	3,082	\$17.6924
5/6/2010	Purchase	4,123	\$18.0285
5/7/2010	Purchase	3,409	\$17.5041
5/10/2010	Purchase	5,147	\$17.7918
5/11/2010	Purchase	1,953	\$17.6461
10/6/2010	Purchase	6,100	\$17.3063
12/14/2010	Purchase	11,000	\$19.4508
12/15/2010	Purchase	4,000	\$19.2349
02-12-2011	Balance	43,025	\$19.3817



7

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

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

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

and

Sino-Forest Corporation, et al.

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

Plaintiffs

Defendants

ONTARIO
SUPERIOR COURT OF JUSTICE
Commercial List
Proceeding under the *Class Proceedings Act, 1992*
Proceeding commenced at Toronto

AFFIDAVIT OF HEATHER PALMER
(SWORN NOVEMBER 25, 2013)

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Jonathan Ptak (LSUC#: 45773F)
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Lawyers for the plaintiffs and CCAA Representative Counsel

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

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

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, 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 ROBERT WONG

I, ROBERT WONG, of the City of Kincardine, in the Province of Ontario, MAKE OATH AND SAY:

1. I am a plaintiff in this action and I have knowledge of the matters herein deposed. 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.

My Investment In Sino-Forest Corporation

2. I am an electrical engineer by profession and a retired member of the Professional Engineers of Ontario.

3. I first became a Sino-Forest Corporation ("Sino") shareholder on July 29, 2002 when I purchased approximately 15,000 Sino shares over the Toronto Stock Exchange. I was a Sino shareholder continuously from that time until June 10, 2011, when I disposed of my last shares of Sino.

4. During this time, I purchased hundreds of thousands of Sino shares. In early September 2008, I owned 1,371,500 Sino shares having then a market value of approximately \$26.1 million.

5. On June 2, 2011, I held 518,700 Sino shares with a market value of \$9.4 million. Of those shares, 30,000 were purchased at a price of \$16.80 per share as part of Sino's December 2009 share offering.

6. On June 3, 2011 and June 10, 2011, after I learned of the serious allegations against Sino, I sold all of my shares for total proceeds of \$2.8 million. This included the 30,000

shares I purchased as part of the December 2009 share offering. Attached and marked as Exhibit "A" is a summary of my purchases and sales of Sino shares.

The Proposed Claims and Distribution Protocol

7. My counsel has designed a claims process for the distribution of the proceeds from the settlement with Ernst & Young, net of class counsel fees and other necessary payments (the "Claims and Distribution Protocol").

8. The Claims and Distribution Protocol awards compensation based on (a) the losses suffered by each claimant attributable to the alleged misrepresentations; and (b) the strengths of different types of claims that the claimant advances against Ernst & Young LLP. A particular claimant may have different types of claims depending on the purchases that it made and each claim would be treated differently depending on the risks faced for the particular claim. Persons with stronger claims would receive more on per dollar basis than persons with weaker claims.

9. For example, I purchased Sino shares in both the primary market (the December 2009 prospectus offering) and in the secondary market (the Toronto Stock Exchange). These two claims would be treated differently in the claims process. The primary market claim has no discount applied to the losses as it is the strongest claim relative to other types of claims against Ernst & Young. In contrast, the secondary market claim will have discounts applied to the losses to reflect more significant litigation risks that relate to that claim.

10. I understand that this motion is for court approval of the Claims and Distribution Protocol, and I have reviewed the proposed Claims and Distribution Protocol that is being submitted for approval on this motion. I have been in frequent communication with my

counsel regarding the proposed Claims and Distribution Protocol and have offered my opinions, suggestions and comments to the proposal.

Class Counsel's Fees

11. Siskinds LLP, Koskie Minsky LLP and Siskinds Desmeules ("Canadian Class Counsel") are seeking \$17,846,250 plus \$2,320,013 in HST (totaling \$20,166,263) for class counsel fees in this action. I appreciate that this is a substantial sum of money for counsel fees. Nevertheless, I believe that this amount is fair and reasonable, given the unforeseeable events this action has taken, and the additional time that my counsel has put into the prosecution of this action.

12. Canadian Class Counsel agreed to pursue this action on a contingency fee basis and to assume responsibility for litigation expenses, including expert fees. Without successful recovery, I understand I have no obligation to pay Canadian Class Counsel and I understand that I have no obligation to pay for litigation expenses. I am committed to the prosecution of this action, but I recognize that Canadian Class Counsel has accepted significant financial risk that comes with the advancement of this litigation on our behalf and on behalf of other harmed class members.

13. During the litigation process, I was informed by counsel that this action was made risky as a result of Sino-Forest's insolvency. For example, it was possible that claims against Ernst & Young and other solvent defendants could have been released as part of a restructuring for little or no compensation to harmed class members. .

14. My retainer agreement provides for a sliding scale of counsel fees depending on the value of the recovery and the stage of the litigation. If recovery in the action were small, then,

- 5 -

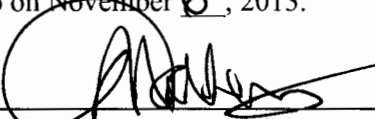
no matter how much class counsel had spent in time, money and other resources, would be held to a percentage of that small amount. On the other hand, if counsel achieved a large recovery in the action, they would be compensated a higher percentage depending on the litigation phase as provided in the retainer agreement.

15. I considered the approach in the retainer agreement fair and reasonable when I entered the retained agreement at the outset of this action and I believe the method of fee calculation outlined above is fair and reasonable in the circumstances.

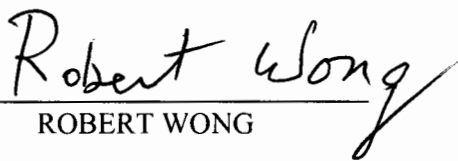
16. In light of the risks and the substantial commitment of time, money and resources by my counsel, I support the requested fees.

17. I swear this affidavit in support of the motion for approval of the plan of allocation and approval of class counsel fees and for no other or improper purpose.

SWORN BEFORE ME at the City of
KINCARDINE in the Province of
Ontario on November 6th, 2013.



Commissioner for Taking Affidavits

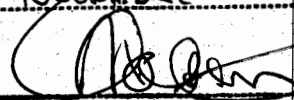


ROBERT WONG

0424

Date	Stock	Transaction	Symbol	Quantity	Price	Commission	Amount
7/29/02	sino forest	b	tre.a	15200	0.95		-14,896.00
7/30/02	sino forest	b	tre.a	4500	0.95		-4,410.00
8/29/02	sino forest	b	tre.a	40000	0.95		-38,200.00
12/12/02	sino forest	b	tre.a	74700	1.20		-91,881.00
12/13/02	sino forest	b	tre.a	28900	1.20		-31,119.00
3/8/03	sino forest	b	tre.a	40000	1.73		-70,035.00
3/10/03	sino forest	b	tre.a	40000	1.84		-74,800.00
3/19/03	sino forest	b	tre.a	24100	1.80		-44,103.00
3/20/03	sino forest	b	tre.a	15900	1.80		-28,097.00
4/18/03	sino forest	b	tre.a	10000	1.75		-17,600.00
4/24/03	sino forest	b	tre.a	15800	1.73		-27,685.00
7/28/03	sino forest	b	tre.a	20000	2.71		-54,800.00
9/2/03	sino forest	b	tre.a	16500	3.45		-67,420.00
9/3/03	sino forest	b	tre.a	3500	3.45		-12,180.00
9/10/03	sino forest	b	tre.a	20000	3.35		-67,000.00
10/3/03	sino forest	b	tre.a	20000	3.35		-67,000.00
2/18/04	sino forest	b	tre.a	11600	6.20		-71,920.00
3/19/04	sino forest	b	tre.a	1000	4.00		-4,015.00
3/28/04	sino forest	b	tre.a	30000	4.10		-123,306.00
3/28/04	sino forest	b	tre.a	2000	3.82		-7,646.00
5/20/04	sino forest	b	tre.a	50000	2.50		-125,806.00
2/17/05	sino forest	b	tre.a	100000	4.18		-417,000.00
12/12/05	sino forest	b	tre	8000	4.77		-43,920.00
1/25/06	sino forest	b	tre	8500	5.47		-46,880.00
3/27/06	sino forest	b	tre	2700	6.49		-17,650.00
3/28/06	sino forest	b	tre	47300	6.49		-307,460.00
6/29/06	Sino Forest	b	tre	50000	6.50		-275,500.00
8/3/06	Sino Forest	b	tre	5100	6.68		-28,917.00
8/4/06	Sino Forest	b	tre	42300	6.68		-280,841.00
8/9/06	Sino Forest	b	tre	2000	6.68		-14,742.00
8/15/06	Sino Forest	b	tre	20000	4.50		-90,200.00
10/11/06	Sino Forest	b	tre	30000	5.09		-153,000.00
10/18/06	Sino Forest	b	tre	43600	5.30		-231,518.00
10/17/06	Sino Forest	b	tre	6400	5.30		-33,984.00
10/24/06	Sino Forest	b	tre	50000	5.43		-272,000.00
11/1/06	Sino Forest	b	tre	50000	5.70		-285,000.00
11/10/06	Sino Forest	b	tre	2500	6.29		-15,760.00
11/13/06	Sino Forest	b	tre	60400	6.65		-402,264.00
11/14/06	Sino Forest	b	tre	10000	6.62		-66,300.00
12/24/06	Sino Forest	b	tre	2200	6.62		-14,688.00
1/2/07	Sino Forest	b	tre	34000	7.89		-268,600.00
1/3/07	Sino Forest	b	tre	20000	7.89		-158,478.00
1/4/07	Sino Forest	b	tre	18000	7.50		-114,150.00
1/6/07	Sino Forest	b	tre	5000	7.66		-38,340.00
1/8/07	Sino Forest	b	tre	6000	7.65		-38,300.00
1/9/07	Sino Forest	b	tre	10000	7.87		-78,800.00
1/10/07	Sino Forest	b	tre	9800	7.98		-78,302.00
1/12/07	Sino Forest	b	tre	40000	10.37		-415,200.00
1/15/07	Sino Forest	b	tre	60000	9.13		-548,400.00

This is Exhibit A referred to in the
 affidavit of Robert Wong
 sworn before me, this 6th
 day of NOVEMBER 2013



1/24/07	Sino Forest	b	lre	20000	9.43		-188,800.00
6/26/07	sino forest	b	lre	10000	15.00		-150,100.00
8/7/07	sino forest	b	lre	10000	15.00		-150,100.00
	total			1261500	4.930		-6,219,294.00
8/10/07	sino forest	s	lre	-20000	16.000		289,900.00
	remaining			1241500	4.930		-6,120,692.43
8/15/07	sino forest	b	lre	10000	15.000		-150,100.00
12/10/07	sino forest	b	lre	4400	20.580		-90,598.00
12/10/07	sino forest	b	lre	5600	20.600		-115,416.00
1/15/08	sino forest	b	lre	10000	20.170		-201,700.00
6/13/08	sino forest	b	lre	10000	18.670		-186,700.00
8/26/08	sino forest	b	lre	20000	18.000		-360,000.00
7/16/08	sino forest	b	lre	10000	15.000		-150,000.00
7/22/08	sino forest	b	lre	10000	14.600		-146,000.00
8/5/08	sino forest	b	lre	7000	15.500		-122,480.00
8/9/08	sino forest	b	lre	2100	15.500		-32,550.00
8/11/08	sino forest	b	lre	10000	16.000		-160,000.00
8/25/08	sino forest	b	lre	10000	19.000		-190,000.00
9/4/08	sino forest	b	lre	20000	19.000		-380,000.00
	total			1371600	6.1088		-6,376,204.43
9/18/08	sino forest	s	lre	-40000	10.900	400.00	635,900.00
9/18/08	sino forest	s	lre	-20000	14.288	200.00	286,520.00
9/29/08	sino forest	s	lre	-1,500.00	13.210	16.00	19,800.00
	sino forest	s	lre	-18500	13.210	185.00	244,200.00
9/30/08	sino forest	s	lre	-100,000	13.460	1,000.00	1,345,000.00
10/2/08	sino forest	s	lre	-25,000	11.743	2,935.80	280,644.20
10/2/08	sino forest	s	lre	-20,000	12.030	200.00	240,400.00
10/2/08	sino forest	s	lre	-40,000	12.250	400.00	488,800.00
10/8/08	sino forest	s	lre	-10,000	9.800	100.00	96,900.00
10/8/08	sino forest	s	lre	-20,000	10.160	200.00	202,800.00
10/8/08	sino forest	s	lre	-20,000	10.280	200.00	204,800.00
10/8/08	sino forest	s	lre	-10,000	10.410	100.00	104,000.00
10/8/08	sino forest	s	lre	-10000	10.800	100.00	107,900.00
10/8/08	sino forest	s	lre	-7400	10.265	74.00	76,887.00
10/10/08	sino forest	s	lre	-2800	8.680	26.00	23,062.00
10/15/08	sino forest	s	lre	-6500	10.000	65.00	64,935.00
11/13/08	sino forest	s	lre	-20000	6.990	200.00	139,600.00
11/14/08	sino forest	s	lre	-20000	7.000	200.00	139,800.00
11/18/08	sino forest	s	lre	-5000	6.650	50.00	33,200.00
11/19/08	sino forest	s	lre	-15000	6.720	150.00	100,650.00
11/20/08	sino forest	s	lre	-40000	5.980	400.00	238,000.00
11/21/08	sino forest	s	lre	-20000	5.700	200.00	113,800.00
11/24/08	sino forest	s	lre	-108100	5.898	1,081.00	639,492.80
11/25/08	sino forest	s	lre	-108700	5.540	1,087.00	602,049.30
11/26/08	sino forest	s	lre	-310300	5.657	3,103.00	1,721,234.10
11/27/08	sino forest	s	lre	-10000	6.174	1,000.00	61,640.00
11/28/08	sino forest	s	lre	-4000	6.670	40.00	27,440.00
12/1/08	sino forest	s	lre	-2000	6.700	20.00	13,360.00
	sino forest	s	lre	-2000	6.420	20.00	12,820.00
	sino forest	s	lre	-700	6.600	7.00	4,613.00
12/2/08	sino forest	s	lre	-2000	6.600	20.00	13,180.00

0426

	sino forest	a	tre	-2000	6.860	20.00	13,980.00
12/3/08	sino forest	s	tre	-2000	6.700	20.00	13,980.00
12/4/08	sino forest	a	tre	-2000	7.000	20.00	13,980.00
	sino forest	s	tre	-2000	7.300	20.00	14,680.00
12/8/08	sino forest	a	tre	-2000	8.080	20.00	16,140.00
	sino forest	s	tre	-2000	8.160	20.00	16,280.00
12/10/08	sino forest	a	tre	-2000	9.600	20.00	18,980.00
	sino forest	s	tre	-2000	10.600	20.00	20,980.00
	total sale			-1036300	8.000		8978027
		remaining		336200	6.1088		-2,053,039.64
3/2/09	sino forest	b	tre	2000	8.000	20.00	-18,020.00
12/14/08	sino forest	b	tre	30000	16.800	0.00	-604,000.00
12/17/09	sino forest	b	tre	10000	17.390	100.00	-174,000.00
12/28/09	sino forest	b	tre	10000	19.600	100.00	-198,100.00
12/30/09	sino forest	b	tre	6000	19.3100	60.00	-98,800.00
12/31/09	sino forest	b	tre	6000	19.2900	60.00	-98,200.00
1/6/10	sino forest	b	tre	10000	20.8600	100.00	-205,600.00
1/11/10	sino forest	b	tre	10000	20.8400	100.00	-208,600.00
1/14/10	sino forest	b	tre	10000	20.8000	100.00	-206,100.00
6/7/10	sino forest	b	tre	500	18.0000	5.00	-8,008.00
1/13/11	sino forest	b	tre	20000	23.0000	200.00	-480,200.00
5/8/11	sino forest	b	tre	10000	21.3700	100.00	-213,800.00
5/13/11	sino forest	b	tre	10000	19.7400	100.00	-197,500.00
5/24/11	sino forest	b	tre	10000	18.0000	100.00	-190,100.00
5/25/11	sino forest	b	tre	10000	19.1000	100.00	-191,100.00
5/26/11	sino forest	b	tre	10000	19.1200	100.00	-191,300.00
5/26/11	sino forest	b	tre	10000	19.1200	100.00	-191,300.00
6/2/11	sino forest	b	tre	10000	17.0000	100.00	-170,100.00
	total			618700	10.7318		-5686584.64
6/3/11	sino forest	a	tre	-488700	5.4400	0.00	2658629.00
6/10/11	sino forest	s	tre	-30000	5.3397	1,088.30	169100.70
	total sale			-818700	5.4321		2017628.70
		remaining		0			-2,748,935.84

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

AFFIDAVIT OF ROBERT WONG

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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

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

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

Plaintiffs

- and -

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF CHARLES WRIGHT

I, CHARLES WRIGHT, of the City of London, in the Province of Ontario, MAKE
OATH AND SAY:

1. I am a partner at Siskinds LLP, who along with Koskie Minsky LLP, are counsel for the plaintiffs in this action. Accordingly, I have knowledge of the matters herein deposed. 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.

2. I swear this affidavit in support of the motion for approval of class counsel fees, and for no other or improper purpose.

BACKGROUND

3. These proceedings relate to the precipitous decline of Sino-Forest Corporation following allegations on June 2, 2011 that there was fraud at the company and that its public disclosure contained misrepresentations regarding its business and affairs.

4. On July 20, 2011, this action was commenced against Sino-Forest, Ernst & Young LLP and other defendants in Ontario under the *Class Proceedings Act, 1992*. Siskinds LLP and Koskie Minsky LLP are counsel to the plaintiffs in the Ontario class action.

5. There were also class actions commenced in Québec and New York relating to Sino-Forest.

6. Siskinds Desmeules, an affiliate of Siskinds LLP, is counsel to the plaintiffs in the Québec action styled as *Guining Liu v. Sino-Forest Corporation*. Cohen Milstein Sellers & Toll PLLC ("Cohen Milstein") is counsel to the plaintiffs in the New York action styled as *Leopard v. Sino-Forest Corporation*. Along with other defendants, Ernst & Young LLP is named in each of the Québec and New York class actions.

7. On March 30, 2012, Sino-Forest applied for and was granted protection from its creditors pursuant to the *Companies' Creditors Arrangement Act* ("CCAA").

8. Counsel for the Ontario plaintiffs and Québec plaintiffs and counsel for the New York plaintiffs participated in the CCAA proceedings and filed proofs of claim in respect of the Ontario, Québec and New York actions.

9. In November 2012 a settlement was negotiated with Ernst & Young LLP. The settlement provides for payment of \$117 million in full settlement of all claims that relate to Sino-Forest as against Ernst & Young LLP, Ernst & Young Global Limited and their affiliates, subject to court approval.

10. On March 20, 2013, this court approved the Ernst & Young settlement. The settlement approval order provides that the net settlement proceeds (net of class counsel fees and other specified expenses¹) shall be distributed among persons who purchased Sino-Forest securities ("Securities Claimants"), excluding the defendants and their affiliates.

11. The settlement approval order appointed the plaintiffs in this action as representatives of the Securities Claimants for the purposes of the Ernst & Young settlement and appointed Siskinds LLP, Koskie Minsky LLP and Paliare Roland Rosenberg Rothstein LLP as counsel for the Securities Claimants. The settlement approval order is attached as **Exhibit "A"**.

¹ The net settlement proceeds is the amount remaining from the \$117 million settlement after payment of administration and notice costs, class counsel fees and expenses as approved by the Court and payment to Claims Funding International (CFI) in accordance with the funding order of Perell J. dated March 17, 2012. The payment to CFI is described in more detail at paragraphs 40 and 41.

ACTING AS CLASS COUNSEL

12. I have acted as class counsel in many class proceedings since I was called to the Bar in 1995. Prior to my call I began working on the first class action certified in Ontario, *Bendall v McGhan Medical Corp.* The practice creates unique challenges and benefits.

13. First, class proceedings involve a significant commitment of time and financial resources. These actions are typically taken on a contingency fee basis. It is common to dedicate thousands of lawyer hours and hundreds of thousands of dollars in disbursements to a particular case. Investigation and expert expenses are typical.

14. Second, class proceedings are highly adversarial and are often protracted. The concept that class proceedings often settle soon after the motion for certification is not correct. Cases are increasingly continuing beyond certification, through productions, examination for discovery and trial. The defendants tend to be well-resourced. The defendants bring motions for almost any dispute and appeal almost all decisions. A scorched-earth approach is common. As a result, costs are high and litigation proceeds slowly.

15. Third, there are a number of risks arising from the class proceedings procedure:

- (a) the risk that the action will not be certified as a class proceeding;
- (b) the risk that a large number of class members opt out;
- (c) the risk that the defendant successfully moves to decertify a class proceeding;
- (d) the risk that an award of aggregate damages on a class-wide basis is denied and individual issues trials are ordered;
- (e) the risk that individual issues trials are ordered but are not economically feasible;
- (f) the risk that the court does not approve a settlement agreement after lengthy, time-consuming and expensive negotiations; and

- (g) the risk that the court does not approve class counsel fees, or approves them only at a reduced rate;

16. Fourth, class counsel's obligation to the class do not end at settlement approval, even where all defendants settle and the litigation is at an end. Class counsel typically perform the following work as part of settlement administration, including

- (a) identifying class members;
- (b) advising and instructing class members with questions concerning the settlement agreement and claims process;
- (c) providing information to class members, including relevant documents;
- (d) assisting class members with claim forms, if necessary;
- (e) providing documentation to the accountants and financial advisors of class members to assist with determinations of tax implications of settlement proceeds;
- (f) facilitating the claims process;
- (g) monitoring settlement implementation to ensure the processed are be followed;
- (h) liaising with the claims administrator; and
- (i) overall coordination of the settlement distribution.

APPROVAL OF RETAINER AND CANADIAN CLASS COUNSEL FEES

17. Siskinds LLP, Koskie Minsky LLP (collectively "Canadian Class Counsel"), along with insolvency counsel Paliare Roland Rosenberg Rothstein LLP, have acted in these proceedings on a contingency fee basis. They collectively seek approval of \$17,846,250, plus \$2,320,013 in HST (totaling \$20,166,263) in respect of fees, plus \$1,737,650.84 for their disbursements incurred.

18. The requested fees are consistent with the plaintiffs' contingency fee retainer agreement with Canadian Class Counsel. Attached as **Exhibits "B(1) to B(4)"** are the retainer agreements for the plaintiffs.

19. I understand that Cohen Milstein, counsel to the plaintiffs in the New York action, seeks fees of \$2,340,000 (exclusive of tax).

20. The approved settlement with Ernst & Young LLP provides for a total payment of \$117 million. The plaintiffs and class counsel in the Ontario, Québec and New York actions have agreed to a notional allocation of that settlement amount between the Canadian and U.S. claims for the purposes of determining class counsel fees. We have agreed that the fees of Canadian Class Counsel will be determined on the basis that 90% of the gross settlement is allocated to the Canadian claims and 10% of the gross settlement is allocated to the U.S. claims. This notional allocation is based on the relative class sizes of the Canadian and U.S. class actions and the work performed by the law firms. Accordingly, Canadian Class Counsel's requested fees based on a recovery of \$105.3 million (90% of \$117 million) and Cohen Milstein's requested fees based on a recovery of \$11,700,000 million (10% of \$117 million).

21. For clarity, this notional allocation has no bearing on the actual distribution of settlement proceeds to Securities Claimants. As set out in the proposed Claims and Distribution Protocol, the distribution of the net settlement fund is based on the claims made, the losses for those claims and the relevant risk adjustment factor for each claim.

Fees of Canadian Class Counsel Pursuant to the Retainer Agreement

22. The retainer agreements provide for repayment without premium of all disbursements and for a sliding scale of fees depending on the monetary level of success and the stage of the litigation, as follows:

	For the first \$20 million of any Recovery	For the portion of the Recovery between \$20 million and \$40 million	For the portion of the Recovery between \$40 million and \$60 million	For the portion of the Recovery in excess of \$60 million
If the Action is settled or there is judgment before the Court renders a decision on a certification motion	twenty-five percent (25%)	twenty percent (20%)	fifteen percent (15%)	ten percent (10%)
If the Action is settled or there is judgment after the Court renders a decision on a certification motion and before the commencement of the Common Issues trial;	twenty-seven and a half percent (27.5%)	twenty-two and a half percent (22.5%)	seventeen and a half percent (17.5%)	twelve and a half percent (12.5%)
If the Action is settled after the commencement of the Common Issues trial or is determined by judgment after the trial.	thirty percent (30.0%)	twenty-five percent (25.0%)	twenty percent (20.0%)	fifteen percent (15.0%)

23. This grid is meant to ensure that Canadian Class Counsel is paid in a manner that is tied directly to the degree of success achieved in the action, while at the same time ensuring the overall fees are not excessive. Accordingly, the grid provides that the larger the recovery, the less Canadian Class Counsel will be paid as a percentage of that recovery.

24. In addition, the fee grid provides that Canadian Class Counsel is paid less if the action settles early in the proceeding. There are three different time periods contemplated: (a) settlement before a certification decision; (b) settlement after a certification decision and before the commencement of the common issues trial; and (c) settlement after the commencement of trial or a judgment after trial.

25. These different time periods are meant to reflect the resources that Canadian Class Counsel expended in pursuing the claims and securing recovery. For instance, had the defendants all settled the action within 30 days of its commencement in July 2011, Canadian Class Counsel would have committed fewer resources to the action. In contrast, had the action proceeded to a common issues trial and success achieved only through judgment, Canadian Class Counsel would have committed an even larger amount of resources to this litigation. The grid is meant to take into account this increasing level of resources, but uses the objective measure of stages in the proceeding in order to determine when the next level of compensation would be awarded.

26. On the face of the retainer agreement, the second row of the grid would apply as there was a certification decision in the Ontario class action in September 2012 relating to the settlement with Pöyry (Beijing) Company Limited. Applying the second level of compensation is also consistent with the purpose of this grid, which is to acknowledge the resources that Canadian Class Counsel has expended, including the enormous efforts involved as stakeholders and participants in the Sino-Forest insolvency proceeding. If the second row of the grid is applied, Canadian Class Counsel would receive fees of \$19,162,500.

27. However, Canadian Class Counsel, in consultation with the plaintiffs, have decided to request a lower amount of fees as the retainer agreement did not specifically deal with the issue of what happens when the action is certified against one, but not all, of the defendants. The lower amount sought is \$17,846,250, which is 16.9% of the notional allocation of \$105.3 million. Canadian Class Counsel and plaintiffs have agreed that a fee award that is midway between the first and second row of compensation in the retainer agreement is fair and reasonable in all of the circumstances at this time.

Counsel's Efforts In Advancing The Ontario And Québec Class Actions

28. There has been significant progress and considerable efforts by Canadian Class Counsel to advance the Ontario and Québec actions. The plaintiffs assert numerous common law and statutory claims against 26 defendants resident in Ontario, New York, Hong Kong and the People's Republic of China. There have been approximately 17 motions and 16 orders in respect of the claims in the Ontario and Québec action (excluding the motions and orders exclusively in the *CCAA* proceeding).

29. Canadian Class Counsel, along with insolvency counsel and counsel for the plaintiffs in the Québec action, have taken the following steps to advance claims against the defendants:

- (a) undertook a preliminary investigation of the allegations against Sino-Forest;
- (b) prepared for and argued a motion for carriage of the Ontario action;
- (c) prepared for and argued a motion for directions in the Ontario action, including a request for an order for substituted services, compelling insurance information and requiring delivery of statements of defence;
- (d) undertook further investigations and prepared voluminous materials for the motion for certification of the Ontario action as a class proceeding under the *Class Proceedings Act, 1992* and the motion for leave to proceed with statutory misrepresentation claims under the *Securities Act*;
- (e) negotiated the litigation funding agreement between the plaintiffs in this action and CFI and brought a motion for approval of the agreement;
- (f) negotiated and settled with the defendant Pöyry (Beijing) Company Limited ("Pöyry (Beijing)");
- (g) prepared for and argued the motions for certification for settlement purposes and approval of the Pöyry (Beijing) settlement in Ontario and Québec;
- (h) obtained and reviewed evidence from Pöyry (Beijing);
- (i) designed and implemented a notice program and opt out process for the Ontario and Québec actions;
- (j) prepared for, argued or attended approximately 26 motions and other appearances in the Sino-Forest *CCAA* proceeding;

- (k) prepared proofs of claim in the *CCAA* proceeding for the Ontario and Québec actions, including detailed claims submissions;
- (l) reviewed tens of thousands of Chinese and English documents in the Sino-Forest data-room for mediation;
- (m) prepared for and attended the two-day all-party mediation in August 2012;
- (n) undertook extensive negotiations over the course of more than six months in respect of the Sino-Forest plan of compromise and restructuring (the “Plan”) to ensure the claims in the Ontario and Québec class actions were minimally affected, particularly as it related to non-debtor defendants;
- (o) prepared for and attended at a two-day mediation with Ernst & Young in November 2012, which resulted in a settlement;
- (p) prepared for and made submissions in support of the motion to sanction the Plan, along with responding to a motion for leave to appeal from the sanction order by certain objectors;
- (q) designed and implemented a notice program for the Ernst & Young settlement approval hearing;
- (r) prepared for and argued the motion for settlement approval of the Ernst & Young settlement and responded to the efforts of certain objectors to appeal the settlement approval order including a motion for leave to appeal to the Court of Appeal, a motion to quash a purported direct appeal to the Court of Appeal and an application for leave to the Supreme Court of Canada;
- (s) began review of more than 1 million Chinese and English documents;
- (t) have been served with responding records for the leave and certification motion and are replying;
- (u) retained U.S. bankruptcy counsel, attended in U.S. courts and designed a notice program for U.S. investors of Sino-Forest in order to obtain recognition of the Ernst & Young settlement in the United States;
- (v) moved for recognition of the Ernst & Young settlement in Québec; and
- (w) prepared plan of allocation to distribute the Ernst & Young settlement and other materials for approval of the plan of allocation and the within motion.

Preliminary investigation leading to the commencement of this action

30. The fraud allegations against Sino-Forest were made by Muddy Waters – a research firm that also engages in short selling. The plaintiffs also conducted their own preliminary investigation of the allegations before commencing and pursuing this action.

31. For this preliminary investigation, Canadian Class Counsel retained and received advice from (i) a law firm in China (Dachen Law Firm) in relation to the various allegations in the Muddy Waters report; (ii) Hong Kong based investigators specializing in financial fraud who conducted extensive field work in China; (iii) accounting and damages experts; and (iv) an legal expert who provided advice regarding Sino-Forest's operations in Suriname.

32. As a result of these investigations, the initial statement of claim contained significant detail, running to 92 pages. There has been further detail and amendments since that time as information regarding Sino-Forest's affairs has become available.

Motion for carriage of this action

33. A number of class proceedings were commenced against Sino-Forest and Ernst & Young in response to the fraud allegations against Sino-Forest on June 2, 2011, including this action and two other class proceedings in Ontario: *Northwest & Ethical Investments L.P. v. Sino-Forest Corporation* and *Smith v. Sino Forest Corporation*. Kim Orr Barristers P.C. is counsel for the plaintiffs in the *Northwest* action and Rochon Genova LLP is counsel for the plaintiffs in the *Smith* action.

34. As a result of the multiple class proceedings in Ontario, it was necessary for there to be a motion to determine which of the three actions in Ontario should be permitted to proceed and which should be stayed.

35. On January 6, 2012, the Honourable Justice Perell granted carriage to the Ontario Plaintiffs, appointed Siskinds LLP and Koskie Minsky LLP to prosecute the Ontario class action, and stayed the *Northwest* and *Smith* actions.

Motion for directions (service, defences, insurance and scheduling)

36. On February 1, 2012, the plaintiffs moved for various relief, including an order:

- (a) validating service of the statement of claim on W. Judson Martin, Kai Kit Poon, Peter Wang and Pöyry (Beijing);
- (b) requiring the defendants to deliver statements of defence;
- (c) requiring the defendants to provide all responsive insurance policies; and
- (d) setting a timetable up to the hearing of the plaintiffs' motions to approve funding, for certification and for leave to commence statutory claims under section 138.3 of the *Securities Act*.

37. Service issues were addressed in advance of the motion² and the defendants agreed to provide responsive insurance policies. However, the defendants vigorously opposed having to deliver statements of defence or the scheduling of the motions for certification and leave.

38. The plaintiffs succeeded in the motion. On March 26, 2012, Justice Perell ordered that a statement of defence be delivered by any defendant that delivers an affidavit pursuant to s. 138.8(2) of the *Securities Act*, and set a timetable for the funding approval motion and the leave and certification motion.

The litigation funding agreement and motion for funding approval

39. Adverse costs in Ontario class proceedings have become significant and present a major concern for any plaintiff advancing class claims, even if he or she is confident the action will ultimately succeed. In this case, the adverse costs exposure for the plaintiffs could have been enormous given the complexity of this case and the 26 defendants. Accordingly, Canadian Class Counsel sought out a funder that would provide indemnity for adverse costs.

² Service had been a challenge on some of the defendants, particularly those resident in China. Service issues were addressed leading up to the motion as a result of notices of intent to defend being served. Service on Pöyry (Beijing) was no longer an issue as a result of the settlement with Pöyry (Beijing).

40. Canadian Class Counsel approached Claims Funding International (CFI) to provide funding in this case. Through negotiations, Canadian Class Counsel was able to extract terms that are more favourable to the class members than any other funding arrangement approved in Canada. In exchange for the indemnity, CFI agreed to accept only 5% of net recovery up to a maximum of \$5 million, increased to 7% with a \$10 million maximum if the action is settled after a pre-trial. CFI also agreed to post security for costs, which by the time of trial would be \$6 million. This can be contrasted with the Class Proceedings Fund, which imposes a 10% levy on a net recovery with no maximum, and with other CFI agreements that were approved in other Ontario cases where a 7% commission is payable.

41. Canadian Class Counsel brought a motion to approve the CFI funding agreement. Justice Perell heard the motion on May 17, 2012 and he issued an order the same day approving the agreement.

Motion for certification and motion for leave under the Securities Act

42. In March and April 2012, the Ontario plaintiffs brought a motion for (a) certification of the Ontario action as a class action under the *Class Proceedings Act, 1992*; and (b) leave to proceed with statutory claims under Part XXIII.1 of the *Securities Act*.

43. The plaintiffs filed motion records (5 double-sided volumes with a CD containing another 202 documents) in support of their motions. This included

- (a) an affidavit of Steven Chandler, a former senior law enforcement official in Hong Kong who was involved in investigating Sino-Forest in China;
- (b) two reports from Alan Mak, an expert in forensic accounting;
- (c) an expert affidavit of Dennis Deng, a lawyer qualified to practice law in the People's Republic of China, and a partner in the Dacheng law firm;

- (d) an expert affidavit of Carol-Ann Tjon-Pian-Gi, a lawyer qualified to practice in the Republic of Suriname; and
- (e) an expert affidavit of Frank Torcchio setting out an estimate of damages and opining on the efficiency of the Toronto Stock Exchange.

44. The motion was initially scheduled for November 21 to 30, 2012. However, as a result of Sino-Forest's insolvency and the *CCAA* stay of proceedings, it did not proceed as scheduled. The motion has been rescheduled to May 2014 for seven days of hearings.

Settlement with Pöyry (Beijing)

45. In March 2012, the plaintiffs in the Ontario and Québec actions reached a settlement with Pöyry (Beijing). The settlement required Pöyry (Beijing) to provide documents, information and material assistance in the prosecution of the plaintiffs' claims against Sino-Forest, Ernst & Young and the other defendants. We relied on this information from Pöyry (Beijing) in our negotiations with Ernst & Young towards settlement.

46. On May 17, 2012, there was a motion to approve the notice of settlement approval hearing for Pöyry (Beijing).

47. On September 21, 2012, the Ontario court heard the motion for approval of the Pöyry (Beijing) settlement and the motion for certification of this action for the purposes of the settlement. The action was certified and the settlement was approved in Ontario on September 25, 2012. The settlement was approved in Québec on November 9, 2012. Attached as **Exhibits "C(1) and C(2)"** are the order and reasons of Perell J. certifying the action and approving settlement.

48. Soon after the approval in Québec, there was a notice advising Securities Claimants of the settlement approval and certification. The notice explained that any person that fell within

the class definition and who wished to opt out was required to do so by no later than January 15, 2013.

Sino-Forest's insolvency and CCAA proceeding

49. On March 30, 2012, Sino-Forest obtained an initial order under the *CCAA*, including a stay of proceedings in respect of Sino-Forest and certain of its subsidiaries. On May 8, 2012, following negotiations between Canadian Class Counsel and other stakeholders in the *CCAA* proceeding, the stay of proceedings was extended to the other defendants in this action. The plaintiffs did not oppose this order and in return (a) the parties entered into a tolling agreement reflecting the delay caused by the insolvency proceeding; and (b) there was an order permitting a settlement approval hearing and certification hearing relating to a settlement with the defendant Pöyry (Beijing).

50. From the outset, it was apparent to Canadian Class Counsel that the *CCAA* proceeding presented a material risk to the claims in the Ontario, Québec and New York actions, even as it related to claims against non-debtors such as Ernst & Young LLP. For instance, it was possible that there could be a plan of arrangement that had the effect of imposing an unfavourable settlement of the Ontario, Québec and New York actions.

51. Accordingly, Canadian Class Counsel were heavily involved in the *CCAA* proceeding and took a number of steps to protect these claims. Among other things,

- (a) we negotiated amendments to the Claims Procedure Order to permit the filing of a single claim on behalf of class members persons in the Ontario, Québec and New York actions, among other amendments;
- (b) we prepared and filed proofs of claim for the Ontario and Québec actions, including detailed claims submissions;

- (c) we negotiated amendments to the Plan to ensure claims of Securities Claimants against non-debtors and Sino-Forest's liability insurers were preserved as far as possible and to facilitate discovery from Sino-Forest; and
- (d) we negotiated access to Sino-Forest's data-room for the purposes of mediation of the Ontario and Québec actions.

52. Canadian Class Counsel brought or attended 26 motions in the *CCAA* proceeding, plus an appeal and two motions for leave to appeal. The details of the *CCAA* motions are set out in paragraph 49 of my prior affidavit for the motion to approve the Ernst & Young settlement, attached (without exhibits) as **Exhibit "D"**.

All-party mediation in September 2012

53. By order dated July 25, 2012, this court ordered mediation of the claims in the Ontario and Québec actions. There was substantial preparation for the all-party mediation.

54. We obtained access to Sino-Forest's data-room containing documents relating to Sino-Forest's operations and its dealings with its auditors. Canadian Class Counsel reviewed tens of thousands of English and Chinese documents for the purposes of the mediation.

55. We also had four expert opinions prepared for the mediation:

- (a) our accounting and audit experts prepare two reports, based in significant part on the new documents produced in the data-room;
- (b) our underwriting expert provided an opinion on the standard for underwriters; and
- (c) our damages expert provided an opinion on the damages suffered by claimants in the Ontario, Québec and New York actions.

56. We prepared a detailed mediation brief (169 pages) divided into parts to address the claims against different categories of defendants. There were hundreds of documents attached. In response, there were seven mediation briefs served by various defendants.

57. The all-party mediation took place on September 4 and 5, 2012. It did not result in a settlement with any of the parties. However, it provided a catalyst for further bilateral negotiations with Ernst & Young.

Mediation and settlement with Ernst & Young

58. In November, Ernst & Young and the plaintiffs agreed to further formal mediation.

59. On November 27 and 28, 2012, Clifford Lax, Q.C. conducted the mediation, which led to a tentative settlement as to quantum. The parties continued negotiations into the early hours of November 29, 2012 regarding the minutes of settlement. Ultimately, in the evening of November 29, 2012, the plaintiffs and Ernst & Young finalized the minutes of settlement. The discussions were protracted and challenging.

60. Following the execution of the minutes of settlement, the framework for the Ernst & Young settlement was incorporated into the Plan in exchange for Ernst & Young's support for the sanctioning of the Plan (which it had previously opposed vociferously). On December 3, 2012, the creditors of Sino-Forest, including Ernst & Young, overwhelmingly voted in favour of the Plan.

Sanction of the CCAA Plan and settlement approval

61. On December 7, 2012, this court heard submissions on the sanctioning of the Sino-Forest Plan. Three former shareholders represented by Kim Orr Barristers P.C. sought to challenge the sanctioning of the Plan (the "Kim Orr Objectors"). Their arguments were rejected and the court sanctioned the Plan without changes on December 10, 2012. The Kim Orr Objectors then sought leave to appeal the sanction order to the Court of Appeal. We,

among others, responded to the leave to appeal motion. The leave to appeal motion was dismissed on June 26, 2013.

62. On February 4, 2013, this court heard the plaintiffs' motion for approval of the settlement with Ernst & Young. The Kim Orr Objectors (along with 3 other former shareholders) opposed settlement approval. The settlement was approved over their objection on March 20, 2013. The Kim Orr Objectors sought both leave to appeal to the Court of Appeal and a direct appeal to the Court of Appeal. We responded to both appeal routes. The leave to appeal motion was dismissed on June 26, 2013 and the Court of Appeal quashed the direct appeal on June 28, 2013. The Kim Orr Objectors have sought leave to appeal to the Supreme Court of Canada.

Counsel's time and disbursements incurred

63. Canadian Class Counsel and insolvency counsel have already expended more than \$8.6 million in docketed time (without HST) and more than \$1.7 million in disbursements. Canadian Class Counsel and insolvency counsel have not received any compensation in this action. The following is a summary of counsel's docketed time and disbursements since this matter was opened two and half years ago in June 2011:

DOCKETED TIME			
	Hours	Hourly rate (avg)	Time-value
Siskinds LLP			
Charles M. Wright (1995)	544.10	\$653.94	\$355,807.50
A. Dimitri Lascaris (2004 ON); (1992 NY)	1,704.2	\$604.97	\$1,030,990.00
Daniel Bach (2006 ON); (2008 NY)	1,173.70	\$398.51	\$467,728.00
Serge Kalloghlian (2008)	1,808.80	\$306.34	\$554,116.50
Sajjad Nematollahi (2012 ON); (2011 NY)	1,167.50	\$209.51	\$244,607.00

Document reviewers	4,088.3	\$135.08	\$552,239.50
Other lawyers, students & clerks	2,024.70	\$264.45	\$535,432.00
Subtotal	12,511.30		\$3,740,920.50
Siskinds Desmeules			
Sammy Elnemr	190.4	\$300.00	\$57,120.00
Simon Hebert	491.9	\$250.00	\$122,962.50
Other lawyers, students & clerks	92.5	\$281.34	\$26,009.50
Subtotal	774.7		\$206,092.00
Koskie Minsky LLP			
Kirk M. Baert (1990)	1,429.7	\$851.60	\$1,217,532.00
Mark Zigler (1980)	132.2	\$802.84	\$106,135.00
Michael Mazzuca (1992)	218.7	\$723.16	\$158,154.00
Jonathan Ptak (2002)	900.8	\$532.98	\$480,105.00
Simon Archer (2002)	520.9	\$490.02	\$255,252.50
Jonathan Bida (2007)	1,851.4	\$376.38	\$696,837.50
Garth Myers (2012)	760.3	\$208.08	\$158,206.00
Other lawyers, students & clerks	1,747	\$192.39	\$336,239.50
Subtotal	7,561.7		\$3,408,461.50
Paliare Roland			
Ken Rosenberg (1981)	517.8	\$900.00	\$465,975.00
Massimo Starnino (1998)	1035.8	\$599.17	\$620,625.00
Lindsay Scott (2011)	503.0	\$356.03	\$179,085.00
Other lawyers, students & clerks	219.0	\$265.80	\$58,211.00
Subtotal	2,275.6		\$1,323,896.00
Total Docketed Time	23,123.3		\$8,679,370.00
DISBURSEMENTS			
Printing & copies			\$95,964.03
Expert fees			\$629,177.11
Investigator fees			\$221,419.00
Foreign counsel fees (HK & US)			\$89,275.45
Notice costs			\$183,604.77
Chinese translation			\$128,062.60
Other disbursements			\$249,460.50
Taxes (where separated)			\$161,990.92
Total Disbursements			\$1,758,954.39

64. The disbursements comprise expert fees, investigation costs, foreign counsel fees, notice costs, Chinese translation costs and other disbursements. The expert fees include the expenses of accounting experts, economists, a Chinese law expert, a US law expert, a Suriname law expert and an expert on underwriting. Expert reports were prepared for various

motions and for mediation. Investigation costs include investigations in China. Foreign counsel costs include the cost of US bankruptcy counsel and Chinese counsel. The notice costs relate to notice of the Ernst & Young settlement approval hearing and notice of recognition of the settlement approval order in the United States.

65. Siskinds LLP, Koskie Minsky LLP and Paliare Roland Rosenberg Rothstein LLP have devoted a large team of lawyers to the class proceeding and insolvency proceeding. This was necessary given the complexity of factual and legal issues and the volume of motions and other hearings brought at the same time and often with short timelines. At the same time, certain members of the team were often preparing for or conducting formal or informal negotiations with various defendants, or implementing settlements in principle. Finally, coordinating a case such as this with multiple filings, including in the US and Québec, can be a time-consuming task but was accomplished relatively easily so as to ensure a common front and coordination amongst all plaintiffs.

66. For example, in the last 30 days, lawyers on our team (a) obtained recognition of the settlement approval order in Québec; (b) worked and prepared materials to obtain recognition of the settlement approval order in the United States (hearing scheduled for November 18, 2013); (c) finalized materials for the claims and distribution protocol for the Ernst & Young settlement proceeds; (d) responded to leave applications to the Supreme Court of Canada from the plan sanction order and the settlement approval order and orders of the Court of Appeal in respect of those orders; (e) reviewed the defendants' responding evidence for the motion for certification under the *Class Proceedings Act, 1992* and the merits-based motion for leave to proceed with statutory claims under the *Securities Act* (the records are comprised of

approximately 8,900 pages of material); (f) prepared reply materials for the certification and leave motion; (g) prepared these fee materials; and (h) prepared notice materials and coordinated notice of this motion and the approval of distribution protocol motion.

67. Canadian Class Counsel has also been assisted by the U.S. firm of Kessler Topaz Meltzer & Check LLP, who are experts in United States securities law. In addition, by virtue of its extensive experience and accomplishments in securities class actions, Kessler Topaz is well positioned to contribute on a broad array of issues, including the selection of appropriate consulting or testifying experts, an assessment of class damages, the review and analysis of documentary evidence produced in the litigation, and the preparation of witnesses or counsel for cross-examinations or examinations for discovery. Kessler Topaz has docketed time of US\$327,961.15 and disbursements of US\$5,992.87. Consistent with the direction of Ontario courts in other class proceedings, Kessler Topaz will be paid from the counsel fees awarded to Canadian Class Counsel. In this case, Canadian Class Counsel has agreed that Kessler Topaz will be paid from the overall fee request, as an agency fee. Accordingly, there is no additional fee request for Kessler Topaz.

Factors In Assessing Reasonableness Of Class Counsel Fees

68. The requested fees of Canadian Class Counsel together reflect a percentage of 16.9% of the settlement amount notionally allocated to Canadian claims. In our view, this amount is fair and reasonable.

69. The prosecution of these claims has involved significant risks and the result achieved for claims against Ernst & Young LLP was excellent in the circumstances. In particular,

- (a) Canadian Class Counsel took on significant risk for claims against Ernst & Young because of the multiple legal impediments to establishing liability and

recovering damages against an auditor under Canadian and U.S. law – even where there was wrongdoing;

- (b) Canadian Class Counsel took on the risk of no success, while at the same time having to devote a massive commitment of time, money and other resources to the prosecution of this action. Canadian Class Counsel has already committed millions of dollars in resources to this action, including 23,000 lawyer hours and out-of-pocket disbursements exceeding \$1.7 million; and
- (c) the settlement obtained, \$117 million, is the largest auditor settlement in Canadian history – by a factor of two.

(a) Recovery risk was very high from the outset

70. Canadian Class Counsel were always confident that they would establish liability against Sino-Forest and the senior insiders at Sino-Forest. However, from the outset, establishing liability against defendants who could actually satisfy a large judgment was the greatest risk for this litigation and thus for Canadian Class Counsel.

71. The defendants that are most culpable (Sino-Forest, Allen Chan, Kai Kit Poon and David Horsley) are also the defendants that became insolvent (Sino-Forest), have limited personal means (Mr. Horsley) or are individuals living in the People's Republic of China (Messrs. Chan and Poon), where enforcement of Canadian judgments is doubtful.

72. In contrast, while Ernst & Young may have the means to satisfy a substantial judgment, recovery was still a major challenge. The damages recoverable from Ernst & Young after a trial might have been less than the settlement amount. This is because Canadian law provides many protections for auditors from liability and significant damage awards. The result is that investors in a securities case can expect to either fail to establish any liability against the auditor or recover only a tiny proportion of actual damages.

73. The plaintiff would first have had to establish that Ernst & Young was liable in conducting its audits, particularly where Ernst & Young asserts that Sino-Forest deliberately misled its auditors.

74. Once liability was established, the plaintiffs would then have to overcome the many legal impediments in Canadian law to recovery for claims against auditors. In this case, had the action proceeded against Ernst & Young, recoverable damages may have been minimal despite actual damages of more than \$4 billion:

- (a) primary market share claims against Ernst & Young are limited to approximately \$78.8 million, and would be reduced further to the extent such liability is shared among Sino-Forest, BDO Limited, the underwriters and the individual defendants based on their respective responsibility.
- (b) secondary market (shares and notes) claims may be worth as little as \$10 million (i.e. 0.25% of actual damages). Statutory Part XXIII.1 claims may succeed, but they are subject to a low liability limit, which in this case may be \$10 million.³ In contrast, common law claims (which have no limits) face considerable difficulties. They must overcome the Supreme Court of Canada's decision in *Hercules Managements Ltd. v. Ernst & Young LLP* (which found no duty of care for auditors in that case).
- (c) there is no statutory claim for primary market note purchases as against an auditor. Accordingly, these claims could only have succeeded if the plaintiffs could succeed in Ontario common law claims (which had difficulties) or through U.S. law claims (which I understand required proof of *scienter*, fraudulent intent).

75. The risks to recovering from Ernst & Young are set out in detail at paragraphs 91 to 117 of my prior affidavit in support of approval of the Ernst & Young settlement. My prior affidavit (without exhibits) is attached as **Exhibit "D"** and I repeat and adopt its contents.

76. Similar or greater challenges face Canadian Class Counsel in advancing the claims advanced against the other solvent defendants with the means to satisfy a large judgment.

³ The liability limit is lifted if the plaintiff shows Ernst & Young knew of the misrepresentations.

(b) The high risk of prosecuting a difficult and expensive case

77. Canadian Class Counsel took on the major risk that there would be little or no recovery from the defendants with the means to satisfy a judgment, while at the same time having to commit an incredible amount of time, money and resources to the prosecution of this action. Canadian Class Counsel and insolvency counsel have already expended more than \$8.6 million in docketed time (without HST) and more than \$1.7 million in disbursements.

78. There are at least four reasons why this action has been and will continue to be difficult and costly to pursue.

79. *First*, this is a highly complex action and Sino-Forest is in organizational disarray. This case relates to a multi-billion dollar alleged fraud over the course of more than four years. I am also advised by Jonathan Bida of Koskie Minsky LLP and I believe that he reviewed the second report of Sino-Forest's independent committee of directors and it indicates that Sino-Forest's operations included 149 subsidiaries in nine (9) countries. Compounding this complexity is the fact that Sino-Forest's records are in disarray and incomplete.

80. The difficulty in mining Sino-Forest's records and prosecuting this action is best demonstrated by the challenges faced by Sino-Forest's "independent committee" of its directors (the "IC"). After the allegations of fraud in June 2011, Sino-Forest's directors formed the IC to investigate the allegations. They produced three reports and expended *in excess of \$50 million* attempting to determine the validity of the allegations. They were unable to complete their mandate given the poor records and lack of cooperation faced in China. We have faced and will continue to face similar challenges to advancing this case.

81. *Second*, even with proper discovery, proving the facts in this case will be unusually difficult. Most of the key witnesses are likely in China. Their voluntary cooperation is doubtful and the enforcement of letters rogatory by the courts of the People's Republic of China seems equally unlikely. Further, the documentary production in this action has already exceeded 1 million documents, and continues to grow. Many of these documents are in Chinese. We have retained Chinese speaking lawyers and translators to assist in reviewing the documents. We expect to receive a substantial number of additional documents as this action continues.

82. *Third*, this action raises novel and complex legal issues. This action advances various statutory claims and common law claims that are largely untested in Canadian courts. There has never been a trial of claims under Part XXIII.1 of the *Securities Act*. Its detailed provisions that create defences and place limits on damages are uncertain and will be contentious. There have also been few securities trials of negligent misrepresentation claims. Further, the claims on behalf of note purchases are made more complex by the terms of the offering memoranda. This will include legal disputes regarding the applicable law and restrictions on the ability to advance claims.

83. Finally, this case will require extensive and expensive expert evidence. In advancing this action, Canadian Class Counsel has already retained experts on financial accounting and audit standards, market efficiency and damages, Chinese law, Suriname law and the standards for underwriting due diligence. This has been tremendously costly.

84. Canadian Class Counsel undertook these challenges at the commencement of this action, knowing this action would be very expensive and resource intensive, all with the real

possibility of little or no recovery after trial against the defendants who could satisfy a large judgment.

(c) Canadian Class Counsel achieved significant success against Ernst & Young

85. Canadian Class Counsel negotiated and extracted a settlement from Ernst & Young that is (i) is the largest securities settlement involving a Canadian issuer, the shares of which were not listed on a U.S. stock exchange; (ii) the largest settlement paid by a Canadian audit firm in a securities class action; and (iii) the fifth largest paid by any audit firm in a class action worldwide. This is discussed with detail in my prior affidavit found in **Exhibit "D"**.

The Quantum Of Fees Reflects The Complexity Of This Case

86. The quantum of requested fees by Canadian Class Counsel reflects the unique complexity and challenges of this case. The quantum of professional fees expended by Sino-Forest's "independent committee" of directors (the "IC") and in the *CCAA* proceeding demonstrate the complexity and enormous undertaking required in attempting to understand Sino-Forest's affairs and the allegations against it.

87. The IC expended in excess \$50 million in conducting their 8-month investigation of the allegations against Sino-Forest. They produced three reports, the last of which noted that the IC could not complete its mandate and was terminating its investigation.

88. Similarly, significant professional costs were incurred in Sino-Forest's restructuring. The monitor reported cash outflow for professional fees throughout the *CCAA* proceeding. From March 31, 2012 to November 2, 2012 (7 months), cash outflow in respect of professional fees totalled \$34,175,000. I am not aware of amounts for professional fees for the 3 months from November 2, 2012 to January 30, 2013, when the Plan was implemented.

Honourarium Payment

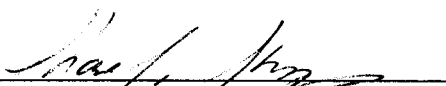
89. Canadian Class Counsel request an honorarium of \$15,000 to be paid to Robert Wong in recognition of his valuable assistance in the prosecution of the class action. Mr. Wong has been a committed representative and has been engaged and offered input at every stage of the litigation.

90. Mr. Wong lives in Kincardine, Ontario, which is approximately 220 kilometers from Toronto. He has met with Canadian Class Counsel in person on at least six occasions to discuss matters relating to this action. Mr. Wong also attended the hearings of the carriage motion and the motion to approve the Ernst & Young settlement, as well as the global mediation in September 2012. In addition, Mr. Wong was frequently in touch with Canadian Class Counsel via email and telephone to offer his input on various matters related to this action.

91. Mr. Wong swore affidavits on the motions for carriage, for certification for settlement purposes, for leave under Part XXIII.1 of the *OSA*, in support of a funding agreement, and on the motion for approval of the Claims and Distribution Protocol.

92. Mr. Wong provided useful documents and information to Canadian Class Counsel regarding his experience visiting Sino-Forest in 2005. Mr. Wong also advised Canadian Class Counsel regarding the funding agreement with CFI, the settlement with Pöyry (Beijing) Consulting Company Ltd., the global mediation, the mediation with Ernst & Young, and offered significant input into the proposed Claims and Distribution Protocol. Mr. Wong has recorded the time spent fulfilling his duties as representative plaintiff, which is well in excess of 500 hours.

SWORN BEFORE ME at the City of London in the Province of Ontario, on November 21, 2013.


Commissioner for Taking Affidavits

SHARLA JOAN STROOP, a Commissioner, etc.,
Province of Ontario, for Siskinds^{LLP}
Barristers and Solicitors. Expires: October 6, 2015


CHARLES WRIGHT

This is Exhibit "A" mentioned and referred to in the Affidavit of Charles Wright, sworn before me at the City of London, in the Province of Ontario, this 21st day of November, 2013.


A Commissioner, etc.

SHARLA JOAN STROOP, a Commissioner, etc.,
Province of Ontario, for Siskinds^{LLP}
Barristers and Solicitors. Expires: October 6, 2015

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) WEDNESDAY, THE
MR. JUSTICE MORAWETZ)
)
)
20TH DAY OF MARCH, 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 AND
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

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" or the "Applicant") 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), in their own and proposed representative capacities, for an order giving effect to the Ernst & Young Release and the Ernst & Young Settlement (as defined in the Plan of Compromise and Reorganization of the Applicant under the *Companies' Creditors Arrangement Act* ("CCAA") dated December 3, 2012 (the "Plan") and as provided for in section 11.1 of the Plan, such Plan having been approved by this Honourable Court by Order dated December 10, 2012 (the "Sanction Order")), was heard on February 4, 2013 at the Court House, 330 University Avenue, Toronto, Ontario.

WHEREAS the Ontario Plaintiffs and Ernst & Young (as defined in the Plan) entered into Minutes of Settlement dated November 29, 2012.

AND WHEREAS this Honourable Court issued the Sanction Order approving the Plan containing the framework and providing for the implementation of the Ernst & Young Settlement and the Ernst & Young Release, upon further notice and approval;

AND WHEREAS the Supervising CCAA Judge in this proceeding, the Honourable Justice Morawetz, was designated on December 13, 2012 by Regional Senior Justice Then to hear this motion for settlement approval pursuant to both the CCAA and the *Class Proceedings Act, 1992*;

AND WHEREAS this Honourable Court approved the form of notice and the plan for distribution of the notice to any Person with an Ernst & Young Claim, as defined in the Plan, of this settlement approval motion by Order dated December 21, 2012 (the "Notice Order");

AND ON READING the Ontario Plaintiffs' Motion Record, including the affidavit and supplemental affidavit of Charles Wright, counsel to the plaintiffs, and the exhibits thereto, the affidavit of Joe Redshaw and the exhibits thereto, the affidavit of Frank C. Torchio and the exhibits thereto, the affidavit of Serge Kalloghlian and the exhibits thereto, the affidavit of Adam

Pritchard and the exhibits thereto, and on reading the affidavit of Mike P. Dean and the exhibits thereto, and on reading the affidavit of Judson Martin and the exhibits thereto and on reading the Responding Motion Record of the Objectors to this motion (Invesco Canada Ltd., Northwest & Ethical Investments L.P., Comité Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc, Gestion Férique and Montrusco Bolton Investments) including the affidavits of Eric J. Adelson and the exhibits thereto, Daniel Simard and the exhibits thereto and Tanya J. Jemec, and the exhibits thereto, and on reading the Responding Motion Record of Poyry (Beijing) Consulting Company Limited including the affidavit of Christina Doria, and on reading the Fourteenth Report, the Supplement to the Fourteenth Report and the Fifteenth Report of FTI Consulting Canada Inc., in its capacity as Monitor of the Applicant (in such capacity, the "Monitor") dated January 22 and 28, 2013 and February 1, 2013 including any notices of objection received, and on reading such other material, filed, and on hearing the submissions of counsel for the Ontario Plaintiffs, Ernst & Young LLP, the Ad Hoc Committee of Sino-Forest Noteholders, the Applicant, the Objectors to this motion, Derek Lam and Senith Vel Kanagaratnam, the Underwriters, (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)), BDO Limited, the Monitor and those other parties present, no one appearing for any other party although duly served and such other notice as required by the Notice Order,

Sufficiency of Service and Definitions

1. **THIS COURT ORDERS** that the time for service and manner of service of the Notice of Motion and the Motion Record and the Fourteenth Report, the Supplement to the Fourteenth Report and the Fifteenth Report of the Monitor on any Person are, respectively, hereby abridged and validated, and any further service thereof is hereby dispensed with so that this Motion was properly returnable February 4, 2013 in both proceedings set out in the styles of cause hereof.

2. **THIS COURT ORDERS** that capitalized terms not otherwise defined in this order shall have the meanings attributed to those terms in the Plan.
3. **THIS COURT FINDS** that all applicable parties have adhered to, and acted in accordance with, the Notice Order and that the procedures provided in the Notice Order have provided good and sufficient notice of the hearing of this Motion, and that all Persons shall be and are hereby forever barred from objecting to the Ernst & Young Settlement or the Ernst & Young Release.

Representation

4. **THIS COURT ORDERS** that Ontario Plaintiffs are hereby recognized and appointed as representatives on behalf of those Persons described in **Appendix "A"** hereto (collectively, the "Securities Claimants") in these insolvency proceedings in respect of the Applicant (the "CCAA Proceedings") and in the Ontario Class Action, for the purposes of and as contemplated by section 11.1 of the Plan, and more particularly the Ernst & Young Settlement and the Ernst & Young Release.
5. **THIS COURT ORDERS** that Koskie Minsky LLP, Siskinds LLP and Paliare Roland Rosenberg Rothstein LLP are hereby recognized and appointed as counsel for the Securities Claimants for all purposes in these proceedings and as contemplated by section 11.1 of the Plan, and more particularly the Ernst & Young Settlement and the Ernst & Young Release ("CCAA Representative Counsel").
6. **THIS COURT ORDERS** that the steps taken by CCAA Representative Counsel pursuant to the Orders of this Court dated May 8, 2012 (the "Claims Procedure Order") and July 25, 2012 (the "Mediation Order") are hereby approved, authorized and validated as of the date thereof and that CCAA Representative Counsel is and was authorized to negotiate and support the Plan on behalf of the Securities Claimants, to negotiate the Ernst & Young Settlement, to bring this motion before this Honourable Court to approve the Ernst & Young Settlement and the Ernst & Young Release and to take any other necessary steps to effectuate and implement the Ernst & Young Settlement and the Ernst & Young Release,

including bringing any necessary motion before the court, and as contemplated by section 11.1 of the Plan.

Approval of the Settlement & Release

7. **THIS COURT DECLARES** that the Ernst & Young Settlement and the Ernst & Young Release are fair and reasonable in all the circumstances and for the purposes of both proceedings.
8. **THIS COURT ORDERS** that the Ernst & Young Settlement and the Ernst & Young Release be and hereby are approved for all purposes and as contemplated by s. 11.1 of the Plan and paragraph 40 of the Sanction Order and shall be implemented in accordance with their terms, this Order, the Plan and the Sanction Order.
9. **THIS COURT ORDERS** that this Order, the Ernst & Young Settlement and the Ernst & Young Release are binding upon each and every Person or entity having an Ernst & Young Claim, including those Persons who are under disability, and any requirements of rules 7.04(1) and 7.08(4) of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194 are dispensed with in respect of the Ontario Class Action.

Payment, Release, Discharge and Channelling

10. **THIS COURT ORDERS** that upon satisfaction of all the conditions specified in section 11.1(a) of the Plan, Ernst & Young shall pay CDN \$117,000,000 (the "Settlement Fund") into the Settlement Trust (as defined in paragraph 16 below) less any amounts paid in advance as set out in paragraph 15 of this order or the Notice Order.
11. **THIS COURT ORDERS** that upon receipt of a certificate from Ernst & Young confirming it has paid the Settlement Fund to the Settlement Trust in accordance with the Ernst & Young Settlement as contemplated by paragraph 10 of this Order and upon receipt of a certificate from the trustee of the Settlement Trust confirming receipt of such Settlement Fund, the Monitor shall deliver to Ernst & Young the Monitor's Ernst & Young Settlement Certificate (as defined in the Plan) substantially in the form attached hereto as **Appendix**

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“B”. The Monitor shall thereafter file the Monitor’s Ernst & Young Settlement Certificate with the Court.

12. **THIS COURT ORDERS** that pursuant to the provisions of section 11.1(b) of the Plan,

- a. upon receipt by the Settlement Trust of the Settlement Fund, all Ernst & Young Claims, including but not limited to the claims of the Securities Claimants, shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled, barred and deemed satisfied and extinguished as against Ernst & Young in accordance with section 11.1(b) of the Plan;
- b. on the Ernst & Young Settlement Date, section 7.3 of the Plan shall apply to Ernst & Young and the Ernst & Young Claims *mutatis mutandis*;
- c. upon receipt by the Settlement Trust of the Settlement Fund, none of the plaintiffs in the Class Actions or any other actions in which the Ernst & Young Claims could have been asserted shall be permitted to claim from any of the other defendants that portion of any damages, restitutionary award or disgorgement of profits that corresponds with the liability of Ernst & Young, proven at trial or otherwise, that is the subject of the Ernst & Young Settlement (“Ernst & Young’s Proportionate Liability”);
- d. upon receipt by the Settlement Trust of the Settlement Fund, Ernst & Young shall have no obligation to participate in and shall not be compelled to participate in any disputes about the allocation of the Settlement Fund from the Settlement Trust and any and all Ernst & Young Claims shall be irrevocably channeled to the Settlement Fund held in the Settlement Trust in accordance with paragraphs 16 and 17 of this order and the Claims and Distribution Protocol defined below and forever discharged and released against Ernst & Young in accordance with paragraph 12(a) of this order, regardless of whether the Claims and Distribution Protocol is finalized as at the Ernst & Young Settlement Date;

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- e. on the Ernst & Young Settlement Date, all Class Actions, as defined in the Plan, including the Ontario Class Action shall be permanently stayed as against Ernst & Young; and
- f. on the Ernst & Young Settlement Date, the Ontario Class Action shall be dismissed against Ernst & Young.

13. **THIS COURT ORDERS** that on the Ernst & Young Settlement Date, any and all claims which Ernst & Young may have had against any other current or former defendant, or any affiliate thereof, in the Ontario Class Action, or against any other current or former defendant, or any affiliate thereof, in any Class Actions in a jurisdiction in which this order has been recognized by a final order of a court of competent jurisdiction and not subject to further appeal, any other current or former defendant's insurers, or any affiliates thereof, or any other Persons who may claim over against the other current or former defendants, or any affiliate thereof, or the other current or former defendants' insurers, or any affiliate thereof, in respect of contribution, indemnity or other claims over which relate to the allegations made in the Class Actions, are hereby fully, finally, irrevocably and forever compromised, released, discharged, cancelled, barred and deemed satisfied and extinguished.
14. **THIS COURT ORDERS** that nothing in this order shall fetter the discretion of any court to determine Ernst & Young's Proportionate Liability at the trial or other disposition of an action for the purposes of paragraph 12(c) above, whether or not Ernst & Young appears at the trial or other disposition (which, subject to further order of the Court, Ernst & Young has no obligation to do) and Ernst & Young's Proportionate Liability shall be determined as if Ernst & Young were a party to the action and any determination by the court in respect of Ernst & Young's Proportionate Liability shall only apply in that action to the proportionate liability of the remaining defendants in those proceedings and shall not be binding on Ernst & Young for any purpose whatsoever and shall not constitute a finding against Ernst & Young for any purpose in any other proceeding.
15. **THIS COURT ORDERS** that the Ontario Plaintiffs shall incur and pay notice and administration costs that are incurred in advance of the Ernst & Young Settlement Date, as a

result of an order of this Honourable Court, up to a maximum of the first \$200,000 thereof (the "Initial Plaintiffs' Costs"), which costs are to be immediately reimbursed from the Settlement Fund after the Ernst & Young Settlement Date. Ernst & Young shall incur and pay such notice and administration costs which are incurred in advance of the Ernst & Young Settlement Date, as a result of an order of this Honourable Court, over and above the Initial Plaintiffs' Costs up to a maximum of a further \$200,000 (the "Initial Ernst & Young Costs"). Should any costs in excess of the cumulative amount of the Initial Plaintiffs' Costs and the Initial Ernst & Young Costs, being a total of \$400,000, in respect of notice and administration as ordered by this Honourable Court be incurred prior to the Ernst & Young Settlement Date, such amounts are to be borne equally between the Ontario Plaintiffs and Ernst & Young. All amounts paid by the Ontario Plaintiffs and Ernst & Young as provided herein are to be deducted from or reimbursed from the Settlement Fund after the Ernst & Young Settlement Date. Should the settlement not proceed, the Ontario Plaintiffs and Ernst & Young shall each bear their respective costs paid to that time.

Establishment of the Settlement Trust

16. **THIS COURT ORDERS** that a trust (the "Settlement Trust") shall be established under which a claims administrator, to be appointed by CCAA Representative Counsel with the consent of the Monitor or with approval of the court, shall be the trustee for the purpose of holding and distributing the Settlement Fund and administering the Settlement Trust.
17. **THIS COURT ORDERS** that after payment of class counsel fees, disbursements and taxes (including, without limitation, notice and administration costs and payments to Claims Funding International) and upon the approval of a Claims and Distribution Protocol, defined below, the entire balance of the Settlement Fund shall, subject to paragraph 18 below, be distributed to or for the benefit of the Securities Claimants for their claims against Ernst & Young, in accordance with a process for allocation and distribution among Securities Claimants, such process to be established by CCAA Representative Counsel and approved by further order of this court (the "Claims and Distribution Protocol").
18. **THIS COURT ORDERS** that notwithstanding paragraph 17 above, the following Securities Claimants shall not be entitled to any allocation or distribution of the Settlement

Fund: any Person or entity that is as at the date of this order a named defendant to any of the Class Actions (as defined in the Plan) and their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of the following Persons: Allen T.Y, Chan a.k.a. Tak Yuen Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Boland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West, Albert Ip, Alfred C.T. Hung, George Ho and Simon Yeung. For greater certainty, the Ernst & Young Release shall apply to the Securities Claimants described above.

19. **THIS COURT ORDERS** that the fees and costs of the claims administrator and CCAA Representative Counsel shall be paid out of the Settlement Trust, and for such purpose, the claims administrator and the CCAA Representative Counsel may apply to the court to fix such fees and costs in accordance with the laws of Ontario governing the payment of counsel's fees and costs in class proceedings.

Recognition, Enforcement and Further Assistance

20. **THIS COURT ORDERS** that the Court in the CCAA proceedings shall retain an ongoing supervisory role for the purposes of implementing, administering and enforcing the Ernst & Young Settlement and the Ernst & Young Release and matters related to the Settlement Trust including any disputes about the allocation of the Settlement Fund from the Settlement Trust. Any disputes arising with respect to the performance or effect of, or any other aspect of, the Ernst & Young Settlement and the Ernst & Young Release shall be determined by the court, and that, except with leave of the court first obtained, no Person or party shall commence or continue any proceeding or enforcement process in any other court or tribunal, with respect to the performance or effect of, or any other aspect of the Ernst & Young Settlement and the Ernst & Young Release.
21. **THIS COURT ORDERS** that the Ontario Plaintiffs and Ernst & Young with the assistance of the Monitor, shall use all reasonable efforts to obtain all court approvals and orders necessary for the implementation of the Ernst & Young Settlement and the Ernst & Young Release and shall take such additional steps and execute such additional agreements and

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documents as may be necessary or desirable for the completion of the transactions contemplated by the Ernst & Young Settlement, the Ernst & Young Release and this order.

22. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or the United States or elsewhere, to give effect to this order and to assist the Applicant, the Monitor, the CCAA Representative Counsel and Ernst & Young LLP and their respective agents in carrying out the terms of this order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant, the Monitor as an officer of this Court, the CCAA Representative Counsel and Ernst & Young LLP, as may be necessary or desirable to give effect to this order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant, the Monitor, the CCAA Representative Counsel and Ernst & Young LLP and their respective agents in carrying out the terms of this order.
23. **THIS COURT ORDERS** that each of the Applicant, the Monitor, CCAA Representative Counsel and Ernst & Young LLP be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this order, or any further order as may be required, and for assistance in carrying out the terms of such orders.
24. **THIS COURT ORDERS** that the running of time for the purposes of the Ernst & Young Claims asserted in the Ontario Class Action, including statutory claims for which the Ontario Plaintiffs have sought leave pursuant to Part XXIII.1 of the Ontario *Securities Act*, R.S.O. 1990, c. S-5 and the concordant provisions of the securities legislation in all other provinces and territories of Canada, shall be suspended as of the date of this order until further order of this CCAA Court.
25. **THIS COURT ORDERS** that in the event that the Ernst & Young Settlement is not completed in accordance with its terms, the Ernst & Young Settlement and paragraphs 7-14 and 16-19 of this order shall become null and void and are without prejudice to the rights of the parties in the Ontario Class Action or in any proceedings and any agreement between the

parties incorporated into this order shall be deemed in the Ontario Class Action and in any proceedings to have been made without prejudice.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO. *

MAR 28 2013



Morawetz, J.

**APPENDIX "A" TO SETTLEMENT APPROVAL ORDER
DEFINITION OF SECURITIES CLAIMANTS**

"Securities Claimants" are all Persons and entities, wherever they may reside, who acquired any securities of Sino-Forest Corporation including securities acquired in the primary, secondary and over-the-counter markets.

For the purpose of the foregoing,

"Securities" means common shares, notes or other securities defined in the *Securities Act*, R.S.O. 1990, c. S.5, as amended.

**APPENDIX "B" TO SETTLEMENT APPROVAL ORDER
MONITOR'S ERNST & YOUNG SETTLEMENT CERTIFICATE**

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**

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

- 14 -

All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order of the Court dated March 20, 2013 (the "Ernst & Young Settlement Approval Order") which, *inter alia*, approved the Ernst & Young Settlement and the Ernst & Young Release and established the Settlement Trust (as those terms are defined in the plan of compromise and reorganization dated December 3, 2012 (as the same may be amended, revised or supplemented in accordance with its terms, the "Plan") of Sino-Forest Corporation ("SFC"), as approved by the Court pursuant to an Order dated December 10, 2012).

Pursuant to section 11.1 of the Plan and paragraph 11 of the Ernst & Young Settlement Approval Order, FTI Consulting Canada Inc. (the "Monitor") in its capacity as Court-appointed Monitor of SFC delivers to Ernst & Young LLP this certificate and hereby certifies that:

1. Ernst & Young has confirmed that the settlement amount has been paid to the Settlement Trust in accordance with the Ernst & Young Settlement;
2. ■, being the trustee of the Settlement Trust has confirmed that such settlement amount has been received by the Settlement Trust; and
3. The Ernst & Young Release is in full force and effect in accordance with the Plan.

DATED at Toronto this ___ day of _____, 2013.

FTI CONSULTING CANADA INC. solely
in its capacity as Monitor of Sino-Forest
Corporation and not in its personal capacity

Name:

Title:

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

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF SINO-FOREST CORPORATION, et al.
CENTRAL AND EASTERN CANADA. et al.

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

Plaintiffs

Defendants

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

ORDER

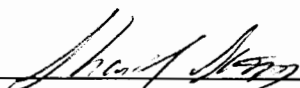
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP
250 UNIVERSITY AVENUE, SUITE 501
TORONTO, ON M5H 3E5
KEN ROSENBERG (LSUC No. 21102H)
MASSIMO STARNINO (LSUC No. 41048G)
TEL: 416-646-4300 / FAX: 416-646-4301

KOSKIE MINSKY LLP
900-20 QUEEN STREET WEST, BOX 52
TORONTO ON M5H 3R3
KIRK M. BAERT (LSUC No. 30942O)
TEL: 416-595-2117 / FAX: 416-204-2889
JONATHAN PTAK (LSUC No. 45773F)
TEL: 416-595-2149 / FAX: 416-204-2903

SISKINDS LLP
680 WATERLOO STREET, P.O. BOX 2520
LONDON ON N6A 3V8
CHARLES M. WRIGHT (LSUC No. 36599Q)
TEL: 519-660-7753 / FAX: 519-660-7754
A. DIMITRI LASCARIS (LSUC No. 50074A)
TEL: 519-660-7844 / FAX: 519-660-7845

**LAWYERS FOR AN AD HOC COMMITTEE OF
PURCHASERS OF THE APPLICANT'S SECURITIES**

This is Exhibit "B(1)" mentioned and referred to in the Affidavit of Charles Wright, sworn before me at the City of London, in the Province of Ontario, this 21st day of November, 2013.


A Commissioner, etc.

SHARLA JOAN STROOP, a Commissioner, etc.,
Province of Ontario, for Siskinds^{LLP}
Barristers and Solicitors. Expires: October 6, 2015

CONTINGENCY FEE RETAINER AGREEMENT

BETWEEN :

ROBERT WONG

herein called the "Client"
OF THE FIRST PART

- and -

SISKINDS LLP and KOSKIE MINSKY LLP

herein called the "Class Counsel"
OF THE SECOND PART

Proceeding under the *Class Proceedings Act, 1992*

RECITALS

Robert Wong (the "Client") hereby retains Siskinds LLP and Koskie Minsky LLP to commence an action against Sino-Forest Corporation, Ernst & Young LLP, 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., Banc of America Securities LLC, Credit Suisse (USA) Inc., Credit Suisse Securities (USA) LLC, Haywood Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities Canada Inc., certain of Sino-Forest's senior officers or directors and any other parties who may have potential liability in respect of Sino-Forest's public disclosure, to seek to have such action certified as a class proceeding, and to take all necessary steps to prosecute the action.

The Client acknowledges and understands that Class Counsel will be paid fees in the Action (defined below) only in the event of success. The Client's agreement with Class Counsel in respect of class counsel fees and disbursements is set out below, and the Client understands that the agreement shall not have any force and effect, unless approved by the Superior Court of Justice pursuant to the *Class Proceedings Act, 1992*.

The Client acknowledges and agrees that Class Counsel fees and disbursements owing under this agreement are a first charge on any Recovery (defined below) in the Action, which includes any amount actually recovered by an award, judgment, settlement, or otherwise, including any amounts awarded or paid in any assessment of damages or other process ordered by the Court, excluding any amounts separately identified or specified as costs and/or disbursements.

DEFINITIONS

1. For the purpose of this agreement, the following words shall have the meanings set out below:
 - (a) “*Act*” means the *Class Proceedings Act, 1992*, S.O. 1992, c. 6, as amended;
 - (b) “**Action**” means an action commenced in the Ontario Superior Court of Justice in Toronto against Sino-Forest Corporation, Ernst & Young LLP, Pöyry (Beijing) Consulting Company Limited and certain of Sino-Forest’s senior officers or directors or any similarly constituted action to be commenced. The issued notice of action is attached as **Schedule A**;
 - (c) “**Base Fee**” means an amount calculated by multiplying the **Usual Hourly Rates** by the number of hours expended by each person in relation to the **Action**;
 - (d) “**Class**” means the class asserted from time to time in the **Action** including any subclass;
 - (e) “**Common Issues**” means the common issues of fact or law as approved by the **Court** in the **Action**;
 - (f) “**Court**” means the Ontario Superior Court of Justice;
 - (g) “**CPF**” means the Class Proceedings Fund;
 - (h) “**Defendants**” mean the defendants to the **Action** at any given time and in particular include Sino-Forest Corporation, Ernst & Young LLP, 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., certain of Sino-Forest’s senior officers or directors and any other parties whom Class Counsel identify as having potential legal liability in respect of the transactions;

- 3 -

- (i) **“Fee Agreement”** means a written agreement between a proposed representative plaintiff and counsel respecting fees and disbursements;
- (j) **“Recovery”** means the amount actually recovered by award, judgment, settlement or otherwise, including any amounts awarded or paid in any assessment of damages or other process ordered by the Court, excluding any amount separately identified or specified as costs and/or disbursements;
- (k) **“Sino-Forest”** means Sino-Forest Corporation;
- (l) **“Success”** means judgment or award in favour of some or all **Class** members or a settlement that benefits some or all of the **Class** members; and
- (m) **“Usual Hourly Rates”** means the usual hourly rates charged from time to time by Class Counsel, their partners, associates and persons employed by their law firms, and all other persons in any other law firms involved in the **Action**.

THE PARTIES AGREE AS FOLLOWS:

SCHEDULES FORM PART OF THIS AGREEMENT

- 2. The parties agree that the schedules to this agreement shall form part of this agreement.

EFFECTIVE DATE

- 3. This agreement shall be effective as of the date it has been executed by all parties.

RETAINER OF CLASS COUNSEL

- 4. The Client has retained and authorized Class Counsel to:
 - (a) act as counsel for them (in their capacity as trustees) and for the Class in the Action, in the prosecution and trial of the Common Issues, including any and all appeals, and in the assessment of and recovery of damages;
 - (b) take all steps in and in relation to the Action which they consider necessary, including adding any other defendants;
 - (c) use such persons and resources from their firms or any other firms as they consider necessary and their services shall be deemed to be provided as members of Class Counsel’s law firms; and
 - (d) consult, retain and engage all experts, consultants and other persons they consider necessary.

NEGOTIATIONS

5. The Client hereby authorizes Class Counsel, in their discretion, to enter into negotiations with any or all of the Defendants for the purpose of reaching a settlement. The Client understands that any settlement affecting the Class is subject to approval of the Court. The Client agrees and acknowledges that any negotiations are for the purpose of reaching a settlement of the claims of the Class, not simply the individual claims of the Client. Class Counsel agree to advise Client of any settlement negotiations and also to seek Client's consent before settling any claims in this Action.
6. In the event the Client chooses to settle their respective individual claims without settling the claims of the Class, the Client expressly agrees and acknowledges that Class Counsel is permitted to be retained by another member of the Class to assert the claims on behalf of the Class. In such event, privileged communications between Class Counsel and the Client made for the purpose of advancing the claims of the Class and Class Counsel's work product created for the purpose of advancing the claims of the Class may be disclosed to the new plaintiff and may be used on behalf of and for the benefit of the Class.

USUAL HOURLY RATES

7. The current Usual Hourly Rates of Class Counsel and some, but not all, of the persons who will provide professional services in relation to the Action are set out in **Schedule B** to this agreement. The Usual Hourly Rates are the current usual hourly rates charged by Class Counsel on other class action matters.
8. Class Counsel and all other persons providing professional services may, from time to time, increase their Usual Hourly Rates for the purposes of this agreement if done in the usual and ordinary course of their businesses. Increases will be communicated to Client sixty (60) days prior to taking effect.

CLASS COUNSEL'S FEES AND DISBURSEMENTS

9. Whether or not Success is achieved in the Action, Class Counsel shall be paid all costs recovered in the Action from the Defendants, irrespective of the scale, including any

disbursements, applicable taxes and any interest payable thereon and any other amount paid by the Defendants as costs. Class Counsel are authorized to settle the amount of costs awarded on any motion, appeals or the trial of the Common Issues.

10. Except for any costs paid to Class Counsel as provided in paragraph 9 above, Class Counsel shall only be paid its fees upon achieving Success in the Action, whether by obtaining judgment on any of the Common Issues in favour of some or all Class members or by obtaining a settlement that benefits one or more of the Class members. The fees shall be paid by a lump sum payment to the extent possible, or (if a lump sum payment is not possible) by periodic payments, out of the proceeds of any judgment, order or settlement awarding or providing monetary relief, damages, interest or costs to the Class or any Class member.
11. In the event of Success, Class Counsel shall be paid an amount equal to
- (a) any disbursements not already paid to Class Counsel by the Defendants as costs plus applicable taxes and interest thereon in accordance with s. 33(7)(c) of the *Act*; plus
 - (b) an amount equal to a percentage of Recovery plus Harmonized Sales Tax (HST) where the applicable percentage rate shall be as follows:

	For the first \$20 million of any Recovery	For the portion of the Recovery between \$20 million and \$40 million	For the portion of the Recovery between \$40 million and \$60 million	For the portion of the Recovery in excess of \$60 million
If the Action is settled or there is judgment before the Court renders a decision on a certification motion	twenty-five percent (25%)	twenty percent (20%)	fifteen percent (15%)	ten percent (10%)
If the Action is settled or there is judgment after the Court renders a decision on a certification motion and before the commencement of the Common Issues trial;	twenty-seven and a half percent (27.5%)	twenty-two and a half percent (22.5%)	seventeen and a half percent (17.5%)	twelve and a half percent (12.5%)
If the Action is settled after the commencement of the Common Issues	thirty percent (30.0%)	twenty-five percent	twenty percent (20.0%)	fifteen percent (15.0%)

trial or is determined by judgment after the trial.		(25.0%)		
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12. Class Counsel may make any motion for the approval of their fees. The amount to be paid for Class Counsel fees is in the sole discretion of the Court considering fee approval.
13. Class Counsel and the Client understand that if the Court orders that the Client pay some portion of the costs incurred by the defendants in this litigation while Siskinds LLP is counsel of record, in the absence of funding, Siskinds LLP will indemnify the Client against any such award and the Client will not personally have to satisfy such an award. In consideration for such indemnification, each of the percentage rates under paragraph 11(b) above shall be increased by five percent (5.0%).

FUNDING FROM THE CLASS PROCEEDINGS FUND

14. The Client acknowledges that:
- (a) Class Counsel, on their behalf, may apply for financial support from the CPF or a third party financier;
 - (b) as a result, if provided, the CPF or a third party financier may advance payment for some disbursements or indemnify the Client and other plaintiffs for any adverse cost award;
 - (c) in consideration for the CPF providing financial support and indemnification of the Client or other plaintiffs.
 - (i) the CPF would be entitled to a ten percent (10%) levy of the amount of the award or settlement funds, if any, to which one or more persons in the Class is entitled, plus the repayment of any financial support received from the CPF; and
 - (ii) there is a charge on any award or settlement fund in favour of the CPF for the amounts referred to in (b) and (c); and
 - (d) in the event a third party financier provides financial support and/or an indemnification of the Client or other plaintiffs, it is highly likely that the third party financier would seek entitlement to a percentage of the amount of the award or settlement funds, if any, to which one or more persons in the Class is entitled and possible the repayment of any financial support received, and that

such percentage could range from five to ten percent (5% to 10%) of Recovery.

15. The Client acknowledges and agrees that Class Counsel may seek direct reimbursement for disbursements or the payment of adverse cost awards from the CPF or a third party funder.

DISBURSEMENTS

16. From any Recovery, the Class shall pay Class Counsel for all disbursements they reasonably incur in and in relation to the Action and any other action authorized by this agreement. Recoverable disbursements shall include all amounts reasonably incurred in connection with the Action, the trial of the Common Issues, the settlement of the Action, the assessment of and recovery of damages for the Class members, or any appeals relating to or arising out of the Action and any other action commenced, including but not limited to expenses incurred for investigation, court fees, duplication, travel, including business class travel, lodging, long distance telephone calls, the cost of a toll-free telephone line, the cost of specialized computer equipment and management systems software, computer consultants, public relations consultants, website(s), courier, postage, telecopier, imaging, including the cost of imaging for file closing purposes, and all services provided to Class Counsel by consultants, experts and agents retained by or at the direction of Class Counsel.
17. Except as provided in paragraphs 9 and 16 above, the Client will have no liability or obligation for the legal fees, litigation expenses or disbursements of Class Counsel, including, without limitation, the fees, expenses and disbursements of third parties retained by Class Counsel pursuant to paragraph 4 above or otherwise.

CLIENT'S OBLIGATION TO THE CLASS

18. The Client acknowledges the obligation to act in the best interests of the Class and that Class Counsel are not obliged to follow instructions from the Client which are not in the best interests of the Class. In the event of a disagreement between the Client and Class Counsel concerning whether certain instructions are in the best interests of the Class, the matter shall be submitted to the Court, or for arbitration.

19. The Client will cooperate in the prosecution of this Action, including attending for any oral examinations if required. Class Counsel agree to reimburse Client for any costs (e.g., travel, lodging) incurred as a result of Client attending court proceedings or sitting for oral examinations, if and when such attendance or sitting is required.
20. The Client will ensure that any document relating to its transactions in securities of Sino-Forest Corporation, including electronic records such as email, have been set aside and protected from destruction.

TERMINATION OF AGREEMENT

21. If the Client or Class Counsel wish to terminate their relationship, the Client or Class Counsel will forthwith move to the Court for directions.
22. The Client acknowledges that Class Counsel will incur significant time and financial risk in the conduct and carriage of the Action and any other action they commence in that the fees and disbursements (apart from costs recovered and those paid by CPF or a third party financier) are payable only upon Success and only out of the Recovery. In the event that the Client engages another lawyer to act in the Action or otherwise terminates this agreement and the Action and/or any other action is a Success, in whole or in part, Class Counsel shall be paid fees and disbursements in accordance with the terms of this agreement as if Success was achieved or, if this agreement is not approved, in such manner as the Court directs.

CONFIDENTIALITY

23. The Client acknowledges being advised that the communications between Class Counsel and the Client relating to the claims of the Class are privileged but that such privilege may be lost if the Client were to disclose such information to third persons, other than Client's legal advisors, and that the interests of the Class could thereby be adversely affected. The Client agrees to protect the confidentiality of such information and not to disclose such information to any third person.

24. The Client agrees that the Class Counsel's files and documents, compiled in connection with their investigation and prosecution of this matter, constitute the work product and property of Class Counsel, over which Class Counsel have complete control with respect to its use and/or disclosure.

AN ESTIMATE OF CLASS COUNSEL'S FEES

25. Both the Client and Class Counsel acknowledge that it is difficult to estimate what the expected fee will be. However, given the proposed pleadings in the Action and Class Counsel's fees in other cases, Class Counsel estimate that the legal fees may be in the range of \$5 million to 20 million or more depending on the work done and the Recovery. An example of how this agreement operates is set out in **Schedule C** to this agreement.

INTERIM DISTRIBUTIONS

26. The Court may authorize interim payments to Class Counsel and/or to the Class.

REMUNERATION OF THE CLIENT

27. The Client acknowledges that they are not entitled to receive any payment or fee out of the Recovery for acting as a representative plaintiff in the Action unless ordered by the Court.
28. Subject to the preceding paragraph, if the action is resolved successfully, Class Counsel will apply to the Court on behalf of the Client for payment of a reasonable honorarium to the Client, such payment to be made either out of the funds recovered for the Class or out of Class Counsel's fees, as the Court may direct. In support of that application, the Client will maintain a reasonably detailed record of the work and time that he devotes to the prosecution of this matter.

COURT APPROVAL

29. Subject to this agreement being approved by the Court, it shall bind Class Counsel, the Client, and all members of the Class who do not opt out of the Action as well as their respective heirs, executors, administrators, successors and assigns.

AMENDMENTS AND ENTIRE AGREEMENT

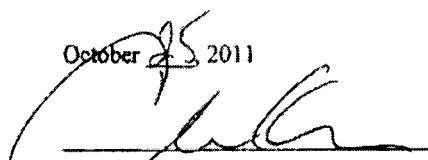
30. This agreement may be amended from time to time, in writing by the Client and Class Counsel, before it is approved by the Court.
31. It is agreed that there is no oral representation, warranty, collateral agreement, or condition that affects this agreement. Amendments to this agreement may be made in writing duly executed by parties. This Agreement may be signed in counterparts.

COUNTERPARTS

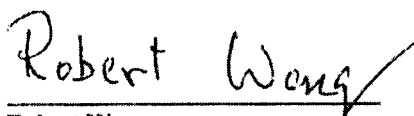
32. This agreement may be executed by the Client and Class Counsel in separate counterparts, with signatures by facsimile being acceptable, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

INDEPENDENT LEGAL ADVICE


33. The Client acknowledges that before signing this agreement they were advised of and had the opportunity to obtain independent legal advice with respect to the meaning and effect of this agreement.

October 25, 2011



(Witness)



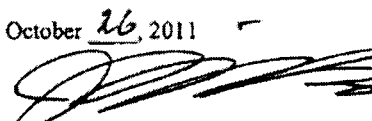
Robert Wong

October 26, 2011


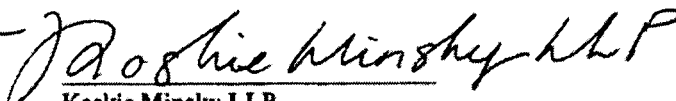
(Witness)



Siskinds LLP
Per: *D. M. ...*

October 26, 2011


(Witness)



Koskie Minsky LLP
Per: *M. Z...*

Schedule B

Lawyer	Usual Hourly Rate as of January 1, 2011
Kirk M. Baert	\$840
A. Dimitri Lascaris	\$585
Michael Mazzuca	\$715
Michael Robb	\$475
Charles Wright	\$625
Jonathan Ptak	\$500
Jonathan Bida	\$350
Daniel Bach	\$375
Stephanie Dickson	\$200
Law Clerk	\$250
Student-at-law or summer student	\$185

Schedule C – How the Fee Agreement Operates

One Example (note: this is an illustration only)	Amounts
Action is settled before a decision on a certification motion	
Recovery, inclusive of disbursements, paid by the Defendants	\$25,000,000
Disbursements incurred by Class Counsel including taxes of \$5,752.21	\$50,000

In the above example, what would be the amount of Class Counsel's fee?

1. In addition to their disbursements plus applicable taxes, Class Counsel would request fees equal to 25% of the first \$20 million and 20% of the remaining \$5 million.
2. Accordingly, Class Counsel would be paid \$50,000 for disbursements plus \$6 million for its fees (exclusive of HST), subject to approval by the Court, which will assess if the amount is fair and reasonable under the circumstances.

What is the total amount payable to the Class Proceedings Fund (CPF) if such funding is put in place?

3. In exchange for the indemnity it provides to the Client, and for funding it provides towards disbursements, the CPF is required to be paid a levy of 10%, plus reimbursement for any disbursements and taxes paid by it. The amounts paid to the CPF are separate and apart from any funds given to Class Counsel, and are required by statute.

What is the additional amount payable towards Class Counsel's fees in the absence of funding?

4. In consideration for Siskinds LLP providing an indemnity to the Client, Class Counsel would request an addition 5% of the settlement for Class Counsel fees. Class Counsel would request fees equal to 30% of the first \$20 million and 25% of the remaining \$5 million. Accordingly, subject to Court approval, Class Counsel would be paid \$50,000 for disbursements plus \$7.25 million for its fees (exclusive of HST).

What is the amount available for the Class?

5. In this illustration, the Class would recover either \$16,353,000 if there is CPF funding or \$16,757,500 if there is no funding:

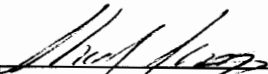
CPF Funding

Recovery	\$25,000,000
Less: Amount payable to Class Counsel	(\$6,000,000)
Less: 13% for HST on fees	(\$780,000)
Less: Amount payable for Disbursements	(\$50,000)
Subtotal	\$18,170,000
Less: 10% payable to Class Proceedings Fund	(\$1,817,000)
Balance available for Class	\$16,353,000

No Funding

Recovery	\$25,000,000
Less: Amount payable to Class Counsel	(\$7,250,000)
Less: 13% for HST on fees	(\$942,500)
Less: Amount payable for Disbursements	(\$50,000)
Balance available for Class	\$16,757,500

This is Exhibit "B(2)" mentioned and referred to in the Affidavit of Charles Wright, sworn before me at the City of London, in the Province of Ontario, this 21st day of November, 2013.


A Commissioner, etc.

SHARLA JOAN STROOP, a Commissioner, etc.,
Province of Ontario, for Siskinds^{LLP}
Barristers and Solicitors. Expires: October 6, 2015

CONTINGENCY FEE RETAINER AGREEMENT

BETWEEN:

DAVID C. GRANT

herein called the "Client"
OF THE FIRST PART

- and -

SISKINDS LLP and KOSKIE MINSKY LLP

herein called the "Class Counsel"
OF THE SECOND PART

Proceeding under the *Class Proceedings Act, 1992*

RECITALS

David C. Grant ("Grant"), retains Siskinds LLP and Koskie Minsky LLP to commence an action against Sino-Forest Corporation, Ernst & Young LLP, 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., Banc of America Securities LLC, Credit Suisse (USA) Inc., Credit Suisse Securities (USA) LLC, Haywood Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities Canada Inc. certain of Sino-Forest's senior officers or directors and any other parties who may have potential liability in respect of Sino-Forest's public disclosure, to seek to have such action certified as a class proceeding, and to take all necessary steps to prosecute the action.

The Client acknowledges and understands that Class Counsel will be paid fees in the Action (defined below) only in the event of success. The Client's agreement with Class Counsel in respect of class counsel fees and disbursements is set out below, and the Client understands that the agreement shall not have any force and effect, unless approved by the Superior Court of Justice pursuant to the *Class Proceedings Act, 1992*.

- 2 -

The Client acknowledges and agrees that Class Counsel fees and disbursements owing under this agreement are a first charge on any Recovery (defined below) in the Action, which includes any amount actually recovered by an award, judgment, settlement, or otherwise, including any amounts awarded or paid in any assessment of damages or other process ordered by the Court, excluding any amounts separately identified or specified as costs and/or disbursements.

DEFINITIONS

1. For the purpose of this agreement, the following words shall have the meanings set out below:
 - (a) “**Act**” means the *Class Proceedings Act, 1992*, S.O. 1992, c. 6, as amended;
 - (b) “**Action**” means an action commenced in the Ontario Superior Court of Justice in Toronto against Sino-Forest Corporation, Ernst & Young LLP, Pöyry (Beijing) Consulting Company Limited and certain of Sino-Forest’s senior officers or directors or any similarly constituted action to be commenced. The issued notice of action is attached as **Schedule A**;
 - (c) “**Base Fee**” means an amount calculated by multiplying the **Usual Hourly Rates** by the number of hours expended by each person in relation to the **Action**;
 - (d) “**Class**” means the class asserted from time to time in the **Action** including any subclass;
 - (e) “**Common Issues**” means the common issues of fact or law as approved by the **Court** in the **Action**;
 - (f) “**Court**” means the Ontario Superior Court of Justice;
 - (g) “**CPF**” means the Class Proceedings Fund;
 - (h) “**Defendants**” mean the defendants to the **Action** at any given time and in particular include Sino-Forest Corporation, Ernst & Young LLP, 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., certain of Sino-Forest’s senior officers or directors and any other parties whom Class Counsel identify as having potential legal liability in respect of the transactions;

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- (i) **"Fee Agreement"** means a written agreement between a proposed representative plaintiff and counsel respecting fees and disbursements;
- (j) **"Recovery"** means the amount actually recovered by award, judgment, settlement or otherwise, including any amounts awarded or paid in any assessment of damages or other process ordered by the Court, excluding any amount separately identified or specified as costs and/or disbursements;
- (k) **"Sino-Forest"** means Sino-Forest Corporation;
- (l) **"Success"** means judgment or award in favour of some or all **Class** members or a settlement that benefits some or all of the **Class** members; and
- (m) **"Usual Hourly Rates"** means the usual hourly rates charged from time to time by Class Counsel, their partners, associates and persons employed by their law firms, and all other persons in any other law firms involved in the **Action**.

THE PARTIES AGREE AS FOLLOWS:

SCHEDULES FORM PART OF THIS AGREEMENT

- 2. The parties agree that the schedules to this agreement shall form part of this agreement.

EFFECTIVE DATE

- 3. This agreement shall be effective as of the date it has been executed by all parties.

RETAINER OF CLASS COUNSEL

- 4. The Client has retained and authorized Class Counsel to:
 - (a) act as counsel for them (in their capacity as trustees) and for the Class in the Action, in the prosecution and trial of the Common Issues, including any and all appeals, and in the assessment of and recovery of damages;
 - (b) take all steps in and in relation to the Action which they consider necessary, including adding any other defendants;
 - (c) use such persons and resources from their firms or any other firms as they consider necessary and their services shall be deemed to be provided as members of Class Counsel's law firms; and
 - (d) consult, retain and engage all experts, consultants and other persons they consider necessary.

NEGOTIATIONS

5. The Client hereby authorizes Class Counsel, in their discretion, to enter into negotiations with any or all of the Defendants for the purpose of reaching a settlement. The Client understands that any settlement affecting the Class is subject to approval of the Court. The Client agrees and acknowledge that any negotiations are for the purpose of reaching a settlement of the claims of the Class, not simply the individual claims of the Client. Class Counsel agree to advise Client of any settlement negotiations and also to seek Client's consent before settling any claims in this Action.
6. In the event the Client chooses to settle their respective individual claims without settling the claims of the Class, the Client expressly agrees and acknowledge that Class Counsel is permitted to be retained by another member of the Class to assert the claims on behalf of the Class. In such event, privileged communications between Class Counsel and the Client made for the purpose of advancing the claims of the Class and Class Counsel's work product created for the purpose of advancing the claims of the Class may be disclosed to the new plaintiff and may be used on behalf of and for the benefit of the Class.

USUAL HOURLY RATES

7. The current Usual Hourly Rates of Class Counsel and some, but not all, of the persons who will provide professional services in relation to the Action are set out in **Schedule B** to this agreement. The Usual Hourly Rates are the current usual hourly rates charged by Class Counsel on other class action matters.
8. Class Counsel and all other persons providing professional services may, from time to time, increase their Usual Hourly Rates for the purposes of this agreement if done in the usual and ordinary course of their businesses. Increases will be communicated to Client sixty (60) days prior to taking effect.

CLASS COUNSEL'S FEES AND DISBURSEMENTS

9. Whether or not Success is achieved in the Action, Class Counsel shall be paid all costs recovered in the Action from the Defendants, irrespective of the scale, including any

- 5 -

disbursements, applicable taxes and any interest payable thereon and any other amount paid by the Defendants as costs. Class Counsel are authorized to settle the amount of costs awarded on any motion, appeals or the trial of the Common Issues.

10. Except for any costs paid to Class Counsel as provided in paragraph 9 above, Class Counsel shall only be paid its fees upon achieving Success in the Action, whether by obtaining judgment on any of the Common Issues in favour of some or all Class members or by obtaining a settlement that benefits one or more of the Class members. The fees shall be paid by a lump sum payment to the extent possible, or (if a lump sum payment is not possible) by periodic payments, out of the proceeds of any judgment, order or settlement awarding or providing monetary relief, damages, interest or costs to the Class or any Class member.
11. In the event of Success, Class Counsel shall be paid an amount equal to
- (a) any disbursements not already paid to Class Counsel by the Defendants as costs plus applicable taxes and interest thereon in accordance with s. 33(7)(c) of the *Act*; plus
 - (b) an amount equal to a percentage of Recovery plus Harmonized Sales Tax (HST) where the applicable percentage rate shall be as follows:

	For the first \$20 million of any Recovery	For the portion of the Recovery between \$20 million and \$40 million	For the portion of the Recovery between \$40 million and \$60 million	For the portion of the Recovery in excess of \$60 million
If the Action is settled or there is judgment before the Court renders a decision on a certification motion	twenty-five percent (25%)	twenty percent (20%)	fifteen percent (15%)	ten percent (10%)
If the Action is settled or there is judgment after the Court renders a decision on a certification motion and before the commencement of the Common Issues trial;	twenty-seven and a half percent (27.5%)	twenty-two and a half percent (22.5%)	seventeen and a half percent (17.5%)	twelve and a half percent (12.5%)
If the Action is settled after the commencement of the Common Issues	thirty percent (30.0%)	twenty-five percent	twenty percent (20.0%)	fifteen percent (15.0%)

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trial or is determined by judgment after the trial.		(25.0%)		
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12. Class Counsel may make any motion for the approval of their fees. The amount to be paid for Class Counsel fees is in the sole discretion of the Court considering fee approval.
13. Class Counsel and the Client understand that if the Court orders that the Client pay some portion of the costs incurred by the defendants in this litigation while Siskinds LLP is counsel of record, in the absence of funding, Siskinds LLP will indemnify the Client against any such award and the Client will not personally have to satisfy such an award. In consideration for such indemnification, each of the percentage rates under paragraph 11(b) above shall be increased by five percent (5.0%).

FUNDING FROM THE CLASS PROCEEDINGS FUND

14. The Client acknowledges that:
- (a) Class Counsel, on their behalf, may apply for financial support from the CPF or a third party financier;
 - (b) as a result, if provided, the CPF or a third party financier may advance payment for some disbursements or indemnify the Client and other plaintiffs for any adverse cost award;
 - (c) in consideration for the CPF providing financial support and indemnification of the Client or other plaintiffs,
 - (i) the CPF would be entitled to a ten percent (10%) levy of the amount of the award or settlement funds, if any, to which one or more persons in the Class is entitled, plus the repayment of any financial support received from the CPF; and
 - (ii) there is a charge on any award or settlement fund in favour of the CPF for the amounts referred to in (b) and (c); and
 - (d) in the event a third party financier provides financial support and/or an indemnification of the Client or other plaintiffs, it is highly likely that the third party financier would seek entitlement to a percentage of the amount of the award or settlement funds, if any, to which one or more persons in the Class is entitled and possible the repayment of any financial support received, and that

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such percentage could range from five to ten percent (5% to 10%) of Recovery.

15. The Client acknowledges and agrees that Class Counsel may seek direct reimbursement for disbursements or the payment of adverse cost awards from the CPF or a third party funder.

DISBURSEMENTS

16. From any Recovery, the Class shall pay Class Counsel for all disbursements they reasonably incur in and in relation to the Action and any other action authorized by this agreement. Recoverable disbursements shall include all amounts reasonably incurred in connection with the Action, the trial of the Common Issues, the settlement of the Action, the assessment of and recovery of damages for the Class members, or any appeals relating to or arising out of the Action and any other action commenced, including but not limited to expenses incurred for investigation, court fees, duplication, travel, including business class travel, lodging, long distance telephone calls, the cost of a toll-free telephone line, the cost of specialized computer equipment and management systems software, computer consultants, public relations consultants, website(s), courier, postage, telecopier, imaging, including the cost of imaging for file closing purposes, and all services provided to Class Counsel by consultants, experts and agents retained by or at the direction of Class Counsel.
17. Except as provided in paragraphs 9 and 16 above, the Client will have no liability or obligation for the legal fees, litigation expenses or disbursements of Class Counsel, including, without limitation, the fees, expenses and disbursements of third parties retained by Class Counsel pursuant to paragraph 4 above or otherwise.

CLIENT'S OBLIGATION TO THE CLASS

18. The Client acknowledges the obligation to act in the best interests of the Class and that Class Counsel are not obliged to follow instructions from the Client which are not in the best interests of the Class. In the event of a disagreement between the Client and Class Counsel concerning whether certain instructions are in the best interests of the Class, the matter shall be submitted to the Court, or for arbitration.

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19. The Client will cooperate in the prosecution of this Action, including attending for any oral examinations if required. Class Counsel agree to reimburse Client for any costs (e.g., travel, lodging) incurred as a result of Client attending court proceedings or sitting for oral examinations, if and when such attendance or sitting is required.
20. The Client will ensure that any document relating to its transactions in securities of Sino-Forest Corporation, including electronic records such as email, have been set aside and protected from destruction.

TERMINATION OF AGREEMENT

21. If the Client or Class Counsel wish to terminate their relationship, the Client or Class Counsel will forthwith move to the Court for directions.
22. The Client acknowledges that Class Counsel will incur significant time and financial risk in the conduct and carriage of the Action and any other action they commence in that the fees and disbursements (apart from costs recovered and those paid by CPF or a third party financier) are payable only upon Success and only out of the Recovery. In the event that the Client engages another lawyer to act in the Action or otherwise terminates this agreement and the Action and/or any other action is a Success, in whole or in part, Class Counsel shall be paid fees and disbursements in accordance with the terms of this agreement as if Success was achieved or, if this agreement is not approved, in such manner as the Court directs.

CONFIDENTIALITY

23. The Client acknowledges being advised that the communications between Class Counsel and the Client relating to the claims of the Class are privileged but that such privilege may be lost if the Client were to disclose such information to third persons, other than Client's legal advisors, and that the interests of the Class could thereby be adversely affected. The Client agrees to protect the confidentiality of such information and not to disclose such information to any third person.

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24. The Client agrees that the Class Counsel's files and documents, compiled in connection with their investigation and prosecution of this matter, constitute the work product and property of Class Counsel, over which Class Counsel have complete control with respect to its use and/or disclosure.

AN ESTIMATE OF CLASS COUNSEL'S FEES

25. Both the Client and Class Counsel acknowledge that it is difficult to estimate what the expected fee will be. However, given the proposed pleadings in the Action and Class Counsel's fees in other cases, Class Counsel estimate that the legal fees may be in the range of \$5 to 20 million or more depending on the work done and the Recovery. An example of how this agreement operates is set out in **Schedule C** to this agreement.

INTERIM DISTRIBUTIONS

26. The Court may authorize interim payments to Class Counsel and/or to the Class.

REMUNERATION OF THE CLIENT

27. The Client acknowledges that they are not entitled to receive any payment or fee out of the Recovery for acting as a representative plaintiff in the Action unless ordered by the Court.

COURT APPROVAL

28. Subject to this agreement being approved by the Court, it shall bind Class Counsel, the Client, and all members of the Class who do not opt out of the Action as well as their respective heirs, executors, administrators, successors and assigns.

AMENDMENTS AND ENTIRE AGREEMENT

29. This agreement may be amended from time to time, in writing by the Client and Class Counsel, before it is approved by the Court.
30. It is agreed that there is no oral representation, warranty, collateral agreement, or condition that affects this agreement. Amendments to this agreement may be made in writing duly executed by parties. This Agreement may be signed in counterparts.

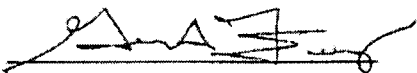
COUNTERPARTS


31. This agreement may be executed by the Client and Class Counsel in separate counterparts, with signatures by facsimile being acceptable, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

INDEPENDENT LEGAL ADVICE

32. The Client acknowledges that before signing this agreement they were advised of and had the opportunity to obtain independent legal advice with respect to the meaning and effect of this agreement.

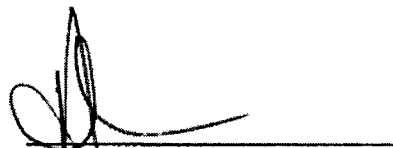
October 24, 2011


(Witness)



David C. Grant

October 24, 2011


(Witness) Michael Robb


Siskinds LLP
Per: DIMITRI LASCARIS

October 24, 2011


(Witness) Jonathan Bidg


Koskie Minsky LLP
Per: KIRK M. BAERT



Schedule B

Lawyer	Usual Hourly Rate as of January 1, 2011
Kirk M. Baert	\$840
A. Dimitri Lascaris	\$585
Michael Mazzuca	\$715
Michael Robb	\$475
Charles Wright	\$625
Jonathan Ptak	\$500
Jonathan Bida	\$350
Daniel Bach	\$375
Stephanie Dickson	\$200
Law Clerk	\$250
Student-at-law or summer student	\$185

Schedule C – How the Fee Agreement Operates

One Example (note: this is an illustration only)	Amounts
Action is settled before a decision on a certification motion	
Recovery, inclusive of disbursements, paid by the Defendants	\$25,000,000
Disbursements incurred by Class Counsel including taxes of \$5,752.21	\$50,000

In the above example, what would be the amount of Class Counsel's fee?

1. In addition to their disbursements plus applicable taxes, Class Counsel would request fees equal to 25% of the first \$20 million and 20% of the remaining \$5 million.
2. Accordingly, Class Counsel would be paid \$50,000 for disbursements plus \$6 million for its fees (exclusive of HST), subject to approval by the Court, which will assess if the amount is fair and reasonable under the circumstances.

What is the total amount payable to the Class Proceedings Fund (CPF) if such funding is put in place?

3. In exchange for the indemnity it provides to the Client, and for funding it provides towards disbursements, the CPF is required to be paid a levy of 10%, plus reimbursement for any disbursements and taxes paid by it. The amounts paid to the CPF are separate and apart from any funds given to Class Counsel, and are required by statute.

What is the additional amount payable towards Class Counsel's fees in the absence of funding?

4. In consideration for Siskinds LLP providing an indemnity to the Client, Class Counsel would request an addition 5% of the settlement for Class Counsel fees. Class Counsel would request fees equal to 30% of the first \$20 million and 25% of the remaining \$5 million. Accordingly, subject to Court approval, Class Counsel would be paid \$50,000 for disbursements plus \$7.25 million for its fees (exclusive of HST).

What is the amount available for the Class?

5. In this illustration, the Class would recover either \$16,353,000 if there is CPF funding or \$16,757,500 if there is no funding:

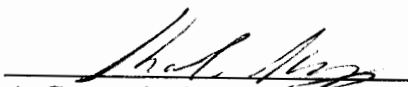
CPF Funding

Recovery	\$25,000,000
Less: Amount payable to Class Counsel	(\$6,000,000)
Less: 13% for HST on fees	(\$780,000)
Less: Amount payable for Disbursements	(\$50,000)
Subtotal	\$18,170,000
Less: 10% payable to Class Proceedings Fund	(\$1,817,000)
Balance available for Class	\$16,353,000

No Funding

Recovery	\$25,000,000
Less: Amount payable to Class Counsel	(\$7,250,000)
Less: 13% for HST on fees	(\$942,500)
Less: Amount payable for Disbursements	(\$50,000)
Balance available for Class	\$16,757,500

This is Exhibit "B(3)" mentioned and referred to in the Affidavit of Charles Wright, sworn before me at the City of London, in the Province of Ontario, this 21st day of November, 2013.


A Commissioner, etc.

SHARLA JOAN STROOP, a Commissioner, etc.,
Province of Ontario, for Siskinds^{LLP}
Barristers and Solicitors. Expires: October 6, 2015

CONTINGENCY FEE RETAINER AGREEMENT

BETWEEN:

SJUNDE AP-FONDEN

herein called the "Client"
OF THE FIRST PART

- and -

KOSKIE MINSKY LLP and SISKINDS LLP

herein called the "Class Counsel"
OF THE SECOND PART

Proceeding under the *Class Proceedings Act, 1992*

RECITALS

Sjunde AP-Fonden ("AP7"), retains Siskinds LLP and Koskie Minsky LLP to commence an action against Sino-Forest Corporation, Ernst & Young LLP, 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., certain of Sino-Forest's senior officers or directors and any other parties who may have potential liability in respect of Sino-Forest's public disclosure, to seek to have such action certified as a class proceeding, and to take all necessary steps to prosecute the action.

The Client acknowledges and understands that Class Counsel will be paid fees in the Action (defined below) only in the event of success. The Client's agreement with Class Counsel in respect of class counsel fees and disbursements is set out below, and the Client understands that the agreement shall not have any force and effect, unless approved by the Superior Court of Justice pursuant to the *Class Proceedings Act, 1992*.

- 2 -

The Client acknowledges and agrees that Class Counsel fees and disbursements owing under this agreement are a first charge on any Recovery (defined below) in the Action, which includes any amount actually recovered by an award, judgment, settlement, or otherwise, including any amounts awarded or paid in any assessment of damages or other process ordered by the Court, excluding any amounts separately identified or specified as costs and/or disbursements.

Class Counsel acknowledge and agree that Kessler Topaz Meltzer & Check, LLP ("Kessler Topaz") will be included in all communications with Client in any form (written, oral, electronic, in person, etc.). Class Counsel acknowledge and agree that Kessler Topaz shall be retained as United States securities law experts in this action and shall be compensated for their services under the terms of a separately negotiated agreement.

DEFINITIONS

1. For the purpose of this agreement, the following words shall have the meanings set out below:
 - (a) "**Act**" means the *Class Proceedings Act, 1992*, S.O. 1992, c. 6, as amended;
 - (b) "**Action**" means an action commenced in the Ontario Superior Court of Justice in Toronto against Sino-Forest Corporation, Ernst & Young LLP, Pöyry (Beijing) Consulting Company Limited and certain of Sino-Forest's senior officers or directors or any similarly constituted action to be commenced. The issued notice of action is attached as **Schedule A**;
 - (c) "**Base Fee**" means an amount calculated by multiplying the **Usual Hourly Rates** by the number of hours expended by each person in relation to the **Action**;
 - (d) "**Class**" means the class asserted from time to time in the **Action** including any subclass;
 - (e) "**Common Issues**" means the common issues of fact or law as approved by the **Court** in the **Action**;
 - (f) "**Court**" means the Ontario Superior Court of Justice;
 - (g) "**CPF**" means the Class Proceedings Fund;

- 3 -

- (h) **"Defendants"** mean the defendants to the Action at any given time and in particular include Sino-Forest Corporation, Ernst & Young LLP, 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., certain of Sino-Forest's senior officers or directors and any other parties whom Class Counsel identify as having potential legal liability in respect of the transactions;
- (i) **"Fee Agreement"** means a written agreement between a proposed representative plaintiff and counsel respecting fees and disbursements;
- (j) **"Recovery"** means the amount actually recovered by award, judgment, settlement or otherwise, including any amounts awarded or paid in any assessment of damages or other process ordered by the Court, excluding any amount separately identified or specified as costs and/or disbursements;
- (k) **"Sino-Forest"** means Sino-Forest Corporation;
- (l) **"Success"** means judgment or award in favour of some or all Class members or a settlement that benefits some or all of the Class members; and
- (m) **"Usual Hourly Rates"** means the usual hourly rates charged from time to time by Class Counsel, their partners, associates and persons employed by their law firms, and all other persons in any other law firms involved in the Action.

THE PARTIES AGREE AS FOLLOWS:

SCHEDULES FORM PART OF THIS AGREEMENT

2. The parties agree that the schedules to this agreement shall form part of this agreement.

EFFECTIVE DATE

3. This agreement shall be effective as of the date it has been executed by all parties.

RETAINER OF CLASS COUNSEL

4. The Client has retained and authorized Class Counsel to:
 - (a) act as counsel for them (in their capacity as trustees) and for the Class in the Action, in the prosecution and trial of the Common Issues, including any and all appeals, and in the assessment of and recovery of damages;

- 4 -

- (b) take all steps in and in relation to the Action which they consider necessary, including adding any other defendants;
- (c) use such persons and resources from their firms or any other firms as they consider necessary and their services shall be deemed to be provided as members of Class Counsel's law firms; and
- (d) consult, retain and engage all experts, consultants and other persons they consider necessary.

NEGOTIATIONS

5. The Client hereby authorizes Class Counsel, in their discretion, to enter into negotiations with any or all of the Defendants for the purpose of reaching a settlement. The Client understands that any settlement affecting the Class is subject to approval of the Court. The Client agrees and acknowledge that any negotiations are for the purpose of reaching a settlement of the claims of the Class, not simply the individual claims of the Client. Class Counsel agree to advise Client of any settlement negotiations and also to seek Client's consent before settling any claims in this Action.
6. In the event the Client chooses to settle their respective individual claims without settling the claims of the Class, the Client expressly agrees and acknowledge that Class Counsel is permitted to be retained by another member of the Class to assert the claims on behalf of the Class. In such event, privileged communications between Class Counsel and the Client made for the purpose of advancing the claims of the Class and Class Counsel's work product created for the purpose of advancing the claims of the Class may be disclosed to the new plaintiff and may be used on behalf of and for the benefit of the Class.

USUAL HOURLY RATES

7. The current Usual Hourly Rates of Class Counsel and some, but not all, of the persons who will provide professional services in relation to the Action are set out in **Schedule B** to this agreement. The Usual Hourly Rates are the current usual hourly rates charged by Class Counsel on other class action matters.

- 5 -

8. Class Counsel and all other persons providing professional services may, from time to time, increase their Usual Hourly Rates for the purposes of this agreement if done in the usual and ordinary course of their businesses. Increases will be communicated to Client sixty (60) days prior to taking effect.

CLASS COUNSEL'S FEES AND DISBURSEMENTS

9. Whether or not Success is achieved in the Action, Class Counsel shall be paid all costs recovered in the Action from the Defendants, irrespective of the scale, including any disbursements, applicable taxes and any interest payable thereon and any other amount paid by the Defendants as costs. Class Counsel are authorized to settle the amount of costs awarded on any motion, appeals or the trial of the Common Issues.
10. Except for any costs paid to Class Counsel as provided in paragraph 9 above, Class Counsel shall only be paid its fees upon achieving Success in the Action, whether by obtaining judgment on any of the Common Issues in favour of some or all Class members or by obtaining a settlement that benefits one or more of the Class members. The fees shall be paid by a lump sum payment to the extent possible, or (if a lump sum payment is not possible) by periodic payments, out of the proceeds of any judgment, order or settlement awarding or providing monetary relief, damages, interest or costs to the Class or any Class member.
11. In the event of Success, Class Counsel shall be paid an amount equal to
 - (a) any disbursements not already paid to Class Counsel by the Defendants as costs plus applicable taxes and interest thereon in accordance with s. 33(7)(c) of the *Act*; plus
 - (b) an amount equal to a percentage of Recovery plus Harmonized Sales Tax (HST) where the applicable percentage rate shall be as follows:

- 6 -

	For the first \$20 million of any Recovery	For the portion of the Recovery between \$20 million and \$40 million	For the portion of the Recovery between \$40 million and \$60 million	For the portion of the Recovery in excess of \$60 million
If the Action is settled or there is judgment before the Court renders a decision on a certification motion	twenty-five percent (25%)	twenty percent (20%)	fifteen percent (15%)	ten percent (10%)
If the Action is settled or there is judgment after the Court renders a decision on a certification motion and before the commencement of the Common Issues trial;	twenty-seven and a half percent (27.5%)	twenty-two and a half percent (22.5%)	seventeen and a half percent (17.5%)	twelve and a half percent (12.5%)
If the Action is settled after the commencement of the Common Issues trial or is determined by judgment after the trial.	thirty percent (30.0%)	twenty-five percent (25.0%)	twenty percent (20.0%)	fifteen percent (15.0%)

12. Class Counsel may make any motion for the approval of their fees. The amount to be paid for Class Counsel fees is in the sole discretion of the Court considering fee approval.
13. Class Counsel and the Client understand that if the Court orders that the Client pay some portion of the costs incurred by the defendants in this litigation while Siskinds LLP is counsel of record, in the absence of funding, Siskinds LLP will indemnify the Client against any such award and the Client will not personally have to satisfy such an award. In consideration for such indemnification, each of the percentage rates under paragraph 11(b) above shall be increased by five percent (5.0%).

FUNDING FROM THE CLASS PROCEEDINGS FUND

14. The Client acknowledges that:
- (a) Class Counsel, on their behalf, may apply for financial support from the CPF or a third party financier;

- 7 -

- (b) as a result, if provided, the CPF or a third party financier may advance payment for some disbursements or indemnify the Client and other plaintiffs for any adverse cost award;
 - (c) in consideration for the CPF providing financial support and indemnification of the Client or other plaintiffs,
 - (i) the CPF would be entitled to a ten percent (10%) levy of the amount of the award or settlement funds, if any, to which one or more persons in the Class is entitled, plus the repayment of any financial support received from the CPF; and
 - (ii) there is a charge on any award or settlement fund in favour of the CPF for the amounts referred to in (b) and (c); and
 - (d) in the event a third party financier provides financial support and/or an indemnification of the Client or other plaintiffs, it is highly likely that the third party financier would seek entitlement to a percentage of the amount of the award or settlement funds, if any, to which one or more persons in the Class is entitled and possible the repayment of any financial support received, and that such percentage could range from five to ten percent (5% to 10%) of Recovery.
15. The Client acknowledges and agree that Class Counsel may seek direct reimbursement for disbursements or the payment of adverse cost awards from the CPF or a third party funder.

DISBURSEMENTS

16. From any Recovery, the Class shall pay Class Counsel for all disbursements they reasonably incur in and in relation to the Action and any other action authorized by this agreement. Recoverable disbursements shall include all amounts reasonably incurred in connection with the Action, the trial of the Common Issues, the settlement of the Action, the assessment of and recovery of damages for the Class members, or any appeals relating to or arising out of the Action and any other action commenced, including but not limited to expenses incurred for investigation, court fees, duplication, travel, including business class travel, lodging, long distance telephone calls, the cost of a toll-free telephone line, the cost of specialized computer equipment and management systems software, computer consultants, public relations consultants, website(s), courier, postage, telecopier, imaging, including the cost of imaging for file

- 8 -

closing purposes, and all services provided to Class Counsel by consultants, experts and agents retained by or at the direction of Class Counsel.

17. Except as provided in paragraphs 9 and 16 above, the Client will have no liability or obligation for the legal fees, litigation expenses or disbursements of Class Counsel, including, without limitation, the fees, expenses and disbursements of third parties retained by Class Counsel pursuant to paragraph 4 above or otherwise.

CLIENT'S OBLIGATION TO THE CLASS

18. The Client acknowledges the obligation to act in the best interests of the Class and that Class Counsel are not obliged to follow instructions from the Client which are not in the best interests of the Class. In the event of a disagreement between the Client and Class Counsel concerning whether certain instructions are in the best interests of the Class, the matter shall be submitted to the Court, or for arbitration.
19. The Client will cooperate in the prosecution of this Action, including attending for any oral examinations if required. Class Counsel agree to reimburse Client for any costs (e.g., travel, lodging) incurred as a result of Client attending court proceedings or sitting for oral examinations, if and when such attendance or sitting is required.
20. The Client will ensure that any document relating to its transactions in securities of Sino-Forest Corporation, including electronic records such as email, have been set aside and protected from destruction.

TERMINATION OF AGREEMENT

21. If the Client or Class Counsel wish to terminate their relationship, the Client or Class Counsel will forthwith move to the Court for directions.
22. The Client acknowledges that Class Counsel will incur significant time and financial risk in the conduct and carriage of the Action and any other action they commence in that the fees and disbursements (apart from costs recovered and those paid by CPF or a third party financier) are payable only upon Success and only out of the Recovery. In the event that the Client engages another lawyer to act in the Action or otherwise

- 9 -

terminates this agreement and the Action and/or any other action is a Success, in whole or in part, Class Counsel shall be paid fees and disbursements in accordance with the terms of this agreement as if Success was achieved or, if this agreement is not approved, in such manner as the Court directs.

CONFIDENTIALITY

23. The Client acknowledges being advised that the communications between Class Counsel and the Client relating to the claims of the Class are privileged but that such privilege may be lost if the Client were to disclose such information to third persons, other than Client's legal advisors (i.e., Kessler Topaz and Setterwalls Advokatbyrå AB), and that the interests of the Class could thereby be adversely affected. The Client agrees to protect the confidentiality of such information and not to disclose such information to any third person.
24. The Client agrees that the Class Counsel's files and documents, compiled in connection with their investigation and prosecution of this matter, constitute the work product and property of Class Counsel, over which Class Counsel have complete control with respect to its use and/or disclosure.

AN ESTIMATE OF CLASS COUNSEL'S FEES

25. Both the Client and Class Counsel acknowledge that it is difficult to estimate what the expected fee will be. However, given the proposed pleadings in the Action and Class Counsel's fees in other cases, Class Counsel estimate that the legal fees may be in the range of \$5 to 20 million or more depending on the work done and the Recovery. An example of how this agreement operates is set out in **Schedule C** to this agreement.

INTERIM DISTRIBUTIONS

26. The Court may authorize interim payments to Class Counsel and/or to the Class.

REMUNERATION OF THE CLIENT

27. The Client acknowledges that they are not entitled to receive any payment or fee out of the Recovery for acting as a representative plaintiff in the Action unless ordered by

- 10 -

the Court. This provision shall have no impact on Kessler Topaz or Setterwalls Advokatbyrå AB's ability to be compensated by Class Counsel.

COURT APPROVAL

28. Subject to this agreement being approved by the Court, it shall bind Class Counsel, the Client, and all members of the Class who do not opt out of the Action as well as their respective heirs, executors, administrators, successors and assigns.

AMENDMENTS AND ENTIRE AGREEMENT

29. This agreement may be amended from time to time, in writing by the Client and Class Counsel, before it is approved by the Court.
30. It is agreed that there is no oral representation, warranty, collateral agreement, or condition that affects this agreement. Amendments to this agreement may be made in writing duly executed by parties. This Agreement may be signed in counterparts.

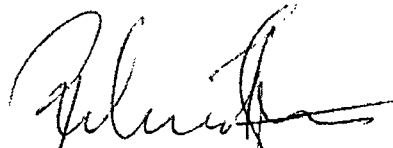
COUNTERPARTS

31. This agreement may be executed by the Client and Class Counsel in separate counterparts, with signatures by facsimile being acceptable, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

INDEPENDENT LEGAL ADVICE

32. The Client acknowledges that before signing this agreement they were advised of and had the opportunity to obtain independent legal advice with respect to the meaning and effect of this agreement.

October 11, 2011



Sjunde AP-Fonden ("AP7")

Per:

**Richard Gröttheim
Chief Executive Officer**

October 11, 2011



Kessler Topaz Meltzer & Check, LLP

Per:

Sean M. Handler, Esquire

October ____, 2011

(Witness)

Siskinds LLP
Per:

October ____, 2011

(Witness)

Koskie Minsky LLP
Per:

Schedule B

Lawyer	Usual Hourly Rate as of January 1, 2011
Kirk M. Baert	\$840
A. Dimitri Lascaris	\$585
Michael Mazzuca	\$715
Michael Robb	\$475
Charles Wright	\$625
Jonathan Ptak	\$500
Jonathan Bida	\$350
Daniel Bach	\$375
Stephanie Dickson	\$200
Law Clerk	\$250
Student-at-law or summer student	\$185

Schedule C – How the Fee Agreement Operates

One Example (note: this is an illustration only)	Amounts
Action is settled before a decision on a certification motion	
Recovery, inclusive of disbursements, paid by the Defendants	\$25,000,000
Disbursements incurred by Class Counsel including taxes of \$5,752.21	\$50,000

In the above example, what would be the amount of Class Counsel's fee?

- In addition to their disbursements plus applicable taxes, Class Counsel would request fees equal to 25% of the first \$20 million and 20% of the remaining \$5 million.
- Accordingly, Class Counsel would be paid \$50,000 for disbursements plus \$6 million for its fees (exclusive of HST), subject to approval by the Court, which will assess if the amount is fair and reasonable under the circumstances.

What is the total amount payable to the Class Proceedings Fund (CPF) if such funding is put in place?

- In exchange for the indemnity it provides to the Client, and for funding it provides towards disbursements, the CPF is required to be paid a levy of 10%, plus reimbursement for any disbursements and taxes paid by it. The amounts paid to the CPF are separate and apart from any funds given to Class Counsel, and are required by statute.

What is the additional amount payable towards Class Counsel's fees in the absence of funding?

- In consideration for Siskinds LLP providing an indemnity to the Client, Class Counsel would request an addition 5% of the settlement for Class Counsel fees. Class Counsel would request fees equal to 30% of the first \$20 million and 25% of the remaining \$5 million. Accordingly, subject to Court approval, Class Counsel would be paid \$50,000 for disbursements plus \$7.25 million for its fees (exclusive of HST).

What is the amount available for the Class?

5. In this illustration, the Class would recover either \$16,353,000 if there is CPF funding or \$16,757,500 if there is no funding:

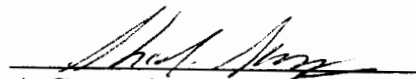
CPF Funding

Recovery	\$25,000,000
Less: Amount payable to Class Counsel	(\$6,000,000)
Less: 13% for HST on fees	(\$780,000)
Less: Amount payable for Disbursements	(\$50,000)
Subtotal	\$18,170,000
Less: 10% payable to Class Proceedings Fund	(\$1,817,000)
Balance available for Class	\$16,353,000

No Funding

Recovery	\$25,000,000
Less: Amount payable to Class Counsel	(\$7,250,000)
Less: 13% for HST on fees	(\$942,500)
Less: Amount payable for Disbursements	(\$50,000)
Balance available for Class	\$16,757,500

This is Exhibit "B(4)" mentioned and referred to in the Affidavit of Charles Wright, sworn before me at the City of London, in the Province of Ontario, this 21st day of November, 2013.


A Commissioner, etc.
SHARLA JOAN STROOP, a Commissioner, etc.,
Province of Ontario, for Siskinds^{LLP}
Barristers and Solicitors. Expires: October 6, 2015

CONTINGENCY FEE JOINT RETAINER AGREEMENT

BETWEEN:

**THE BOARD OF TRUSTEES OF THE LABOURERS' PENSION
FUND OF CENTRAL AND EASTERN CANADA**

- and -

**THE BOARD OF TRUSTEES OF THE INTERNATIONAL UNION OF
OPERATING ENGINEERS, LOCAL 793 PENSION PLAN FOR OPERATING
ENGINEERS IN ONTARIO**

herein collectively called the "Clients"
OF THE FIRST PART

- and -

KOSKIE MINSKY LLP and SISKINDS LLP

herein called the "Class Counsel"
OF THE SECOND PART

Proceeding under the *Class Proceedings Act, 1992*

RECITALS

The Trustees of the Labourers' Pension Fund of Central and Eastern Canada ("Labourers") and the Trustees of the International Union of Operating Engineers, Local 793 Pension Plan for Operating Engineers in Ontario ("Operating Engineers"), retain Siskinds LLP and Koskie Minsky LLP to commence an action against Sino-Forest Corporation, Ernst & Young LLP, Pöyry (Beijing) Consulting Company Limited, certain of Sino-Forest's senior officers or directors and any other parties who may have potential liability in respect of Sino-Forest's public disclosure, to seek to have such action certified as a class proceeding, and to take all necessary steps to prosecute the action.

The Clients acknowledge and understand that they are retaining Class Counsel jointly and that Class Counsel may receive and act on instructions from the Labourers and the Operating Engineers in respect of this retainer. In addition, as a joint retainer, no information received in connection with this matter from either the Labourers or the Operating Engineers can

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be treated as confidential from the other. If a conflict develops between the Labourers and the Operating Engineers that cannot be resolved by the procedures set out in this retainer, Class Counsel cannot continue to act for both and may have to withdraw completely.

The Clients acknowledge and understand that Class Counsel will be paid fees in the Action (defined below) only in the event of success. The Clients' agreement with Class Counsel in respect of class counsel fees and disbursements is set out below, and the Clients understand that the agreement shall not have any force and effect, unless approved by the Superior Court of Justice pursuant to the *Class Proceedings Act*, 1992.

The Clients acknowledge and agree that Class Counsel fees and disbursements owing under this agreement are a first charge on any Recovery (defined below) in the Action, which includes any amount actually recovered by an award, judgment, settlement, or otherwise, including any amounts awarded or paid in any assessment of damages or other process ordered by the Court, excluding any amounts separately identified or specified as costs and/or disbursements.

DEFINITIONS

1. For the purpose of this agreement, the following words shall have the meanings set out below:
 - (a) "**Act**" means the *Class Proceedings Act*, 1992, S.O. 1992, c. 6, as amended;
 - (b) "**Action**" means an action, brought under the *Act* or similar legislation in another province, in the Ontario Superior Court of Justice in Toronto against Sino-Forest Corporation, Ernst & Young LLP, Pöyry (Beijing) Consulting Company Limited and certain of Sino-Forest's senior officers or directors or any similarly constituted action to be commenced, relating to alleged misrepresentations in Sino-Forest's public disclosure.
 - (c) "**Class**" means the class asserted from time to time in the **Action** including any subclass;
 - (d) "**Common Issues**" means the common issues of fact or law as approved by the **Court** in the **Action**;
 - (e) "**Court**" means the Ontario Superior Court of Justice;



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- (f) **"CPF"** means the Class Proceedings Fund;
- (g) **"Defendants"** mean the defendants to the **Action** at any given time and in particular include Sino-Forest Corporation, Ernst & Young LLP, Pöyry (Beijing) Consulting Company Limited, certain of Sino-Forest's senior officers or directors and any other parties whom Class Counsel identify as having potential legal liability in respect of the transactions;
- (h) **"Fee Agreement"** means a written agreement between a proposed representative plaintiff and counsel respecting fees and disbursements;
- (i) **"Recovery"** means the amount actually recovered by award, judgment, settlement or otherwise, including any amounts awarded or paid in any assessment of damages or other process ordered by the Court, excluding any amount separately identified or specified as costs and/or disbursements;
- (j) **"Sino-Forest"** means Sino-Forest Corporation;
- (k) **"Success"** means judgment or award in favour of some or all **Class** members or a settlement that benefits some or all of the **Class** members; and
- (l) **"Usual Hourly Rates"** means the usual hourly rates charged from time to time by Class Counsel, their partners, associates and persons employed by their law firms, and all other persons in any other law firms involved in the **Action**.

THE PARTIES AGREE AS FOLLOWS:

SCHEDULES FORM PART OF THIS AGREEMENT

- 2. The parties agree that the schedules to this agreement shall form part of this agreement.

EFFECTIVE DATE

- 3. This agreement shall be effective as of the date it has been executed by all parties.

RETAINER OF CLASS COUNSEL

- 4. The Clients have retained and authorized Class Counsel to:
 - (a) act as counsel for them (in their capacity as trustees) and for the Class in the Action, in the prosecution and trial of the Common Issues, including any and all appeals, and in the assessment of and recovery of damages;
 - (b) take all steps in and in relation to the Action which they consider necessary, including adding any other defendants;

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- (c) use such persons and resources from their firms or any other firms as they consider necessary and their services shall be deemed to be provided as members of Class Counsel's law firms; and
- (d) consult, retain and engage all experts, consultants and other persons they consider necessary.

NEGOTIATIONS

5. The Clients hereby authorize Class Counsel, in their discretion, to enter into negotiations with any or all of the Defendants for the purpose of reaching a settlement. The Clients understand that any settlement affecting the Class is subject to approval of the Court. The Clients agree and acknowledge that any negotiations are for the purpose of reaching a settlement of the claims of the Class, not simply the individual claims of the Clients.
6. In the event the Clients choose to settle their respective individual claims without settling the claims of the Class, the Clients expressly agree and acknowledge that Class Counsel is permitted to be retained by another member of the Class to assert the claims on behalf of the Class. In such event, privileged communications between Class Counsel and the Clients made for the purpose of advancing the claims of the Class and Class Counsel's work product created for the purpose of advancing the claims of the Class may be disclosed to the new plaintiff and may be used on behalf of and for the benefit of the Class.

USUAL HOURLY RATES

7. The current Usual Hourly Rates of Class Counsel and some, but not all, of the persons who will provide professional services in relation to the Action are set out in **Schedule A** to this agreement. The Usual Hourly Rates are the current usual hourly rates charged by Class Counsel on other class action matters.
8. Class Counsel and all other persons providing professional services may, from time to time, increase their Usual Hourly Rates for the purposes of this agreement if done in the usual and ordinary course of their businesses.

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CLASS COUNSEL'S FEES AND DISBURSEMENTS

9. Whether or not Success is achieved in the Action, Class Counsel shall be paid all costs recovered in the Action from the Defendants, irrespective of the scale, including any disbursements, applicable taxes and any interest payable thereon and any other amount paid by the Defendants as costs. Class Counsel are authorized to settle the amount of costs awarded on any motion, appeals or the trial of the Common Issues.
10. Except for any costs paid to Class Counsel as provided in paragraph 9 above, Class Counsel shall only be paid its fees upon achieving Success in the Action, whether by obtaining judgment on any of the Common Issues in favour of some or all Class members or by obtaining a settlement that benefits one or more of the Class members. The fees shall be paid by a lump sum payment to the extent possible, or (if a lump sum payment is not possible) by periodic payments, out of the proceeds of any judgment, order or settlement awarding or providing monetary relief, damages, interest or costs to the Class or any Class member.
11. In the event of Success, Class Counsel shall be paid an amount equal to
- (a) any disbursements not already paid to Class Counsel by the Defendants as costs plus applicable taxes and interest thereon in accordance with s. 33(7)(c) of the *Act*; plus
 - (b) an amount equal to a percentage of Recovery plus HST where the applicable percentage rate shall be as follows:

	For the first \$20 million of any Recovery	For the portion of the Recovery between \$20 million and \$40 million	For the portion of the Recovery between \$20 million and \$40 million	For the portion of the Recovery in excess of \$60 million
If the Action is settled or there is judgment before the Court renders a decision on a certification motion	twenty-five percent (25%)	twenty percent (20%)	fifteen percent (15%)	ten percent (10%)
If the Action is settled or there is judgment after the Court renders a decision on a certification motion and before the	twenty-seven and a half percent (27.5%)	twenty-two and a half percent (22.5%)	seventeen and a half percent (17.5%)	twelve and a half percent (12.5%)

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commencement of the Common Issues trial;				
If the Action is settled after the commencement of the Common Issues trial or is determined by judgment after the trial.	thirty percent (30.0%)	twenty-five percent (25.0%)	twenty percent (20.0%)	fifteen percent (15.0%)

12. Class Counsel may make any motion for the approval of their fees. The amount to be paid for Class Counsel fees is in the sole discretion of the Court considering fee approval but will not exceed any percentage provided for in this Agreement.
13. Class Counsel and the Clients understand that if the Court orders that the Clients pay some portion of the costs incurred by the defendants in this litigation while Siskinds LLP is counsel of record, in the absence of funding, Siskinds LLP will indemnify the Clients against any such award and the Clients will not personally have to satisfy such an award. In consideration for such indemnification, each of the percentage rates under paragraph 11(b) above shall be increased by five percent (5.0%). In the event that funding becomes available from the CPF or a third party financier, the increase of five percent (5%) in the rates set out in paragraph 11(b) in consideration of the indemnification in this paragraph shall not apply.

FUNDING FROM THE CLASS PROCEEDINGS FUND

14. The Clients acknowledge that:
- (a) Class Counsel, on their behalf, may apply for financial support from the CPF or a third party financier;
 - (b) as a result, if provided, the CPF or a third party financier may advance payment for some disbursements or indemnify the Clients and other plaintiffs for any adverse cost award;
 - (c) in consideration for the CPF providing financial support and indemnification of the Clients or other plaintiffs,
 - (i) the CPF would be entitled to a ten percent (10%) levy of the amount of the award or settlement funds, if any, to which one or more persons in

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the Class is entitled, plus the repayment of any financial support received from the CPF; and

- (ii) there is a charge on any award or settlement fund in favour of the CPF for the amounts referred to in (b) and (c); and
 - (d) in the event a third party financier provides financial support and/or an indemnification of the Clients or other plaintiffs, it is highly likely that the third party financier would seek entitlement to a percentage of the amount of the award or settlement funds, if any, to which one or more persons in the Class is entitled and possible the repayment of any financial support received, and that such percentage could range from five to ten percent (5% to 10%) of Recovery.
15. The Clients acknowledge and agree that Class Counsel may seek direct reimbursement for disbursements or the payment of adverse cost awards from the CPF or a third party funder.

DISBURSEMENTS

16. From any Recovery, the Class shall pay Class Counsel for all disbursements they reasonably incur in and in relation to the Action and any other action authorized by this agreement. Recoverable disbursements shall include all amounts reasonably incurred in connection with the Action, the trial of the Common Issues, the settlement of the Action, the assessment of and recovery of damages for the Class members, or any appeals relating to or arising out of the Action and any other action commenced, including but not limited to expenses incurred for investigation, court fees, duplication, travel, including business class travel, lodging, long distance telephone calls, the cost of a toll-free telephone line, the cost of specialized computer equipment and management systems software, computer consultants, public relations consultants, website(s), courier, postage, telecopier, imaging, including the cost of imaging for file closing purposes, and all services provided to Class Counsel by consultants, experts and agents retained by or at the direction of Class Counsel.
17. Except as provided in paragraphs 9 and 16 above, the Clients will have no liability or obligation for the disbursements of Class Counsel, including, without limitation, the fees and disbursements of third parties retained by Class Counsel pursuant to paragraph 4 above or otherwise.

CLIENTS' OBLIGATION TO THE CLASS

18. The Clients acknowledge the obligation to act in the best interests of the Class and that Class Counsel are not obliged to follow instructions from the Clients which are not in the best interests of the Class. In the event of a disagreement between the Clients and Class Counsel concerning whether certain instructions are in the best interests of the Class, the matter shall be submitted to the Court, or for arbitration.
19. The Clients will cooperate in the prosecution of this Action, including attending for any oral examinations if required.
20. The Clients will ensure that any document relating to its transactions in securities of Sino-Forest Corporation, including electronic records such as email, have been set aside and protected from destruction.

JOINT RETAINER AND CONFLICT BETWEEN THE CLIENTS

21. The Clients acknowledge that they are jointly retaining Class Counsel. As such, Class Counsel shall receive and act on instructions from the Labourers and the Operating Engineers.
22. In the event that a conflict arises between the Labourers and the Operating Engineers that cannot be resolved, Class Counsel shall, at its discretion, either (i) forthwith move to the Court for directions, or (ii) refer the matter for decision to an arbitrator, who shall be a retired Justice of the Ontario Superior Court, selected by Class Counsel at its sole discretion. Costs of any such arbitration shall be considered a disbursement made in connection with this retainer.
23. The Clients acknowledge and agree that in the event of a conflict that is not resolved through the procedures set out in paragraph 22, in such event Class Counsel may be retained or act for either of them or any other Class member and the Clients hereby consent to Class Counsel being retained or acting for either of them or another Class member regardless of a conflict between the Labourers and the Operating Engineers.

TERMINATION OF AGREEMENT

24. If the Clients or Class Counsel wish to terminate their relationship, the Clients or Class Counsel will forthwith move to the Court for directions.
25. The Clients acknowledge that Class Counsel will incur significant time and financial risk in the conduct and carriage of the Action and any other action they commence in that the fees and disbursements (apart from costs recovered and those paid by CPF or a third party financier) are payable only upon Success and only out of the Recovery. In the event that any of the Clients engage another lawyer to act in the Action or otherwise terminates this agreement and the Action and/or any other action is a Success, in whole or in part, Class Counsel shall be paid fees and disbursements in accordance with the terms of this agreement as if Success was achieved or, if this agreement is not approved, in such manner as the Court directs.

CONFIDENTIALITY

26. The Clients acknowledge being advised that the communications between Class Counsel and the Clients relating to the claims of the Class are privileged but that such privilege may be lost if the Clients were to disclose such information to third persons and that the interests of the Class could thereby be adversely affected. The Clients agree to protect the confidentiality of such information and not to disclose such information to any third person.
27. The Clients agree that the Class Counsel's files and documents, compiled in connection with their investigation and prosecution of this matter, constitute the work product and property of Class Counsel, over which Class Counsel have complete control with respect to its use and/or disclosure.

AN ESTIMATE OF CLASS COUNSEL'S FEES

28. The Clients or Class Counsel acknowledge that it is difficult to estimate what the expected fee will be. However, given the proposed pleadings in the Action and Class Counsel's fees in other cases, Class Counsel estimate that the legal fees may be in the

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- 10 -

range of \$5 to 20 million or more depending on the work done and the Recovery. An example of how this agreement operates is set out in **Schedule B** to this agreement.

INTERIM DISTRIBUTIONS

29. The Court may authorize interim payments to Class Counsel and/or to the Class.

REMUNERATION OF THE CLIENT

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COURT APPROVAL

31. Subject to this agreement being approved by the Court, it shall bind Class Counsel, the Clients, and all members of the Class who do not opt out of the Action as well as their respective heirs, executors, administrators, successors and assigns.

AMENDMENTS AND ENTIRE AGREEMENT

32. This agreement may be amended from time to time, in writing by the Clients and Class Counsel, before it is approved by the Court.
33. It is agreed that there is no oral representation, warranty, collateral agreement, or condition that affects this agreement. Amendments to this agreement may be made in writing duly executed by parties. This Agreement may be signed in counterparts.

COUNTERPARTS

34. This agreement may be executed by the Clients and Class Counsel in separate counterparts, with signatures by facsimile being acceptable, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

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INDEPENDENT LEGAL ADVICE

35. The Clients acknowledge that before signing this agreement they were advised of and had the opportunity to obtain independent legal advice with respect to the meaning and effect of this agreement and with respect to jointly retaining Class Counsel.

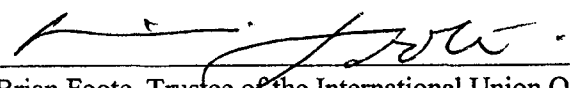
July ____, 2011

Joseph Mancinelli, Chair, Trustee of the Labourers' Pension Fund of Central and Eastern Canada

July ____, 2011

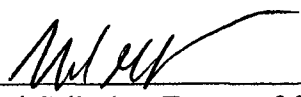
Carmen Principato, Vice-Chair, Trustee of the Labourers' Pension Fund of Central and Eastern Canada

July 22, 2011



Brian Foote, Trustee of the International Union Of Operating Engineers, Local 793 Pension Plan for Operating Engineers in Ontario

July 29, 2011

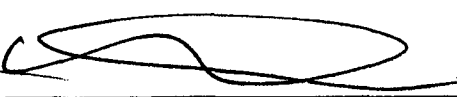


Michael Gallagher, Trustee of the International Union Of Operating Engineers, Local 793 Pension Plan for Operating Engineers in Ontario

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JB July 10, 2011




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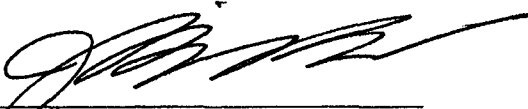


Siskinds
per: Daniel Bach LLP


July ____, 2011



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(Witness)



Kuskie Minsky LLP
per:
Aug. 8/11

Schedule A

Lawyer	Usual Hourly Rate as of January 1, 2011
Kirk M. Baert	\$840
A. Dimitri Lascaris	\$585
Michael Mazzuca	\$715
Michael Robb	\$475
Jonathan Ptak	\$500
Jonathan Bida	\$350
Stephanie Dickson	\$200
Student-at-law or summer student	\$185

Schedule B – How the Fee Agreement Operates

One Example (note: this is an illustration only)	Amounts
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Disbursements incurred by Class Counsel including taxes of \$5,752.21	\$50,000

In the above example, what would be the amount of Class Counsel's fee?

1. In addition to their disbursements plus applicable taxes, Class Counsel would request fees equal to 25% of the first \$20 million and 20% of the remaining \$5 million.
2. Accordingly, Class Counsel would be paid \$50,000 for disbursements plus \$6 million for its fees (exclusive of HST), subject to approval by the Court, which will assess if the amount is fair and reasonable under the circumstances.

What is the total amount payable to the Class Proceedings Fund (CPF) if such funding is put in place?

3. In exchange for the indemnity it provides to the Clients, and for funding it provides towards disbursements, the CPF is required to be paid a levy of 10% of net settlement proceeds (net of Class Counsel fees), plus reimbursement for any disbursements and taxes paid by it. The amounts paid to the CPF are separate and apart from any funds given to Class Counsel, and are required by statute.

What is the additional amount payable towards Class Counsel's fees in the absence of funding?

4. In consideration for Siskinds LLP providing an indemnity to the Clients, Class Counsel would request an addition 5% of the settlement for Class Counsel fees. Class Counsel would request fees equal to 30% of the first \$20 million and 25% of the remaining \$5 million. Accordingly, subject to Court approval, Class Counsel would be paid \$50,000 for disbursements plus \$7.25 million for its fees (exclusive of HST).

What is the amount available for the Class?

5. In this illustration, the Class would recover either \$16,353,000 if there is CPF funding or \$16,757,500 if there is no funding:

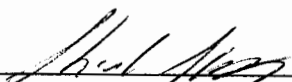
CPF Funding

Recovery	\$25,000,000
Less: Amount payable to Class Counsel	(\$6,000,000)
Less: 13% for HST on fees	(\$780,000)
Less: Amount payable for Disbursements	(\$50,000)
Subtotal	\$18,170,000
Less: 10% payable to Class Proceedings Fund	(\$1,817,000)
Balance available for Class	\$16,353,000

No Funding

Recovery	\$25,000,000
Less: Amount payable to Class Counsel	(\$7,250,000)
Less: 13% for HST on fees	(\$942,500)
Less: Amount payable for Disbursements	(\$50,000)
Balance available for Class	\$16,757,500

This is Exhibit "C(1)" mentioned and referred to in the Affidavit of Charles Wright, sworn before me at the City of London, in the Province of Ontario, this 21st day of November, 2013.


A Commissioner, etc.

SHARLA JOAN STROOP, a Commissioner, etc.,
Province of Ontario, for Siskinds^{LLP}
Barristers and Solicitors. Expires: October 6, 2015

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE) TUESDAY, THE 25TH DAY
JUSTICE PEREIL) OF SEPTEMBER, 2012

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 Plaintiffs for an Order i) certifying this action as a class proceeding for settlement purposes as against Pöyry (Beijing) Consulting Company Limited (the "Settling Defendant"); ii) approving the settlement agreement made as of March 20, 2012, between the plaintiffs and the Settling Defendant (the "Settlement Agreement"); iii) approving the form of notice to class members of the certification of this action and the approval of the

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Settlement Agreement ("Long-Form Approval Notice") and the summary notice to class members of the certification of this action and the approval of the Settlement Agreement ("Short-Form Approval Notice") (together, the "Approval Notices"); iv) approving the form of notice to class members of the Approval Notices ("Notice Plan"); and v) dismissing the action as against the Settling Defendant, was heard on September 21, 2012, in Toronto, Ontario.

WHEREAS the Plaintiffs and the Settling Defendant have entered into the Settlement Agreement in respect of the Plaintiffs' claims against the Settling Defendant,

AND WHEREAS notice of the Settlement Approval Hearing in this proceeding was provided pursuant to the Order dated May 17, 2012,

AND WHEREAS the defendant Sino-Forest Corporation ("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, including the Settlement Agreement attached to this Order as Schedule "A", and on hearing submissions of counsel for the Plaintiffs, counsel for the Settling Defendant, and counsel for the Non-Settling Defendants (as defined in the Settlement Agreement):

1. **THIS COURT ORDERS** that the plaintiffs are granted leave to bring this motion.
2. **THIS COURT DECLARES** that for the purposes of this Order the definitions set out in the Settlement Agreement apply to and are incorporated into this Order.

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3. **THIS COURT ORDERS** that this proceeding be, and hereby is, certified as a class proceeding, for purposes of settlement only, pursuant to the *Class Proceedings Act, 1992*, SO 1992, c 6. ("CPA") sections 2 and 5.

4. **THIS COURT ORDERS** that the Settlement Class is defined as:

all persons and entities, wherever they may reside, who acquired Sino-Forest Corporation common shares, notes, or other securities, as defined in the Ontario *Securities Act*, during the period from and including March 19, 2007 to and including June 2, 2011

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are residents of Canada or were residents of Canada at the time of acquisition and who acquired Sino-Forest Corporation's securities outside of Canada,

excluding the defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an individual defendant;

5. **THIS COURT ORDERS AND DECLARES** that 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 be and hereby are appointed as the representative plaintiffs for the Settlement Class.

6. **THIS COURT ORDERS AND DECLARES** that the claims asserted on behalf of the Settlement Class as against the Settling Defendant are: (a) negligence in connection with Sino-Forest's share and note offerings during the class period; (b) the statutory cause of action in section 130 of the *Securities Act*, R.S.O. 1990, c.S.5 ("OSA") for alleged

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misrepresentations in Sino-Forest's June 2009 and December 2009 prospectuses; and (c) the statutory cause of action in Part XXIII.1 of the *OSA* in connection with Sino-Forest's continuous disclosure documents;

7. **THIS COURT ORDERS** that, for the purposes of settlement, the Ontario Proceeding be and hereby is certified on the basis of the following common issue:

Did the Settling Defendant make misrepresentations as alleged in this Proceeding during the Class Period concerning the assets, business or transactions of Sino-Forest. If so, what damages, if any, did Settlement Class Members suffer?

8. **THIS COURT ORDERS** that NPT Ricepoint Class Action Services be and is hereby appointed as the Opt-Out Administrator for purposes of the proposed settlement and for carrying out the duties assigned to the Opt-Out Administrator under the Settlement Agreement.
9. **THIS COURT ORDERS** that any putative Settlement Class Member may opt out of the Settlement Class in accordance with section 4.1 of the Settlement Agreement.
10. **THIS COURT ORDERS** that any Settlement Class Member who validly opts out of the Settlement Agreement in accordance with paragraph 9 of this Order is not bound by the Settlement Agreement and may no longer participate in any continuation or settlement of the within action.
11. **THIS COURT ORDERS** that the Settlement Agreement, in its entirety (including the Recitals, the Definitions set out in Section 1, and the Schedules), forms part of this Order, shall be implemented in accordance with its terms subject to the terms of this Order, and is binding upon the Plaintiffs, the Settling Defendant, the Opt-Out Administrator and all

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Settlement Class Members, including those persons who are minors or mentally incapable, who did not validly opt out of the Settlement Class in accordance with the Settlement Agreement, and that the requirements of Rules 7.04(1) and 7.08(4) of the *Rules of Civil Procedure*, RRO 1990, Reg 194 are dispensed with in respect of the within action. If there is any inconsistency between the terms of this Order and the Settlement Agreement, the terms of this Order govern.

12. **THIS COURT ORDERS AND DECLARES** that any Settlement Class Member who does not validly opt out of the Settlement Class in accordance with paragraph 9 of this Order shall be deemed to have elected to participate in the settlement and be bound by the terms of the Settlement Agreement and all related court Orders.
13. **THIS COURT ORDERS AND DECLARES** that each Settlement Class Member who does not opt out of the Settlement Class in accordance with paragraph 9 of this Order shall consent and shall be deemed to have consented to the dismissal, without costs and with prejudice, of any other action the Settlement Class Member has commenced against the Releasees, or any of them, in relation to a Released Claim (an "Other Action").
14. **THIS COURT ORDERS AND DECLARES** that each Other Action commenced in Ontario by any Settlement Class Member who does not opt out of the Settlement Class in accordance with paragraph 9 of this Order is dismissed against the Releasees, without costs and with prejudice.
15. **THIS COURT DECLARES** that, subject to the terms of this Order, the settlement as set forth in the Settlement Agreement is fair, reasonable and in the best interests of the Settlement Class Members.

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16. **THIS COURT ORDERS** that, subject to the terms of this Order, the Settlement Agreement be and is hereby approved pursuant to s. 29 of the *CPA* and that it shall be implemented in accordance with its terms.
17. **THIS COURT ORDERS** that the form and content of the Long-Form Approval Notice, the Short-Form Approval Notice, and the opt out forms attached hereto as Schedules "B", "C", and "D" respectively, be and are hereby approved and shall be published, subject to the right of the plaintiff and the Settling Defendant to make minor non-material amendments to such forms, by mutual agreement, as may be necessary or desirable, or for the purpose of creating an online opt out form at the Opt-Out Administrator's website.
18. **THIS COURT ORDERS** that the Approval Notices shall be disseminated as follows:
- (a) A copy of the Long-Form Approval Notice will be provided by Koskie Minsky LLP, Siskinds LLP, and Siskinds Desmeules, senecl (together, "Class Counsel") and the Opt-Out Administrator to all individuals or entities that have contacted Class Counsel regarding this action, and to any person that requests it;
 - (b) Within 10 days of the Order of the Québec Court approving the Settlement Agreement (the "Québec Approval Order"), the Long-Form Approval Notice will be posted on the websites of Sino-Forest Corporation (on its main page), Class Counsel, and the Opt-Out Administrator;
 - (c) Within 20 days of the Québec Approval Order, the Long-Form Approval Notice will be sent directly to the addresses of class members listed on the June 2, 2011 Shareholder List;
 - (d) Within 20 days of the Québec Approval Order, the Long-Form Approval Notice will be sent to a list of all brokers known to the Opt-Out Administrator, with a cover letter containing the following statement:

Nominee purchasers are directed, within ten (10) days of the receipt of this Notice (a) to provide the Opt-Out Administrator with lists of names and addresses of beneficial owners; or (b) to request additional copies of the Notice from the Opt-Out Administrator, to mail the Notice to the beneficial owners. Nominee purchasers who elect to send the Notice to their beneficial owners shall send a statement to the Opt-Out Administrator that the mailing was complete as directed

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- (c) Within 30 days of the Québec Approval Order, the Short-Form Approval 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) *La Presse*, in French, in one weekday publication; and
 - (iv) *Le Soleil*, in French, in one weekday publication.
19. **THIS COURT ORDERS** that the cost of distributing the Approval Notices shall be borne solely by the Settling Defendant up to \$100,000 and equally between the plaintiffs and the Settling Defendant for any costs in excess of \$100,000, subject to review or readjustment by agreement between the plaintiffs and the Settling Defendant.
20. **THIS COURT ORDERS** that no Settlement Class Member may opt out of this class proceeding after the date which is sixty (60) days after the date on which the Approval Notices are first published (the "Opt-Out Deadline") except with leave of this court.
21. **THIS COURT ORDERS** that, within fifteen (15) days of the Opt-Out Deadline, the Opt-Out Administrator shall serve on the parties and file with the court an affidavit listing all persons or entities that have opted out.
22. **THIS COURT ORDERS AND DECLARES** that the Court shall retain jurisdiction over the Plaintiffs, the Opt-Out Administrator, the Settlement Class Members, the Pöyry Parties (as defined in paragraph 27 hereof), Pöyry PLC and Pöyry Finland OY for all matters relating to the within proceeding, including the administration, interpretation, effectuation, and/or enforcement of the Settlement Agreement and this Order and that all of these parties are hereby declared to have attorned to the jurisdiction of this Court in relation thereto.

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23. **THIS COURT ORDERS AND DECLARES** that approval of the Settlement Agreement is contingent upon the issuance by the Superior Court of Québec of an Order approving the Settlement Agreement. If such Order is not secured in Québec, this Order shall be null and void and without prejudice to the rights of the parties to proceed with this action and any agreement between the parties incorporated in this Order shall be deemed in any subsequent proceedings to have been made without prejudice.
24. **THIS COURT ORDERS AND ADJUDGES** that upon the date the Settlement Agreement becomes final, the Releasors fully, finally, and forever release the Releasees from the Released Claims.
25. **THIS COURT ORDERS AND DECLARES** that, subject to paragraph 30 below, all claims for contribution, indemnity or other claims over, including, without limitation, potential third party claims, at common law, equity or pursuant to the *OSM* or other statute, whether asserted, unasserted or asserted in a representative capacity or in any other capacity, inclusive of interest, costs, expenses, class administration expenses, penalties, legal fees and taxes, relating to the Released Claims, which were or could have been brought in the within proceedings or otherwise, or could in the future be brought on the basis of the same events, actions and omissions underlying the within proceedings or otherwise, by any Non-Settling Defendant or any Party or any Releasor against all or any of the Releasees are barred, prohibited, and enjoined in accordance with the terms of the Settlement Agreement and this Order (the "Bar Order").
26. **THIS COURT ORDERS AND DECLARES** that if the Court determines that there is a right of contribution and indemnity or other claims over, including, without limitation, potential third party claims, at common law, equity or pursuant to the *OSM* or other

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stature, whether asserted, unasserted or asserted in a representative capacity or in any other capacity, inclusive of interest, costs, expenses, class administration expenses, penalties, legal fees and taxes, relating to the Released Claims:

- (a) the Settlement Class Members shall not be entitled to claim or recover from the Non-Settling Defendants that portion of any damages (including punitive damages, if any), restitutionary award, disgorgement of profits, interest and costs that corresponds to the Proportionate Liability of the Releasees proven at trial or otherwise; and
- (b) this Court shall have full authority to determine the Proportionate Liability of the Releasees at the trial or other disposition of this action, whether or not the Releasees appear at the trial or other disposition and the Proportionate Liability of the Releasees shall be determined as if the Releasees are parties to this action and any determination by this Court in respect of the Proportionate Liability of the Releasees shall only apply in this action and shall not be binding on the Releasees in any other proceedings.

27. **THIS COURT ORDERS AND DECLARES** that, after all appeals or times to appeal from the certification of this action against the Non-Settling Defendants have been exhausted, any Non-Settling Defendant is entitled to the following:

- (a) documentary discovery and an affidavit of documents in accordance with the *Rules of Civil Procedure* from any and all of the Settling Defendant, Pöyry (Beijing) Consulting Company Ltd. - Shanghai Branch, Pöyry Management Consulting (Singapore) Pte. Ltd., Pöyry Forest Industry Ltd., Pöyry Forest

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Industry Pte. Ltd., Pöyry Management Consulting (Australia) Pty. Ltd., Pöyry Management Consulting (NZ) Ltd., JP Management Consulting (Asia-Pacific) Ltd., and any successor entities (collectively, the "Pöyry Parties", each a "Pöyry Party");

- (b) oral discovery of a representative of any Pöyry Party in accordance with the *Rules of Civil Procedure*, the transcript of which may be read in at trial solely by the Non-Settling Defendants as part of their respective cases in defending the Plaintiffs' allegations concerning the Proportionate Liability of the Releasees and in connection with any potential claim by a Non-Settling Defendant against a Pöyry Party for contribution and indemnity that may arise out of an Order made under paragraph 30 below;
- (c) leave to serve a request to admit on any Pöyry Party in respect of factual matters and or documents in accordance with the *Rules of Civil Procedure*;
- (d) the production of a representative of any Pöyry Party to testify at trial in accordance with the *Rules of Civil Procedure*, with such witness or witnesses to be subject to cross-examination by counsel for the Non-Settling Defendants; and
- (e) leave to serve *Evidence Act* notices on any Pöyry Party.

The discovery set out in subparagraphs (a) and (b) above shall proceed pursuant to an agreement between the Non-Settling Defendants and the Pöyry Parties in respect of a discovery plan, or failing such agreement, a further Order of this Court in respect of a discovery plan.

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28. **THIS COURT ORDERS AND DECLARES** that the Pöyry Parties, Pöyry PLC and Pöyry Finland OY shall, on a best efforts basis, take steps to collect and preserve all documents relevant to the matters at issue in the within proceeding and any proceeding contemplated by paragraph 30, until such time as the within proceeding and any proceeding contemplated by paragraph 30 have been finally disposed of and all appeals or times to appeal from any Order finally disposing of the within proceeding and any proceeding contemplated by paragraph 30 have been exhausted.
29. **THIS COURT ORDERS AND DECLARES** that service on any Pöyry Party, Pöyry PLC and Pöyry Finland OY of any court documents relating to the within proceeding, including, but not limited to notices of examination, requests to inspect or admit *Evidence Act* notices and summons, may be served on counsel for the Settling Defendant, John Pirie of Baker & McKenzie LLP, or such other counsel as may replace current counsel as counsel for the Settling Defendant in respect of this proceeding and that such service shall be deemed to be sufficient service under the *Rules of Civil Procedure*.
30. **THIS COURT ORDERS AND DECLARES** that if any Pöyry Party fails to satisfy its reasonable obligations arising under paragraph 27 above, a Non-Settling Defendant may make a motion to this Court on at least fifteen (15) days notice to compel reasonable compliance by the alleged non-compliant Pöyry Party or for such other alternative relief as the Court may consider just and appropriate. If such an Order is made, and not adhered to by the Pöyry Party at issue, a Non-Settling Defendant may then bring a motion on at least twenty (20) days notice to lift the Bar Order under paragraph 25 above with respect to the Pöyry Party at issue and to advance a claim for contribution, indemnity or other claims over against the Pöyry Party at issue.

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31. **THIS COURT ORDERS AND DECLARES** that any Pöyry Party affected or potentially affected by a motion brought under paragraph 30 above shall have the right to oppose any such motion.
32. **THIS COURT ORDERS AND DECLARES** that if an Order is made under paragraph 30 above permitting a claim to be advanced against a Pöyry Party by a Non-Settling Defendant:
- (a) any limitation period applicable to such a claim, whether in favour of a Pöyry Party or a Non-Settling Defendant, shall be deemed to have been tolled as of the date of this Order and shall continue as of the date of any Order permitting a claim to be advanced against any Pöyry Party pursuant to paragraph 30 above;
 - (b) any Pöyry Party that is subject to a claim permitted under paragraph 30 above shall have all procedural and substantive rights available to it at law to defend and challenge such a claim, including, *inter alia*, the right to bring a motion for summary judgment or to strike out a pleading on the ground that it discloses no reasonable cause of action; and
 - (c) no Pöyry Party shall advance or raise any *res judicata* or issue estoppel argument or defence with respect to any claim permitted under paragraph 30 above.
33. **THIS COURT ORDERS AND DECLARES** that nothing in this Order shall be taken as a waiver of any rights that a Pöyry Party may have, now or in the future, to challenge any claim or proceeding brought against a Pöyry Party by a Non-Settling Defendant.
34. **THIS COURT ORDERS AND DECLARES** that after all appeals or times to appeal from the certification of this action against the Non-Settling Defendants have been

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exhausted, any Non-Settling Defendant may bring a motion to this Court on at least twenty (20) days notice seeking a determination from the Court as to whether Pöyry PLC and or Pöyry Finland OY shall be subject to the Non-Settling Defendants' procedural entitlements set out in subparagraphs 27(a), (b), (c), (d) and (e) above. Pöyry PLC, Pöyry Finland OY and/or any Pöyry Party affected or potentially affected by a motion brought under this paragraph shall have the right to oppose any such motion.

35. **THIS COURT ORDERS AND DECLARES** that if an Order is made under paragraph 34 above requiring Pöyry PLC and/or Pöyry Finland OY to be subject to the Non-Settling Defendants' procedural entitlements set out in subparagraphs 27(a), (b), (c), (d) and (e), then Pöyry PLC and/or Pöyry Finland OY, as the case may be, shall be deemed to be a Pöyry Party and the relief set out in paragraphs 22, 27, 30, 31, 32 and 33 above shall apply to Pöyry PLC and/or Pöyry Finland OY as if each entity was a Pöyry Party.

36. **THIS COURT ORDERS AND DECLARES** that this Order and its terms are entirely without prejudice to the Non-Settling Defendants except as against the Releasees as provided herein, including without limiting the generality of the foregoing without prejudice to the Non-Settling Defendants' ability to challenge any aspect of any certification or other preliminary motions currently pending or that may be brought in the future in respect of the Non-Settling Defendants, including the factual, evidentiary and/or legal elements of the test for certification under the *Class Proceedings Act*, S.O. 1992, c. 6.

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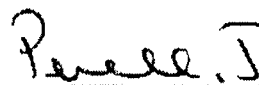
37. **THIS COURT ORDERS AND ADJUDGES** that, upon the Effective Date, the within proceeding is dismissed against the Settling Defendant without costs and with prejudice.

Date:

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO

OCT 30, 2012

AS DOCUMENT NO.:
A TITRE DE DOCUMENT NO.
PER / PAR:



THE HONOURABLE JUSTICE PERELL

Schedule A

SINO-FOREST CLASS ACTION NATIONAL SETTLEMENT AGREEMENT

Made as of March 20, 2012

Between

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

and

PÖYRY (BEIJING) CONSULTING COMPANY LIMITED

**SINO-FOREST CLASS ACTION
NATIONAL SETTLEMENT AGREEMENT**

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**SINO-FOREST CLASS ACTION
NATIONAL SETTLEMENT AGREEMENT**

RECITALS

- A. WHEREAS the Proceedings have been commenced by the Plaintiffs in Ontario and Quebec which allege that the Settling Defendant made misrepresentations regarding the assets, business and transactions of Sino-Forest contrary to the *OSA*, the *QSA*, the civil law of Quebec and the common law of the rest of Canada;
- B. AND WHEREAS the Settling Defendant believes that it is not liable in respect of the claims as alleged in the Proceedings and the Settling Defendant believes that it has good and reasonable defences in respect of the merits in the Proceedings;
- C. AND WHEREAS the Settling Defendant asserts that it would actively pursue its defences in respect of the merits during the course of certification, during the course of discovery and at trial if the Plaintiffs continued the Proceedings against it;
- D. AND WHEREAS, despite the Settling Defendant's belief that it is not liable in respect of the claims as alleged in the Proceedings and its belief that it has good and reasonable defences in respect of the merits, the Settling Defendant has negotiated and entered into this Settlement Agreement to avoid further expense, inconvenience, and burden of this litigation and any other present or future litigation arising out of the facts that gave rise to this litigation and to achieve final resolutions of all claims asserted or which could have been asserted against the Settling Defendant by the Plaintiffs on their own behalf and on behalf of the classes they seek to represent, and to avoid the risks inherent in uncertain, complex and protracted litigation;
- E. AND WHEREAS counsel for the Settling Defendant and counsel for the Plaintiffs have engaged in extensive arm's-length settlement discussions and negotiations in respect of this Settlement Agreement;
- F. AND WHEREAS as a result of these settlement discussions and negotiations, the Settling Defendant and the Plaintiffs have entered into this Settlement Agreement, which embodies all of the terms and conditions of the settlement between the Plaintiffs and the Settling Defendant, both individually and on behalf of the Settlement Class, subject to approval of the Courts;

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G. AND WHEREAS the Plaintiffs have agreed to accept this settlement, in part, because of the value of the cooperation the Settling Defendant has made and agrees to render or make available to the Plaintiffs and/or Class Counsel pursuant to this Settlement Agreement, as well as the attendant risks of litigation in light of the jurisdictional issues relating to the Settling Defendant, the potential defences that may be asserted by the Settling Defendant and the challenges of enforcement against the Settling Defendant in a foreign jurisdiction;

H. AND WHEREAS the Plaintiffs recognize the benefits of the Settling Defendant's early cooperation in respect of the Proceedings;

I. AND WHEREAS the Settling Defendant does not admit through the execution of this Settlement Agreement any allegation of unlawful conduct alleged in the Proceedings;

J. AND WHEREAS the Plaintiffs and Class Counsel have reviewed and fully understand the terms of this Settlement Agreement and, based on their analyses of the facts and law applicable to the Plaintiffs' claims, and having regard to the burdens and expense in prosecuting the Proceedings, including the risks and uncertainties associated with trials and appeals, the Plaintiffs and Class Counsel have concluded that this Settlement Agreement is fair, reasonable and in the best interests of the Plaintiffs and the classes they seek to represent;

K. AND WHEREAS the Plaintiffs, Class Counsel and the Settling Defendant agree that neither this Settlement Agreement nor any statement made in the negotiation thereof shall be deemed or construed to be an admission by or evidence against the Settling Defendant or evidence of the truth of any of the Plaintiffs' allegations against the Settling Defendant, which the Settling Defendant expressly denies;

L. AND WHEREAS the Settling Defendant is entering into this Settlement Agreement in order to achieve a final and nation-wide resolution of all claims asserted or which could have been asserted against it by the Plaintiffs in the Proceedings or claims which could in the future be brought on the basis of the same events, actions and omissions underlying the Proceedings, and to avoid further expense, inconvenience and the distraction of burdensome and protracted litigation;

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M. AND WHEREAS the Parties therefore wish to, and hereby do, finally resolve on a national basis, without admission of liability, all of the Proceedings as against the Settling Defendant;

N. AND WHEREAS for the purposes of settlement only and contingent on approvals by the Courts as provided for in this Settlement Agreement, the Parties have consented to certification of the Ontario Proceeding and authorization of the Quebec Proceedings as class proceedings and have consented to a Settlement Class and a Common Issue in each of the Proceedings;

O. AND WHEREAS for the purposes of settlement only and contingent on approvals by the Courts as provided for in this Settlement Agreement, the Plaintiffs have consented to a dismissal of each of the Proceedings as against the Settling Defendant;

NOW THEREFORE, in consideration of the covenants, agreements and releases set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is agreed by the Parties that the Proceedings be settled and dismissed with prejudice as to the Settling Defendant only, without costs as to the Plaintiffs, the classes they seek to represent or the Settling Defendant, subject to the approval of the Courts, on the following terms and conditions:

SECTION 1 - DEFINITIONS

For the purpose of this Settlement Agreement (as hereinafter defined):

- (1) *Affiliates* means, in respect of any Person, any other Person or group of Persons that, directly or indirectly through one or more intermediaries, control, are controlled by, or are under common control with, such Person first mentioned, and for the purposes of this definition, "control" means the power to direct or cause the direction of the management and policies of a Person whether through the ownership of voting securities, by contract or otherwise.
- (2) *Approval Hearings* means the hearings to approve the motions brought by Ontario Counsel before the Ontario Court and Quebec Counsel before the Quebec Court, for such Courts' respective approval of the settlement provided for in this Settlement Agreement.
- (3) *Auditors* means, collectively, Ernst & Young LLP and BDO Limited (formerly known as BDO McCabe Lo Limited).

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- (4) *Class Counsel* means, collectively, Ontario Counsel and Quebec Counsel.
- (5) *Class Period* means March 19, 2007 to June 2, 2011.
- (6) *Common Issue* in each of the Ontario Proceeding and Quebec Proceeding means: Did the Settling Defendant make misrepresentations as alleged in this Proceeding during the Class Period concerning the assets, business or transactions of Sino-Forest? If so, what damages, if any, did Settlement Class Members suffer?
- (7) *Courts* means, collectively, the Ontario Court and the Quebec Court.
- (8) *Defendants* means, collectively, the Persons named as defendants in the Proceedings as set out in Schedule A and any other Person who is added as a defendant in the Proceedings in the future.
- (9) *Effective Date* means the date when the Final Order has been received from the last of the Ontario Court and the Quebec Court to issue the Final Order.
- (10) *Excluded Person* means the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors successors and assigns, and any individual who is a member of the immediate family of an individual Defendant.
- (11) *Final Order* means a final judgment entered by the Ontario Court or the Québec Court in respect of both: (i) the certification or authorization of the Ontario Proceeding or the Quebec Proceeding, respectively, as a class proceeding; and (ii) the approval of this Settlement Agreement; but only once the time to appeal such judgment has expired without any appeal being taken, if an appeal lies or, once there has been affirmation of the certification or authorization of a Proceeding as a class proceeding and the approval of this Settlement Agreement, upon a final disposition of all appeals therefrom.
- (12) *Non-Settling Defendant* means a Defendant that is not the Settling Defendant.
- (13) *Notice of Certification/Authorization and Approval Hearings* means the form or forms of notice, agreed to by the Plaintiffs and the Settling Defendant, or such other form or forms as may be approved by the Courts, which informs the Settlement Class of: (i) the certification of the

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Ontario Proceeding or authorization of the Quebec Proceeding solely for the purposes of this Settlement; (ii) the dates and locations of each of the Approval Hearings; (iii) the principal terms of this Settlement Agreement; (iv) the process by which Settlement Class Members can opt out of each of the Proceedings; and (v) the Opt Out Deadline in respect of each of the Proceedings.

- (14) *Ontario Proceeding* means Ontario Court File No. CV-11-431153-00CP (Toronto).
- (15) *Ontario Counsel* means Siskinds LLP and Koskie Minsky LLP.
- (16) *Ontario Court* means the Ontario Superior Court of Justice.
- (17) *Opt-Out Administrator* means the Person appointed by the Courts to receive and report on Opt Outs.
- (18) *Opt-Out Deadline* means the date which is sixty (60) days after the date on which the Notice of Certification/Authorization and Approval Hearings is first published.
- (19) *OSA* means the *Securities Act*, RSO 1990, c S.5.
- (20) *Other Actions* means, without limitation, actions, suits, proceedings or arbitration, civil, criminal, regulatory or otherwise, at law or in equity, other than the Proceedings, relating to Released Claims commenced by a Settlement Class Member either before or after the Effective Date.
- (21) *Parties* means, collectively, the Plaintiffs, Settlement Class Members and the Settling Defendant.
- (22) *Person* means an individual, corporation, partnership, limited partnership, limited liability company, association, estate, legal representative, trust, trustee, executor, beneficiary, unincorporated association, government or any political subdivision or agency thereof, and any other business or legal entity and their heirs, predecessors, successors, representatives, or assignees.
- (23) *Plaintiffs* means the Persons named as plaintiffs in the Proceedings as set out in Schedule A, and any other Person who may in the future be added as plaintiff to either of the Proceedings.
- (24) *PRC* means the People's Republic of China.

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- (25) *Proceedings* means, collectively, the Ontario Proceeding and the Quebec Proceeding.
- (26) *Proportionate Liability* means that proportion of any judgment that, had they not settled, the Ontario Court would have apportioned to the Releasees.
- (27) *QSA* means the *Quebec Securities Act*, R.S.Q., c. V-1.1
- (28) *Quebec Class Members* means all natural persons, as well as all legal persons established for a private interest, partnerships and associations having no more than fifty (50) persons bound to it by contract of employment under its direction or control during the twelve (12) month period preceding the motion for authorization domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011.
- (29) *Quebec Counsel* means Siskinds Desmeules s.e.n.c.r.l.
- (30) *Quebec Court* means the Superior Court of Quebec.
- (31) *Quebec Proceeding* means Quebec Court (District of Quebec) Court file No. 200-06-000132-111.
- (32) *Released Claims* means any and all manner of claims, demands, actions, suits, causes of action, whether class, individual or otherwise in nature, whether personal or subrogated, for damages whenever incurred, obligations, liabilities of any nature whatsoever including, without limitation, interest, costs, expenses, class administration expenses, penalties, and lawyers' fees (including Class Counsel's fees), known or unknown, suspected or unsuspected, in law, under statute or in equity, that the Releasees, or any of them, whether directly, indirectly, derivatively, or in any other capacity, ever had, now have, or hereafter can, shall or may have, relating in any way to any conduct anywhere, from the beginning of time to the date hereof, or in respect of any misrepresentations (including, without limitation, any verbal statements made or not made by the Settling Defendant's agents) directly or indirectly relating to Sino-Forest, its Subsidiaries

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(including, without limitation, Greenheart Group Limited) and other Affiliates and their respective assets, business and transactions, whether contained in or arising from valuations or reports prepared by the Settling Defendant or any Releasee for Sino-Forest, its Subsidiaries (including, without limitation, Greenheart Group Limited) and other Affiliates or elsewhere, or relating to any conduct alleged (or which could have been alleged or could in the future be alleged on the basis of the same events, actions and omissions) in the Proceedings including, without limitation, any such claims which have been asserted, could have been asserted, or could in the future be asserted on the basis of the same events, actions and omissions underlying the Proceedings, directly or indirectly, whether in Canada or elsewhere, as a result of or in connection with the events discussed in the reports of Sino-Forest's Independent Committee and the June 2, 2011 report issued by Muddy Waters LLC in respect of Sino-Forest, its Subsidiaries (including, without limitation, Greenheart Group Limited) and other Affiliates;

(33) *Releasees* means, jointly and severally, individually and collectively, the Settling Defendant, its past and present, direct and indirect, Subsidiaries and other Affiliates, and their respective divisions, partners, insurers (solely in respect of any insurance policy applicable to the acts or omissions of the Settling Defendant, its past and present, direct and indirect, Subsidiaries and other Affiliates), consultants, sub-consultants, attorneys, agents and all other Persons that are Affiliates of any of the foregoing, and all of their respective past, present and future officers, directors, employees, agents, partners, shareholders, attorneys, trustees, servants and representatives and the predecessors, successors, purchasers, heirs, executors, administrators and assigns of each of the foregoing, excluding always the Non-Settling Defendants and any of their respective current or former Subsidiaries and other Affiliates, officers, directors, executives, employees, shareholders, joint venturers and/or partners.

(34) *Releasers* means, jointly and severally, individually and collectively, the Plaintiffs and the Settlement Class Members and their respective Subsidiaries and other Affiliates, and their respective divisions, partners, insurers, consultants, sub-consultants and all other Persons that are Affiliates of any of the foregoing, and all of their respective past, present and future officers, directors, employees, agents, partners, shareholders, attorneys, trustees, servants and representatives and the predecessors, successors, heirs, executors, administrators, representatives, insurers and assigns.

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- (35) *Settlement Agreement* means this agreement including the recitals and schedules.
- (36) *Settlement Class* means, in respect of each of the Ontario Proceeding and the Quebec Proceeding, the settlement class defined in Schedule A.
- (37) *Settlement Class Member* means a member of a Settlement Class who does not validly opt-out of that Settlement Class in accordance with section 4.1 and any orders of the Courts.
- (38) *Settling Defendant* means Pöyry (Beijing) Consulting Company Limited.
- (39) *Sino-Forest* means Sino-Forest Corporation.
- (40) *Subsidiary* has the meaning ascribed to it in the *Canada Business Corporations Act*.
- (41) *Underwriters* means 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 Banc of America Securities LLC, including, without limitation, their respective Subsidiaries and other Affiliates and their respective personnel.

SECTION 2 - SETTLEMENT APPROVAL

2.1 Best Efforts

The Parties shall use their best efforts to effectuate this settlement and to secure the prompt, complete and final dismissal with prejudice of the Proceedings and without further recourse as against the Settling Defendant.

2.2 Motions for Approval

- (1) Each of the Ontario Plaintiffs and Quebec Plaintiffs shall promptly bring motions before the Ontario Court and the Quebec Court, respectively, for orders approving the notices described in section 10 herein, certifying the Ontario Proceeding and authorizing the Quebec Proceeding as a class proceeding for settlement purposes only and approving this Settlement Agreement.
- (2) The motions for approval of this Settlement Agreement referred to in section 2.2(1) shall not be returnable until the Opt Out Deadline has passed.

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(3) The Ontario order certifying the Ontario Proceeding referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule B-1. The Quebec order authorizing the Quebec Proceeding referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule B-2.

(4) The Ontario order approving the Settlement Agreement referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule C-1. The Quebec order approving the Settlement Agreement referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule C-2.

(5) The form and content of the orders approving the Settlement Agreement contemplated in this section 2.2 shall be considered a material term of this Settlement Agreement and the failure of any Court to approve the orders substantially in the form contemplated herein and attached as schedules hereto shall constitute a Non-Approval of Settlement Agreement pursuant to section 5.1 of this Settlement Agreement.

2.3 Pre-Motion Confidentiality

(1) Until the first of the motions required by section 2.2 is brought, the Parties shall keep all of the terms of this Settlement Agreement, and any information or documents related thereto, confidential and shall not disclose them without the prior written consent of counsel for the Settling Defendant and Class Counsel, as the case may be, except as required for the purposes of financial reporting or the preparation of financial records (including, without limitation, tax returns and financial statements) or as otherwise required by law, in which case the Party seeking to disclose shall provide at least fifteen (15) days written notice to the other Parties of the proposed disclosure and the basis for the proposed disclosure.

(2) Any disclosure of the terms of this Settlement Agreement, and any information or documents related thereto, contemplated in subsection 2.3(1) or otherwise shall be for the sole and exclusive purpose of seeking approval of this Settlement Agreement by the Courts and facilitating the settlement of the Proceedings and release of the Released Claims pursuant to the terms of this Settlement Agreement.

SECTION 3 - SETTLEMENT BENEFITS

3.1 Cooperation – No Disclosure of Privileged Communications

Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any documents or information prepared by or for counsel for the Settling Defendant, or to disclose or produce any document or information in breach of any order, regulatory directive, regulatory policy, regulatory agreement or law of any jurisdiction, or subject to solicitor-client privilege, litigation privilege, attorney-client privilege, work product doctrine, common interest privilege, joint defence privilege or any other privilege.

3.2 Cooperation – No Disclosure of Documents or Information Contrary to Privacy and State Secrets Protection Laws

Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any documents or information, where production of such documents or information would potentially result, in the reasonable judgment of the Settling Defendant and its counsel, in a breach or violation of any federal, provincial, state or local privacy law, or any law of a foreign jurisdiction, including, without limitation, PRC privacy and state secrets protection laws.

3.3 Cooperation – No Disclosure of Confidential Information

Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any confidential documents or information that the Settling Defendant holds under commercial arrangements where such disclosure or production would potentially result, in the reasonable judgment of the Settling Defendant and its counsel, in a breach of contract.

3.4 Cooperation

(1) It is understood and agreed that all documents and information provided by the Settling Defendant or Releasees to Plaintiffs and Class Counsel under this Settlement Agreement shall be used only in connection with the prosecution of the claims in the Proceedings, and shall not be used directly or indirectly for any other purpose. Plaintiffs and Class Counsel agree that they will not publicize the documents and information provided by the Settling Defendant beyond

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what is reasonably necessary for the prosecution of the Proceedings or as otherwise required by law.

(2) Within thirty (30) days of the Date of Execution or at a time mutually agreed upon by the Parties, the Settling Defendant shall provide, through a meeting between counsel for the Settling Defendant and Class Counsel, an evidentiary proffer, which will include verbal information relating to the allegations in the Proceedings including, without limitation, a summary of the Settling Defendant's material interactions and involvement with Sino-Forest, the Auditors and the Underwriters; the Settling Defendant's understanding of Sino-Forest's business model as it pertains to timber plantation, purchased forests and forestry management; and the Settling Defendant's knowledge and understanding of Sino-Forest's actual or purported revenues and/or assets during the Class Period.

(3) Within thirty (30) days of the Effective Date, or at a time mutually agreed upon by the Parties, the Settling Defendant shall provide copies of the following categories of documents being within the possession, custody or control of the Settling Defendant and the Releasees:

- (a) documents relating to Sino-Forest, the Auditors or the Underwriters, or any of them, as well as the dates, locations, subject matter, and participants in any meetings with or about Sino-Forest, the Auditors or the Underwriters, or any of them;
- (b) documents provided by the Settling Defendant or any Releasee to any state, federal or international government or administrative agency, without geographic limitation, concerning the allegations raised in the Proceedings, excluding documents created for the purpose of being so provided; and
- (c) documents provided by the Settling Defendant or any Releasee to Sino-Forest's Independent Committee or the ad hoc committee of noteholders.

(4) The obligation to produce documents pursuant to this section 3.4 shall be a continuing obligation to the extent that material documents are identified following the initial productions. The Settling Defendant and Releasees make no representation that they have a complete set of documents within any of the categories of information or documents described herein.

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(5) To the extent that any document includes technical information within the expertise of the Settling Defendant, Class Counsel may request, and the Settling Defendant shall provide, an explanation sufficient for Class Counsel to understand the document; however, in no event will any liability or further obligation attach to such explanation.

(6) Following the Effective Date, the Settling Defendant and Releasees shall, at the request of Class Counsel, upon reasonable notice, and subject to any legal restrictions, make reasonable efforts to make available at a mutually convenient time, at a mutually agreed upon location in North America, up to three (3) current or former employees of the Settling Defendant and Releasees who have knowledge of the allegations raised in the Proceedings to provide information regarding the allegations raised in the Proceedings in a personal interview with Class Counsel and/or experts retained by Class Counsel in the presence of, and assisted by, counsel for the Settling Defendant, provided that none of the employee(s) or former employee(s) are required to travel to North America pursuant to this subsection 3.4(6) more than two (2) times each. Costs incurred by, and the expenses of, the employees of the Settling Defendant and Releasees in relation to such interviews shall be the responsibility of the Settling Defendant. If the employee(s) or former employee(s) contemplated in this subsection 3.4(6) refuse to provide information, or otherwise cooperate, the Settling Defendant shall use reasonable efforts to make him/her available for an interview with Class Counsel and/or experts retained by Class Counsel as aforesaid. The failure of the employee(s) or former employee(s) contemplated in this subsection 3.4(6) to agree to make him or herself available, or to otherwise cooperate with the Plaintiffs shall not constitute a breach or other violation of this Settlement Agreement, and shall not provide any basis for the termination of this Settlement Agreement, provided that the Settling Defendant has made reasonable efforts to cause such cooperation.

(7) Subject to the rules of evidence and the other provisions of this Settlement Agreement, the Settling Defendant agrees to use reasonable efforts to produce at trial and/or discovery or through affidavits acceptable to Class Counsel or other testimony, (i) a current representative as Class Counsel and the Settling Defendant, acting reasonably, agree would be qualified to establish for admission into evidence the Settling Defendant and Releasees' involvement with Sino-Forest, the Auditors and the Underwriters; and (ii) current representatives as Class Counsel and the Settling Defendant, acting reasonably, agree would be necessary to support the submission into evidence of any information and/or documents provided by the Settling

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Defendant or any Releasee in accordance with this Settlement Agreement that Class Counsel and the Settling Defendant, acting reasonably, agree might be reasonably necessary for the prosecution of the Proceedings, including, without limitation, for the purpose of any motion where such evidence is reasonably necessary.

(8) In connection with its provision of information, testimony and documents, the Settling Defendant and the Releasees shall have the right to assert solicitor-client privilege, litigation privilege and/or any other privilege, or to assert a right to refuse production on the basis of privacy law, state secrets law, contractual confidentiality obligations or other rule of law of this or any other jurisdiction. To the extent that Class Counsel requests particular documents, information or other materials from the Settling Defendant and the Settling Defendant does not produce the requested documents, information or other materials on the basis of this provision, or any other provision herein: (i) counsel for the Settling Defendant shall provide Class Counsel with a description of any such documents, information or other materials and a description of the basis on which the Settling Defendant is not prepared to produce said document, information or other material sufficient for Class Counsel to assess the nature of that basis and the document, information or other material, except where providing such descriptions would, in the reasonable judgment of counsel for the Settling Defendant, be contrary to privacy law, state secrets law, contractual confidentiality obligations or other rule of law of this or any other jurisdiction, in which case counsel for the Settling Defendant will so advise; and (ii) Class Counsel or counsel for the Settling Defendant may seek to resolve any dispute arising from this subsection 3.4(8) pursuant to the procedures set out in section 11.7 of this Settlement Agreement.

(9) The Settling Defendant and Releasees waive any and all privilege relating to any specific document that the Settling Defendant has agreed to produce in response to this section 3.4. Notwithstanding the foregoing, nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant or any Releasee to disclose or produce any documents or information prepared by or for counsel for the Settling Defendant during the course of any of the Proceedings.

(10) If any of the types of documents referenced in sections 3.1, 3.2 or 3.3 are accidentally or inadvertently produced, such documents shall be promptly returned to counsel for the Settling Defendant and the documents and the information contained therein shall not be disclosed or

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used directly or indirectly, except with the express written permission of the Settling Defendant, and the production of such documents shall in no way be construed to have waived in any manner any privilege or protection attached to such documents.

(11) It is understood and agreed that the Plaintiffs, the Settlement Class Members and Class Counsel shall not, without the express written consent of the Settling Defendant and its counsel, directly or indirectly use any information or documents provided by the Settling Defendant or any Releasee, or received from the Settling Defendant or any Releasee in connection with this Settlement Agreement, for any purpose other than the prosecution of the claims in the Proceedings, nor disclose or share with any other Persons (including, without limitation, any regulator, agency or organization of this or any other jurisdiction), any information or documents obtained from the Settling Defendant in connection with this Settlement Agreement or any information conveyed by counsel for the Settling Defendant or any Releasee, except in the event that a court in Canada expressly orders such information or documents to be disclosed. In no circumstances, however, may the Plaintiffs, the Settlement Class Members and/or Class Counsel apply for or consent to such an order, and promptly, upon becoming aware of an application or motion for such an order, Class Counsel shall immediately notify the Settling Defendant of the application or motion in order that the Settling Defendant may intervene in such proceedings. The disclosure restrictions set forth in this subsection do not apply to otherwise publicly available documents and information.

(12) The Settling Defendant and Releasees' obligations to cooperate as particularized in this section 3.4 shall not be affected by the release provisions contained in section 6 of this Settlement Agreement. The Settling Defendant and Releasees' obligations to cooperate shall cease at the date of final judgment or order in the Proceedings against all Defendants, including, without limitation, an order approving a settlement between the Plaintiffs and the Non-Settling Defendants and/or an order dismissing the Proceedings. In the event the Settling Defendant or any Releasee materially breaches this section 3.4, Class Counsel may move before the Courts to enforce the terms of this Settlement Agreement.

(13) The provisions set forth in this section 3.4 shall constitute the exclusive means by which the Plaintiffs, the Settlement Class Members and Class Counsel may obtain discovery from the Settling Defendant, its current and former directors, officers or employees and the Releasees, and

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the Plaintiffs, the Settlement Class Members and Class Counsel shall pursue no other means of discovery against the Settling Defendant, its current and former directors, officers or employees and the Releasees, whether under the laws or rules of any jurisdiction.

(14) A material factor influencing the Settling Defendant's decision to execute this Settlement Agreement is its desire to limit the burden and expense of this litigation. Accordingly, Class Counsel agree to exercise good faith in seeking cooperation from the Settling Defendant and any Releasee and to avoid seeking information that is unnecessary, cumulative or duplicative and agree otherwise to avoid imposing undue or unreasonable burden or expense on the Settling Defendant or Releasees.

SECTION 4 - OPTING-OUT

4.1 Procedure

(1) A Person may opt-out of the Proceedings by sending a written election to opt-out, signed by the Person or the Person's designee, by pre-paid mail, courier, fax, or email to the Opt-Out Administrator at an address to be identified in the Notice of Certification/Authorization and Approval Hearings. Residents of Quebec must also send the written election to opt-out by pre-paid mail or courier to the Quebec Court at an address to be identified in the Notice of Certification/Authorization and Approval Hearings.

(2) An election to opt-out will only be effective if it is actually received by the Opt-Out Administrator on or before the Opt-Out Deadline.

(3) The written election to opt-out must contain the following information in order to be effective:

- (a) the Person's full name, current address and telephone number;
- (b) the name and number of Sino-Forest securities purchased during the Class Period and the date and price of each such transaction;
- (c) a statement to the effect that the Person wishes to be excluded from the Proceedings; and
- (d) the reasons for opting out.

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(4) Quebec Class Members who have commenced proceedings or commence proceedings against any of the Defendants with respect to the matters at issue in the Quebec Proceeding and fail to discontinue such proceedings by the Opt-Out Deadline shall be deemed to have opted out of the Quebec Proceeding. Quebec Counsel warrant and represent that, to the best of their knowledge, no such action has been commenced as of the date this Settlement Agreement was executed by it.

4.2 Opt-Out Report

Within fifteen (15) days of the Opt-Out Deadline, the Opt-Out Administrator shall provide to the Settling Defendant a report containing the following information in respect of each Person, if any, who has validly and timely opted out of the Proceedings:

- (a) the Person's full name, current address and telephone number;
- (b) the reasons for opting out, if given; and
- (c) a copy of all information provided in the opt-out process by the Person electing to opt-out.

SECTION 5 – NON-APPROVAL OF SETTLEMENT AGREEMENT

5.1 Effect of Non-Approval of Settlement Agreement

In the event of non-approval of the Settlement Agreement by either of the Ontario Court or the Quebec Court:

- (a) any order certifying or authorizing a Proceeding as a class action on the basis of the Settlement Agreement or approving this Settlement Agreement shall be set aside and declared null and void and of no force or effect, and anyone shall be estopped from asserting otherwise;
- (b) to the extent that any Court is resistant to setting aside any order certifying or authorizing the Proceeding as a class action solely for settlement purposes, Class Counsel undertakes to, on a best efforts basis, assist the Settling Defendant in having such an order set aside and shall, if requested by the Settling Defendant, bring a

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motion on behalf of the Plaintiffs to set aside any order certifying or authorizing the Proceeding as a class action solely for settlement purposes;

- (c) any prior certification or authorization of a Proceeding as a class proceeding, including, without limitation, the definitions of the Settlement Class and the Common Issue, shall be without prejudice to any position that any of the Parties may later take on any issue in the Proceedings or any other litigation;
- (d) within ten (10) days of such non-approval having occurred, Class Counsel shall destroy: (i) all documents and other materials provided by the Settling Defendant or any Releasee; and (ii) all documents and other materials containing or reflecting information derived from any documents or other materials provided by the Settling Defendant or any Releasee or conveyed by counsel for the Settling Defendant, through the evidentiary proffer process described in subsection 3.4(2) herein or otherwise.
- (e) To the extent Class Counsel or the Plaintiffs have disclosed any documents or other materials provided by the Settling Defendant or any Releasee to any other Person, Class Counsel shall, within ten (10) days, recover and destroy such documents and other materials and shall provide the Settling Defendant and Releasees with a written certification by Class Counsel of such destruction.
- (f) Nothing contained in this section 5.1 shall be construed to require Class Counsel to destroy any of their work product; and
- (g) subject to section 5.2 herein, all obligations pursuant to this Settlement Agreement shall cease immediately.

5.2 Survival of Provisions After Non-Approval of Settlement Agreement

If this Settlement Agreement is not approved by the Courts, the provisions of sections 5, 8.1, and 8.2, and the definitions and Schedules applicable thereto shall survive the non-approval and continue in full force and effect. The definitions and Schedules shall survive only for the limited purpose of the interpretation of sections 5, 8.1, and 8.2 within the meaning of this Settlement Agreement, but for no other purposes. All other provisions of this Settlement

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Agreement and all other obligations pursuant to this Settlement Agreement shall cease immediately.

5.3 Reservation of Rights in the Event of Non-Approval of Settlement Agreement

Except as may be set forth in this Settlement Agreement, the Settling Defendant and Plaintiffs expressly reserve all of their respective rights if this Settlement Agreement does not become effective or is not approved by the Courts and the Plaintiffs hereby expressly acknowledge that they will not, in any way whatsoever, use the fact or existence of this Settlement Agreement or related documents and information as any form of admission, whether of liability, process, wrongdoing, or otherwise, of the Settling Defendant.

SECTION 6 - RELEASES AND DISMISSALS

6.1 Release of Releasees

(1) Upon the Effective Date, and in consideration of the cooperation of the Settling Defendant and the Releasees pursuant to this Settlement Agreement, and for other valuable consideration set forth in the Settlement Agreement, the Releasers forever and absolutely release the Releasees from the Released Claims.

(2) The Releasers are aware that they may hereafter discover claims or facts in addition to or different from those they now know or believe to be true with respect to the matters giving rise to the Released Claims. Nevertheless, it is the intention of each of the Releasers to fully, finally and forever settle and release the Released Claims. In furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release of all Released Claims, notwithstanding the discovery or existence of any additional or different claims or facts relative thereto.

6.2 Covenant Not To Sue

Notwithstanding section 6.1, for any Settlement Class Members resident in any province or territory where the release of one tortfeasor is a release of all other tortfeasors, upon the Effective Date, the Releasers do not release the Releasees but instead covenant and undertake not to make any claim in any way or to threaten, commence, participate in or continue any proceeding in any jurisdiction against the Releasees in respect of or in relation to the Released Claims.

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6.3 No Further Claims

The Releasers shall not now or hereafter institute, continue, maintain or assert, or otherwise join, assist, aid or act in concert in any manner whatsoever, either directly or indirectly, whether in Canada or elsewhere, on their own behalf or on behalf of any class or any other Person, any action, suit, proceedings, arbitration, cause of action, claim or demand, whether civil, criminal, regulatory or otherwise, against any Releasee or any other Person who may claim contribution or indemnity from any Releasee arising from, in respect of or in connection with any of the matters giving rise to any Released Claim or any matter related thereto, except for the continuation of the Proceedings against the Non-Settling Defendants.

6.4 Dismissal of the Proceedings

Upon the Effective Date, each of the Ontario Proceeding and the Quebec Proceeding shall be dismissed with prejudice and without costs as against the Settling Defendant.

6.5 Dismissal of Other Actions

(1) Upon the Effective Date, each Settlement Class Member shall be deemed to consent to the dismissal, without costs or further recourses and with prejudice, of his, her or its Other Actions against the Releasees.

(2) Upon the Effective Date, all Other Actions in each of the Courts' respective jurisdictions commenced by any Settlement Class Member shall be dismissed against the Releasees, without costs or further recourses and with prejudice.

SECTION 7 - BAR ORDER AND OTHER CLAIMS

7.1 Ontario Bar Order

(1) The Plaintiffs in the Ontario Proceeding shall seek a bar order from the Ontario Court providing for the following:

- (a) All claims for contribution, indemnity or other claims over, including, without limitation, potential third party claims, at common law, equity or pursuant to the OSA or other statute, whether asserted, unasserted or asserted in a representative capacity, inclusive of interest, taxes and costs, relating to the Released Claims, which were or could have been brought in the Proceedings or otherwise, or could in the

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future be brought on the basis of the same events, actions and omissions underlying the Proceedings or otherwise, by any Non-Settling Defendant or any Party or other Releasor against a Releasee are barred, prohibited and enjoined in accordance with the terms of this section 7.1.

(b) If the Court determines that there is a right of contribution and indemnity or other claims over, whether in equity or in law, pursuant to the *OSA* or other statute, or otherwise:

- i. the Ontario Settlement Class Members shall not be entitled to claim or recover from the Non-Settling Defendants that portion of any damages (including punitive damages, if any), restitutionary award, disgorgement of profits, interest and costs that corresponds to the Proportionate Liability of the Releasees proven at trial or otherwise; and
- ii. this Court shall have full authority to determine the Proportionate Liability of the Releasees at the trial or other disposition of this action, whether or not the Releasees appear at the trial or other disposition and the Proportionate Liability of the Releasees shall be determined as if the Releasees are parties to this action and any determination by this Court in respect of the Proportionate Liability of the Releasees shall only apply in this action and shall not be binding on the Releasees in any other proceedings.

(c) After the Ontario Proceeding has been certified as a class action and all appeals or times to appeal from such certification have been exhausted, a Non-Settling Defendant may make a motion to the Court on at least twenty (20) days notice, and to be determined as if the Settling Defendant is party to this action, seeking orders for the following:

- i. documentary discovery and an affidavit of documents in accordance with the *Rules of Civil Procedure*, O.Reg. 194 from the Settling Defendant;
- ii. oral discovery of a representative of the Settling Defendant, the transcripts of which may be read in at trial;
- iii. leave to serve a request to admit on the Settling Defendant in respect of factual matters; and/or
- iv. the production of a representative of the Settling Defendant to testify at trial, with such witness or witnesses to be subject to cross-examination by counsel for the Non-Settling Defendants.

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- (d) The Settling Defendant retains all rights to oppose such motion(s) brought under subsection 7.1(1)(c).
- (e) A Non-Settling Defendant may effect service of the motion(s) referred to in subsection 7.1(1)(c) on the Settling Defendant by service on counsel of record for the Settling Defendant in the Ontario Proceeding.
- (f) To the extent that an order is granted pursuant to subsection 7.1(1)(c) and discovery is provided to a Non-Settling Defendant, a copy of all discovery provided, whether oral or documentary in nature, shall promptly be provided by counsel for the Settling Defendant to Class Counsel on behalf of the Plaintiffs.

7.2 Quebec Bar Order

- (1) The Plaintiffs in the Quebec Proceeding shall seek a bar order from the Quebec Court providing for the following:
 - (a) the Plaintiffs and the Settlement Class Members in the Quebec Proceeding expressly waive the benefit of solidarity against the Non-Settling Defendants with respect to the facts, deeds and omissions of the Settling Defendant;
 - (b) the Plaintiffs and the Settlement Class Members in the Quebec Proceeding shall henceforth only be able to claim and recover damages, including punitive damages, attributable to the conduct of the Non-Settling Defendants;
 - (c) any action in warranty or other joinder of parties to obtain any contribution or indemnity from the Settling Defendant or relating to the Released Claims shall be inadmissible and void in the context of the Quebec Proceeding; and
 - (d) the Quebec Court retains an ongoing supervisory role for the purposes of executing this section 7.2, as well as all procedural aspects of the Quebec Proceeding, and all issues regarding this section 7.2 or any other procedural issues shall be resolved under special case management and according to the *Quebec Code of Civil Procedure*, and the Settling Defendant shall acknowledge the jurisdiction of the Quebec Court for such purposes.

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7.3 Claims Against Other Persons Reserved

Except as provided herein, this Settlement Agreement does not settle, compromise, release or limit in any way whatsoever any claim by Settlement Class Members against any Person other than the Settling Defendant and the Releasees.

7.4 Material Term

The form and content of the bar orders contemplated in this section 7 shall be considered a material term of this Settlement Agreement and the failure of any Court to approve the bar orders contemplated herein shall constitute a Non-Approval of Settlement Agreement pursuant to section 5.1 of this Settlement Agreement.

SECTION 8 - EFFECT OF SETTLEMENT

8.1 No Admission of Liability

Whether or not this Settlement Agreement is approved by the Courts:

- (i) this Settlement Agreement and anything contained herein,
- (ii) any and all negotiations, documents, discussions and proceedings associated with this Settlement Agreement, and
- (iii) any action taken to carry out this Settlement Agreement,

shall not be deemed, construed or interpreted to be an admission of any violation of any statute or law, or of any wrongdoing or liability by the Settling Defendant or by any Releasee, or of the truth of any of the claims or allegations contained in the Proceedings or any other pleading filed by the Plaintiffs or any other Settlement Class Member.

8.2 Agreement Not Evidence

The Parties agree that, whether or not approved by the Courts:

- (i) this Settlement Agreement and anything contained herein,
- (ii) any and all negotiations, documents, discussions and proceedings associated with this Settlement Agreement, and

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(iii) any action taken to carry out this Settlement Agreement,

shall not be referred to, offered as evidence or received in evidence in any pending or future civil, criminal or administrative action or proceeding, except in a proceeding to approve and/or enforce this Settlement Agreement, or to defend against the assertion of Released Claims, or as otherwise required by law.

8.3 No Further Litigation

No Class Counsel, nor anyone currently or hereafter employed by, associated with, or a partner with Class Counsel, may directly or indirectly participate or be involved in or in any way assist with respect to any claim made or action commenced by any Person which relates to or arises from the Released Claims, except in relation to the continued prosecution of the Proceedings against any Non-Settling Defendant. Moreover, these Persons may not divulge to anyone for any purpose any information obtained in the course of the Proceedings or the negotiation and preparation of this Settlement Agreement, except to the extent such information is otherwise publicly available or unless ordered to do so by a court.

SECTION 9 - CERTIFICATION OR AUTHORIZATION FOR SETTLEMENT ONLY

(1) The Parties agree that the Ontario Proceeding shall be certified, and the Quebec Proceeding shall be authorized, as class proceedings solely for purposes of settlement of the Proceedings and the approval of this Settlement Agreement by the Courts.

(2) The Plaintiffs agree that, in the motions for certification of the Ontario Proceeding and for authorization of the Quebec Proceeding as class proceedings and for the approval of this Settlement Agreement, the only common issue that they will seek to define is the Common Issue and the only classes that they will assert are the Settlement Classes.

SECTION 10 - NOTICE TO SETTLEMENT CLASSES

10.1 Required Notice

The proposed Settlement Classes shall be given Notice of Certification/Authorization and Approval Hearings.

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10.2 Form and Distribution of Notices

(1) The form of notice referred to in section 10.1 and the manner and extent of publication and distribution of the notice shall be as agreed to by the Plaintiffs and the Settling Defendant and approved by each of the Courts.

(2) The Settling Defendant shall pay the costs of the notice required in section 10.1 and the cost of the Opt-Out Administrator, provided that such costs shall not exceed \$100,000 CAD (exclusive of all applicable taxes). Any costs in excess of \$100,000 CAD (exclusive of all applicable taxes), shall be borne equally by the Settling Defendant and the Plaintiffs.

SECTION 11 - MISCELLANEOUS

11.1 Motions for Directions

(1) Class Counsel or the Settling Defendant may apply to the Courts for directions in respect of the interpretation, implementation and administration of this Settlement Agreement. Unless the Courts order otherwise, motions for directions that do not relate specifically to the Quebec Proceeding shall be determined by the Ontario Court.

(2) All motions contemplated by this Settlement Agreement shall be on notice to the Plaintiffs and Settling Defendant, as appropriate.

11.2 Class Counsel to Advise Settling Defendant of Status of Proceedings

Class Counsel agrees to provide information as to the status of the Proceedings in response to reasonable requests made by the Settling Defendant from time to time as to the status of the Proceedings. Upon reasonable request, Class Counsel will promptly provide counsel for the Settling Defendant with electronic copies of all affidavit material and facts exchanged in the Proceedings, unless precluded from doing so by court order.

11.3 Headings, etc.

In this Settlement Agreement:

- (a) the division of the Settlement Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Settlement Agreement;

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- (b) words in the singular include the plural and vice-versa and words in one gender include all genders; and
- (c) the terms "this Settlement Agreement", "hereof", "hereunder", "herein", and similar expressions refer to this Settlement Agreement and not to any particular section or other portion of this Settlement Agreement.

11.4 Computation of Time

In the computation of time in this Settlement Agreement, except where a contrary intention appears,

- (a) where there is a reference to a number of days between two events, the number of days shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, including all calendar days; and
- (b) only in the case where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

11.5 Ongoing Jurisdiction

- (1) Each of the Courts shall retain exclusive jurisdiction over each Proceeding commenced in its jurisdiction, and over the Parties thereto.
- (2) No Party shall ask a Court to make any order or give any direction in respect of any matter of shared jurisdiction unless that order or direction is conditional upon a complimentary order or direction being made or given by the other Court(s) with which it shares jurisdiction over that matter.
- (3) The Plaintiffs and the Non-Settling Defendant may apply to the Ontario Court for direction in respect of the implementation, administration and enforcement of this Settlement Agreement.

11.6 Governing Law

This Settlement Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario, save for matters relating exclusively to the

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Quebec Class Members, which matters shall be governed by and construed and interpreted in accordance with the Laws of the Province of Quebec shall apply.

11.7 Disputes

(1) Subject to subsection 11.7(2) herein, if there is a dispute regarding the applicability of any provision or term of this Settlement Agreement which cannot be resolved through reasonable discussions and negotiations as between Class Counsel and counsel for the Settling Defendant, such dispute(s) shall be submitted to the Ontario Court for resolution, save for dispute(s) relating exclusively to the Quebec Class Members, which dispute(s) shall be submitted to the Quebec Court for resolution. The costs of any such dispute shall be shared by the parties to the dispute according to the degree to which they do or do not prevail on their respective claims (i.e., with the losing party bearing the greater share), as determined by the Ontario Court or the Quebec Court, as the case may be. To the extent that any dispute contemplated in this subsection 11.7(1) involves or requires a determination as to whether any documents or other materials shall be required to be disclosed pursuant to this Settlement Agreement, Class Counsel and counsel for the Settling Defendant agree to seek, on a consent basis, a sealing order or other appropriate relief such as to ensure that any such documents or other materials shall remain confidential and shall not form part of the public Ontario Court record or the Quebec Court record, as the case may be.

(2) To the extent that any dispute contemplated in this section 11.7 involves or requires a determination as to whether any documents, information or other materials are prohibited from being disclosed by the Settling Defendant pursuant to any foreign privacy law, foreign state secrets law or other law of a foreign jurisdiction, Class Counsel and counsel for the Settling Defendant agree to seek, on a joint and reasonable efforts basis, the requisite approval for the disclosure or export of such documents or other materials from the relevant authorities of the applicable foreign jurisdiction.

11.8 Joint and Severable / Indivisible

All of the obligations of the Plaintiffs and the Releasers in this Settlement Agreement are joint and several (in Quebec, solidary) amongst them and are indivisible under the laws of Quebec. All of the obligations of the Settling Defendant and the Releasees in this Settlement

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delay for appeal from which shall have expired without any appeal having been lodged: (i) none of the Plaintiffs, the Releasors and Class Counsel shall take any action or omit to take any action that is inconsistent with the purposes and scope of this Settlement Agreement; and (ii) none of the Settling Defendant, the Releasees and their respective counsel that are party hereto shall take any action or omit to take any action that is inconsistent with the purposes and scope of this Settlement Agreement.

11.13 No Assignment

None of the Plaintiffs and the Releasors has heretofore assigned, transferred or granted, or purported to assign, transfer or grant, any of the claims, demands and causes of action disposed of by this Settlement Agreement including, without limitation, any of the Released Claims.

11.14 Third Party Beneficiaries

The Plaintiffs acknowledge and agree, on their behalf and on behalf of all Releasors, that the Releasees other than the Settling Defendant are third party beneficiaries of this Settlement Agreement, and that the obligations and agreements of the Plaintiffs and the Releasors under this Settlement Agreement are expressly intended to benefit all Releasees despite not being signatories to this Settlement Agreement.

11.15 Counterparts

This Settlement Agreement may be executed in counterparts, all of which taken together will be deemed to constitute one and the same agreement, and a facsimile signature shall be deemed an original signature for purposes of executing this Settlement Agreement.

11.16 Negotiated Agreement

This Settlement Agreement has been the subject of negotiations and discussions among the undersigned, each of which has been represented and advised by competent counsel, so that any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafter of this Settlement Agreement shall have no force and effect. The Parties further agree that the language contained in or not contained in previous drafts of this Settlement Agreement, or any agreement in principle, shall have no bearing upon the proper interpretation of this Settlement Agreement.

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11.17 Language

The Parties acknowledge that they have required and consented that this Settlement Agreement and all related documents be prepared in English; les parties reconnaissent avoir exigé que la présente convention et tous les documents connexes soient rédigés en anglais. If a French translation is made, the English version will have precedence.

11.18 Transaction

This Settlement Agreement constitutes a transaction in accordance with Articles 2631 and following of the *Civil Code of Quebec*, and the Parties are hereby renouncing to any errors of fact, of law and/or of calculation.

11.19 Recitals

The recitals to this Settlement Agreement are true and form an integral part of the Settlement Agreement.

11.20 Schedules

The Schedules annexed hereto form an integral part of this Settlement Agreement.

11.21 Acknowledgements

Each of the Parties hereby affirms and acknowledges that:

- (a) he, she or a representative of the Party with the authority to bind the Party with respect to the matters set forth herein has read and understands the Settlement Agreement;
- (b) the terms of this Settlement Agreement and the effects thereof have been fully explained to him, her or the Party's representative by his, her or its counsel;
- (c) he, she or the Party's representative fully understands each term of the Settlement Agreement and its effect; and
- (d) no Party has relied upon any statement, representation or inducement (whether material, false, negligently made or otherwise) of any other Party with respect to the first Party's decision to execute this Settlement Agreement.

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11.22 Authorized Signatures

Each of the undersigned represents that he or she is fully authorized to enter into the terms and conditions of, and to execute, this Settlement Agreement.

11.23 Notice

Where this Settlement Agreement requires a Party to provide notice or any other communication or document to another, such notice, communication or document shall be provided by email, facsimile or letter by overnight delivery to the representatives for the Party to whom notice is being provided, as identified below:

For Plaintiffs in the Ontario Proceedings and for Ontario Counsel:

Charles M. Wright

Kirk M. Baert

Siskinds LLP
Barristers and Solicitors
680 Waterloo Street
London, ON N6A 3V8

Koskie Minsky LLP
Barristers and Solicitors
20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Telephone: 519-660-7753
Facsimile: 519-660-7754
Email: charles.wright@siskinds.com

Tel: 416.595.2117
Fax: 416.204.2889
Email: kbaert@kmlaw.ca

For Plaintiffs in the Quebec Proceedings and for Quebec Counsel

Simon Hébert

Siskinds Desmeules s.e.n.c.r.l.
Les promenades du Vieux-Quebec
43 rue Buade, bureau 320
Quebec City, QC G1R 4A2

Telephone: 418-694-2009
Facsimile: 418-694-0281
Email: simon.hebert@siskindsdesmeules.com

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For Settling Defendant
in the Ontario Proceeding:

John J. Pirie

Baker & McKenzie LLP
Barristers & Solicitors
Brookfield Place
Bay/Wellington Tower
181 Bay Street, Suite 2100
Toronto, Ontario M5J 2T3
Canada

Telephone: 416.865.2325
Fax: 416.863.6275
Email: john.pirie@bakermckenzie.com

For Settling Defendant
in the Quebec Proceeding

Bernard Gravel

Lapointe Rosenstein Marchand Melançon,
LLP
1250 René-Lévesque Blvd. West, Suite 1400
Montreal, Quebec, H3B 5E9
Canada

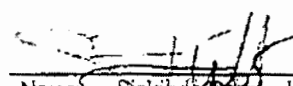
Telephone: 514.925.6382
Fax: 514.925.5082
Email: bernard.gravel@lrmm.com

11.24 Date of Execution


The Parties have executed this Settlement Agreement as of the date on the cover page.

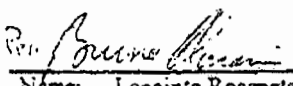
By: 
Name: Siskinds LLP
Title: Ontario Counsel

By: 
Name: Koskie Minsky LLP
Title: Ontario Counsel

By: 
Name: Siskinds Deschênes s.e.n.c.r.l
Title: Québec Counsel

PÓYRY (BEIJING) CONSULTING
COMPANY LIMITED

By: 
Name: Baker & McKenzie LLP
Title: Counsel for the Settling
Defendant in Ontario

By: 
Name: Lapointe Rosenstein Marchand
Melançon, LLP
Title: Counsel for the Settling
Defendant in Quebec

SCHEDULE A - PROCEEDINGS

Proceeding	Plaintiffs	Defendants	Settlement Class
Ontario Superior Court of Justice Court File No. CV-11-431153-00CP (the "Ontario Proceeding")	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	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 Banc Of America Securities LLC	All persons and entities, wherever they may reside who acquired Sino Forest's Securities during the Class Period by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired Sino Forest's Securities during the Class Period who are resident of Canada or were resident of Canada at the time of acquisition, except the Excluded Persons.
Superior Court of Quebec (District of Québec), File No. 200-06-000132-111 (the "Quebec Proceeding")	Guining Liu	Sino-Forest Corporation, Ernst & Young LLP, 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 and Pöyry (Beijing) Consulting Company Limited	All natural persons, as well as all legal persons established for a private interest, partnerships and associations having no more than fifty (50) persons bound to it by contract of employment under its direction or control during the twelve (12) month period preceding the motion for authorization domiciled in Quebec

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Proceeding	Plaintiffs	Defendants	Settlement Class
			(other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011.

Schedule B

SINO-FOREST CORPORATION CLASS ACTION TO CURRENT AND FORMER SINO-FOREST SHAREHOLDERS AND NOTEHOLDERS

Notice of Settlement with Pöyry (Beijing) Consulting Company Limited

This notice is to everyone, including non-Canadians, who acquired Sino-Forest Corporation (“Sino-Forest”) securities in Canada or in a Canadian market between March 19, 2007 and June 2, 2011.

**READ THIS NOTICE CAREFULLY AS IT MAY AFFECT YOUR LEGAL RIGHTS.
YOU MAY NEED TO TAKE PROMPT ACTION.**

IMPORTANT DEADLINE:

Opt-Out Deadline (for individuals and entities that wish to exclude themselves from the Class Action. See page 3 for more details.): ●

Opt-Out Forms will not be accepted after this deadline. As a result, it is necessary that you act without delay.

COURT APPROVAL OF THE CLASS ACTION SETTLEMENT

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”) against Sino-Forest, its senior officers and directors, its auditors, its underwriters and a consulting company, Pöyry (Beijing) Consulting Company Limited (“Pöyry (Beijing)”). 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”), which allowed an interim stay of proceedings against the company. Orders and other materials relevant to the CCAA proceeding can be found at the CCAA Monitor’s website at <http://cfcanada.fticonsulting.com/sfc/>. Ten days before the stay of proceedings was ordered, on March 20, 2012, the plaintiffs entered into a settlement agreement with Pöyry (Beijing) that sought to settle the claims against this defendant alone in the Proceedings (the “Settlement Agreement”). The parties to the Proceedings agreed to, and the Courts have since ordered, a partial lifting of the stay of proceedings for, among other things, the purpose of allowing the Courts to consider the fairness of the Settlement Agreement.

The Settlement Agreement stipulates that Pöyry (Beijing) will cooperate with the plaintiffs through the provision of information, documents, and other evidence that the plaintiffs

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believe will assist them in the continued litigation against the remaining defendants. Pöyry (Beijing) will not provide monetary compensation to the plaintiffs. In return, the Proceedings will be dismissed against Pöyry (Beijing) and future claims against Pöyry (Beijing) in relation to these Proceedings will be barred.

Pöyry (Beijing) does not admit to any wrongdoing or liability. The Settlement Agreement does not resolve any claims against Sino-Forest, its senior officers and directors, its auditors, or its underwriters. A complete copy of the Settlement Agreement is available at: www.kmlaw.ca/sinoforestclassaction and www.classaction.ca.

On September 21, 2012, the Ontario Superior Court certified the Ontario Proceeding as a class action for settlement purposes and approved the Settlement Agreement. On October 31, 2012 the Québec Proceeding was authorized as a class action for settlement purposes and the Settlement Agreement was approved by the Québec Superior Court (the "Québec Court"). Both Courts declared that the Settlement Agreement is fair, reasonable, and in the best interest of those affected by it.

WHO IS INCLUDED IN THIS CLASS ACTION AND BOUND BY THE SETTLEMENT?

The Courts have certified the Proceedings and approved the Settlement Agreement on behalf of classes which encompass the following individuals and entities (the "Class" or "Class Members"):

All persons and entities, wherever they may reside, who acquired Sino-Forest Corporation common shares, notes, or other securities, as defined in the Ontario *Securities Act*, during the period from and including March 19, 2007 to and including June 2, 2011:

- a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or
- b) who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino-Forest Corporation's securities outside of Canada.

excluding the defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an individual defendant.

REQUESTING EXCLUSION FROM THE CLASS

All persons and entities that fall within the definition of the Class are Class Members unless and until they exclude themselves from the Class ("opt out"). Class Members that do not opt out of the Class will not be able to make or maintain any other claims or legal proceeding in

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relation to the matters alleged in the Proceedings against Pöyry (Beijing) or any other person released by the Settlement Agreement.

If you are a Class Member and you do not want to be bound by the Settlement Agreement you must opt out. If you wish to opt out, you may do so by completing an "Opt-Out Form".

IF YOU CHOOSE TO OPT OUT OF THE CLASS, YOU WILL BE OPTING OUT OF THE **ENTIRE** PROCEEDING. THIS MEANS THAT YOU WILL BE UNABLE TO PARTICIPATE IN ANY FUTURE SETTLEMENT OR JUDGMENT REACHED WITH OR AGAINST THE REMAINING DEFENDANTS.

In order to successfully opt out, you must include all of the information requested by the Opt-Out Form. Specifically, you must sign a written election that contains the following information:

- a) your full name, current address, and telephone number;
- b) the name and number of Sino-Forest securities purchased between March 19, 2007 and June 2, 2011 (the "Class Period"), and the date and price of each such transaction;
- c) a statement to the effect that you wish to be excluded from the Settlement Agreement; and
- d) your reasons for opting out.

If you wish to opt out, you must submit your fully complete Opt-Out form to the Opt-Out Administrator or the Québec Court (if you are a resident of Québec) at the applicable above-noted address, **no later than** ●.

OPT-OUT ADMINISTRATOR

The Court has appointed NPT Ricepoint Class Action Services as the Opt-Out Administrator for the Settlement Agreement. The Opt-Out Administrator will receive and process opt-out forms for Class Members **outside Québec**. The Opt-Out Administrator can be contacted at:

Telephone:	1-866-432-5534
Mailing Address:	Sino-Forest Class Action Claims Administrator PO Box 3355 London, ON N6A 4K3
Email:	sino@nptricepoint.com

The opt-out forms for Class Members that are **residents of Québec** will be received and processed by the Québec Court, which can be contacted at:

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Mailing Address:

Greffier de la Cour supérieure du Québec
300, boulevard Jean-Lesage, salle 1.24
Québec (Québec) G1K 8K6
No de dossier : 200-06-000132-111

THE LAWYERS THAT REPRESENT THE CLASS MEMBERS

The law firms of Koskie Minsky LLP, Siskinds LLP, and Siskinds Desmeules, sncrl ("Class Counsel") jointly represent the Class in the Proceedings. They can be reached by mail, email, or by telephone, as provided 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, sncrl

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 the Opt-Out Administrator or Class Counsel.

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

Schedule C

SINO-FOREST CORPORATION CLASS ACTION TO CURRENT AND FORMER SINO-FOREST SHAREHOLDERS AND NOTEHOLDERS

Notice of Settlement with Pöyry (Beijing) Consulting Company Limited

TO: Everyone, including non-Canadians, who acquired Sino-Forest Corporation (“Sino-Forest”) securities between March 19, 2007 and June 2, 2011 i) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter; or ii) who are residents of Canada or were residents of Canada at the time of acquisition and who acquired Sino-Forest Corporation’s securities outside of Canada (the “Class” or “Class Members”)

COURT APPROVAL OF THE CLASS ACTION SETTLEMENT

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”) against Sino-Forest, its senior officers and directors, its auditors, its underwriters and a consulting company, Pöyry (Beijing) Consulting Company Limited (“Pöyry (Beijing)”). The actions alleged that the public filings of Sino-Forest contained false and misleading statements about Sino-Forest’s assets, business, and transactions.

The plaintiffs have entered into a settlement agreement with Pöyry (Beijing) that settles the claims against this defendant alone in the Proceedings (the “Settlement Agreement”). The Settlement Agreement stipulates that Pöyry (Beijing) will cooperate with the plaintiffs in the continued litigation against the remaining defendants. Pöyry (Beijing) will not provide monetary compensation to the plaintiffs. In return, the Proceedings will be dismissed against Pöyry (Beijing) and future claims against Pöyry (Beijing) in relation to these Proceedings will be barred. More information regarding the settlement can be found in the Settlement Agreement and in the Notice of Certification and Settlement (“Long Form Notice”) which are available at www.kmlaw.ca/sinoforestclassaction and www.classaction.ca, or by contacting the Opt-Out Administrator at the address below.

Pöyry (Beijing) does not admit to any wrongdoing or liability. The Settlement Agreement does not resolve any claims against Sino-Forest, its senior officers and directors, its auditors, or its underwriters. The courts of Ontario and Québec have certified/authorized the Proceedings as class actions for the purpose of settlement, and both courts have declared that the Settlement Agreement is fair, reasonable and in the best interest of those affected by it.

REQUESTING EXCLUSION FROM THE CLASS

All persons and entities that fall within the definition of the Class are Class Members unless and until they exclude themselves from the Class (“opt out”). If you are a Class Member and

- 2 -

you do not want to be bound by the Settlement Agreement you must opt out. If you wish to opt out, you may do so by completing an "Opt-Out Form", which is attached to the Long-Form Notice, including the required information and supporting documents listed in the Long-Form Notice and mailing it to the Opt-Out Administrator, or the Québec Court (if you are a resident of Québec) at the addresses below, **no later than** ●. **Class Members that opt-out of the Proceedings will be unable to participate in any future settlement or judgment with or against any of the remaining defendants.**

WHERE TO MAIL THE OPT-OUT FORMS

NPT Ricepoint Class Action Services is the Opt-Out Administrator for the Settlement Agreement. The Opt-Out Administrator will receive and process opt-out forms for Class Members **outside Québec**. The Opt-Out Administrator can be contacted at: Sino-Forest Class Action, Claims Administrator, London, ON N6A 4K3,; Tel No. 1-866-432-5534; Email: sino@nptricepoint.com

The opt-out forms for Class Members that are **residents of Québec** will be received and processed by the Québec Court, which can be contacted at: Greffier de la Cour supérieure du Québec, 300, boulevard Jean-Lesage, salle 1.24, Québec (Québec) G1K 8K6, No de dossier : 200-06-000132-111

FOR MORE INFORMATION

The law firms of Koskie Minsky LLP, Siskinds LLP, and Siskinds Desmeules, sncrl ("Class Counsel") jointly represent the Class in the Proceedings. They can be reached by mail, email, or by telephone, as provided 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, sncrl

43 Rue Buade, Bureau 320, Québec
City, Québec, G1R 4A2
Re: Sino-Forest Class Action
Tel: (418) 694-2009
Email:
simon.hebert@siskindsdesmeules.com

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

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

Plaintiffs

and

Sino-Forest Corporation, et al.

Defendants

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

ORDER

KOSKIE MINSKY LLP
900-20 Queen Street West
Box 52
Toronto, ON M5H 3R3

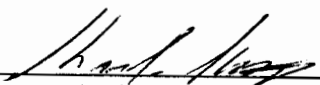
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Lawyers for the Plaintiffs

This is Exhibit "C(2)" mentioned and referred to in the Affidavit of Charles Wright, sworn before me at the City of London, in the Province of Ontario, this 21st day of November, 2013.


A Commissioner, etc.

SHARLA JOAN STROOP, a Commissioner, etc.,
Province of Ontario, for Siskinds^{LLP}

Notary and Solicitors. Expires: October 6, 2015

**CITATION The Trustees of the Labourers' Pension Fund of Central and Eastern
Canada v. Sino Forest Corporation, 2012 ONSC 5398
COURT FILE NO.: CV-11-431153-00CP
DATE: September 25, 2012**

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

THE TRUSTEES OF THE LABOURERS')	
PENSION FUND)	
OF CENTRAL AND EASTERN)	<i>A. Dimitri Lascaris, Serge Kalloghlian, and</i>
CANADA, THE TRUSTEES OF THE)	<i>S. Sajjad Nematollahi for the Plaintiffs</i>
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)	<i>Peter Osborne, Shara Roy, and Brendon</i>
& YOUNG LLP, BDO LIMITED (formerly)	<i>Grey for the Defendant Ernst & Young LLP</i>
known as BDO MCCABE LO LIMITED),)	
ALLEN T.Y. CHAN, W. JUDSON)	<i>John Fabello for the Defendants Credit</i>
MARTIN, KAI KIT POON, DAVID J.)	<i>Suisse Securities (Canada) Inc., TD</i>
HORSLEY, WILLIAM E. ARDELL,)	<i>Securities Inc., Dundee Securities</i>
JAMES P. BOWLAND, JAMES M.E.)	<i>Corporation, RBC Dominion Securities Inc.,</i>
HYDE, EDMUND MAK, SIMON)	<i>Scotia Capital Inc., CIBC World Markets</i>
MURRAY, PETER WANG, GARRY J.)	<i>Inc., Merrill Lynch Canada Inc., Canaccord</i>
WEST, PÖYRY (BEIJING))	<i>Financial Ltd., Maison Placements Canada</i>
CONSULTING COMPANY LIMITED,)	<i>Inc., Credit Suisse Securities (USA) LLC</i>
CREDIT SUISSE SECURITIES)	<i>and Banc of America Securities LLC</i>
(CANADA), INC., TD SECURITIES INC.,)	
DUNDEE SECURITIES CORPORATION,)	<i>Kenneth Dekker for the Defendant BDO</i>
RBC DOMINION SECURITIES INC.,)	<i>Limited</i>
SCOTIA CAPITAL INC., CIBC WORLD)	
MARKETS INC., MERRILL LYNCH)	<i>John J. Pirie and David Gadsden for the</i>
CANADA INC., CANACCORD)	<i>Defendant Pöyry (Beijing) Consulting</i>
FINANCIAL LTD., MAISON)	<i>Company Limited</i>
PLACEMENTS CANADA INC., CREDIT)	

SUISSE SECURITIES (USA) LLC and)	<i>Emily Cole and Megan Mackey</i> for Allen
MERRILL LYNCH, PIERCE, FENNER &)	Chan
SMITH INCORPORATED (successor by)	
merger to Banc of America Securities LLC))	<i>Michael Eizenga</i> for Sino-Forest
Defendants)	Corporation, W. Judson Martin, and Kai Kit
)	Poon
)	
Proceeding under the <i>Class Proceedings</i>)	HEARD: September 21, 2012
<i>Act, 1992</i>)	

PERELL, J.

REASONS FOR DECISION

A. INTRODUCTION

[1] This is a motion for approval of a partial settlement in a proposed class action under the *Class Proceedings Act, 1992*, S.O. 1992, c. C.6.

[2] The Plaintiffs are: Labourers' Pension Fund of Central and Eastern Canada ("Labourers"), the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario ("Operating Engineers"), Sjunde AP-Fonden ("AP7"), David Grant, and Robert Wong.

[3] The Defendants are: 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 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).

[4] In this action, the Plaintiffs allege that Sino Forest misstated in its public filings its financial statements, misrepresented its timber rights, overstated the value of its assets, and concealed material information about its business operations from investors. There is a companion proposed class action in Québec. The Plaintiffs claim damages of \$9.2 billion on behalf of resident and non-resident shareholders and noteholders of Sino-Forest.

[5] The Plaintiffs in Ontario and Québec have reached a settlement with one of the defendants, Pöyry (Beijing) Consulting Company Limited ("Pöyry (Beijing)"). The Settlement Agreement is subject to court approval in Ontario and Québec. The litigation is continuing against the other defendants.

[6] The Plaintiffs bring a motion for an order: (a) certifying the action for settlement purposes as against Pöyry (Beijing); (b) appointing the Plaintiffs as representative plaintiffs for the class; (c) approving the settlement as fair, reasonable, and in the best interests of the class; and (d) approving the form and method of dissemination of notice to the class of the certification and settlement of the action.

[7] The motion for settlement approval is not opposed by the Defendants.

[8] Up until the morning of the fairness hearing motion, three groups of Defendants objected to the settlement; namely: (a) Ernst & Young LLP; (b) BDO Limited; and (c) 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 Banc of America Securities LLC (collectively the "Underwriters").

[9] When the Plaintiffs and Pöyry (Beijing) and various other Pöyry entities agreed to amend their settlement arrangements to provide extensive discovery rights against the Pöyry entities, the opposition disappeared.

[10] While I originally I had misgivings, I have concluded that the court should approve the settlement as fair, reasonable, and in the best interests of the class members of the consent certification. Accordingly, I grant the Plaintiffs' motion.

B. FACTUAL BACKGROUND

[11] On July 20, 2011, the Plaintiffs commenced this action.

[12] Of the Plaintiffs, Labourers' and Operating Engineers are specified multi-employer pension plans. AP7 is a Swedish National Pension Fund and is part of Sweden's national pension system. David Grant is an individual residing in Calgary, Alberta. Robert Wong is an individual residing in Kincardine, Ontario.

[13] All the Plaintiffs purchased Sino Forest shares or Sino Forest Notes and lost a great deal of money.

[14] All of the Plaintiffs, especially the institutional investors, would appear to be sophisticated. They are capable of understanding the issues and competent to give instructions to their lawyers about the tactics and strategies of this massive litigation.

[15] I mention this last point because their lawyers urged me that in weighing the fairness of the settlement to the class members, I should give considerable deference to the astuteness of the Plaintiffs and to the wisdom of their experienced lawyers about the advantages and disadvantages of the proposed settlement. See *Metzler Investment GmbH v Gildan Activewear Inc.*, 2011 ONSC 1146 at para. 31.

[16] In their action, the Plaintiffs allege that in its public filings, Sino Forest misstated its financial statements, misrepresented its timber rights, overstated the value of its assets, and concealed material information about its business and operations from

investors. As a result of these alleged misrepresentations, Sino Forest's securities allegedly traded at artificially inflated prices for many years.

[17] The Defendant Pöyry (Beijing) was one of several affiliated entities that appraised the value of Sino Forest's assets. Some of the Pöyry valuation reports were incorporated by reference into various offering documents. Some of the valuation reports were made publicly available through SEDAR and Pöyry valuation reports were posted on Sino Forest's website.

[18] In their statement of claim, the Plaintiffs allege that Pöyry (Beijing) is liable for: (a) negligence and under s. 130 of the Ontario *Securities Act*, R.S.O. 1990, c. S.5 to primary market purchasers of Sino-Forest shares and (b) is liable for negligence and under Part XXIII.1 of the *Act* to purchasers of Sino Forest's securities in the secondary markets.

[19] Only one Pöyry entity has been named as a defendant. The affiliated Pöyry entities have not been named as defendants.

[20] On January 26, 2012, the Plaintiffs filed an amended notice of action and a Statement of Claim. Around this time, The Plaintiffs and Pöyry (Beijing) began settlement discussions. Those discussions culminated in a Settlement Agreement made as of March 20, 2012.

[21] In its original form, the terms of the Settlement Agreement were as follows:

- Pöyry (Beijing) will provide information and cooperation to the Plaintiffs for the purpose of pursuing the claims against the other defendants.
- Pöyry (Beijing) is required to provide an evidentiary proffer relating to the allegations in this action. (This evidentiary proffer was made and apparently was very productive and the harbinger of useful information.)
- Pöyry (Beijing) is required to provide relevant documents within the possession, custody or control of Pöyry (Beijing) and its related entities, including: (a) documents relating to Sino-Forest, the Auditors or the Underwriters, or any of them, as well as the dates, locations, subject matter, and participants in any meetings with or about Sino-Forest, the Auditors, the Underwriters, or any of them; (b) documents provided by Pöyry (Beijing) or any of its related entities to any state, federal, or international government or administrative agency concerning the allegations raised in the proceedings; and (c) documents provided by Pöyry (Beijing) or any of its related entities to Sino Forest's Independent Committee or the ad hoc committee of noteholders.
- Pöyry (Beijing) is obliged to use reasonable efforts to make available directors, officers or employees of Pöyry (Beijing) and its related entities for interviews with Class Counsel, and to provide testimony at trial and affidavit evidence.
- The Plaintiffs will release their claims against Pöyry (Beijing) and its related entities.

- The Non-settling Defendants will be subject to a bar order that precludes any right to contribution or indemnity against Pöyry (Beijing) and its related entities, but preserves the non-settling defendants' rights of discovery as against Pöyry (Beijing) and Pöyry Management Consulting (Singapore) PTE. LTD. ("Pöyry (Singapore)").
- Pöyry (Beijing) will consent to certification for the purpose of settlement.
- Pöyry (Beijing) will pay the first \$100,000 of the costs of providing the notice of certification and settlement, and half of any such costs over \$100,000.

[22] The Settlement Agreement is subject to court approval in Ontario and Québec.

[23] As already noted above, Ernst & Young, BDO, and the Underwriters objected to the original version of the proposed settlement, but hard upon the hearing of the fairness motion, they withdrew their opposition because of a revised version of the settlement that preserved and extended their rights of discovery as against the Pöyry entities.

[24] The revised terms of the settlement agreement included, among other things, the following provisions:

- The Court shall retain jurisdiction over the Plaintiffs, the Pöyry Parties (Pöyry (Beijing), Pöyry Management Consulting (Singapore) Pte. Ltd., Pöyry Forest Industry Ltd., Pöyry Forest Industry Pte. Ltd, Pöyry Management Consulting (Australia) Pty. Ltd., Pöyry Management Consulting (NZ) Ltd., JP Management Consulting (Asia-Pacific) Ltd.), Pöyry PLC, and Pöyry Finland OY for all matters all of these parties are declared to have attorned to the jurisdiction of this Court.
- After all appeals or times to appeal from the certification of this action against the Non-Settling Defendants have been exhausted, any Non-Settling Defendant is entitled to the following:
 - documentary discovery and an affidavit of documents from any and all of Pöyry (Beijing), and the "Pöyry Parties";
 - oral discovery of a representative of any Pöyry Party, the transcript of which may be read in at trial solely by the Non-Settling Defendants as part of their respective cases in defending the Plaintiffs' allegations concerning the Proportionate Liability of the Releasees and in connection with any claim [described below] by a Non-Settling Defendant against a Pöyry Party for contribution and indemnity;
 - leave to serve a request to admit on any Pöyry Party in respect of factual matters and/or documents;
 - the production of a representative of any Pöyry Party to testify at trial, with such witness or witnesses to be subject to cross-examination by counsel for the Non-Settling Defendants;
 - leave to serve *Evidence Act* notices on any Pöyry Party; and

- discovery shall proceed pursuant to an agreement between the Non-Settling Defendants and the Pöyry Parties in respect of a discovery plan, or failing such agreement, by court order.
- The Pöyry Parties, Pöyry PLC, and Pöyry Finland OY shall, on a best efforts basis, take steps to collect and preserve all documents relevant to the matters at issue in the within proceeding.
- If any Pöyry Party fails to satisfy its reasonable obligations a Non-Settling Defendant may make a motion to this Court to compel reasonable compliance. If such an Order is made, and not adhered to by the Pöyry Party, a Non-Settling Defendant may then bring a motion to lift the Bar Order and to advance a claim for contribution, indemnity or other claims over against the Pöyry Party.
- If an Order is made permitting a claim to be advanced against a Pöyry Party by a Non-Settling Defendant any limitation period applicable to such a claim, whether in favour of a Pöyry Party or a Non-Settling Defendant, shall be deemed to have been tolled as of the date of the settlement approval order.

C. SUPPORT FOR THE SETTLEMENT AGREEMENT

[25] On May 17, 2012, the Plaintiffs distributed notice of the fairness hearing. No objections were filed by putative class members.

[26] The Plaintiffs' lawyers recommend the settlement for four reasons:

- (1) Although the Plaintiffs' central allegation against Pöyry (Beijing) is that its valuation reports on Sino Forest's assets contained misrepresentations, Pöyry (Beijing)'s, four reports (and one press release) contain exculpatory language that would pose significant challenges to establishing liability;
- (2) Pöyry (Beijing) is located in the People's Republic of China, and serious difficulties exist with respect to serving documents, compelling evidence, and enforcing any judgment, especially because compliance with the Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters ("Hague Convention") has already proven untimely;
- (3) The Plaintiffs' recourse against Pöyry (Beijing) may be limited to the collection of insurance proceeds (€2 million) from Pöyry (Beijing)'s insurer; and
- (4) Pöyry (Beijing) is well-positioned to provide useful and valuable information and documents that would be helpful in the prosecution of the claims against the remaining defendants.

[27] As emerged from the argument at the fairness hearing, the last reason is by far the most significant reason that the Plaintiffs' lawyers recommend the settlement. They urged me that the direct claim against Pöyry (Beijing) is weak and not worth the effort, but the information available from the Pöyry entities and the swiftness of its availability

would be enormously valuable in the litigation battles for leave to assert an action under the Ontario *Securities Act*, to obtaining certification against the non-settling defendants, to succeeding on the merits, and to facilitating settlement overtures and negotiations.

[28] The Plaintiffs' lawyers urged me that the releases of the Pöyry entities and the risks of the bar order, which risks included the Plaintiffs having to take on the risk and task of contesting the non-settling defendants' efforts to attribute all or the greater proportion of responsibility onto the Pöyry entities was in the best interests of the class.

D. THE WITHDRAWN OPPOSITION OF BDO, ERNST & YOUNG AND THE UNDERWRITERS

[29] In connection with BDO's audits of the annual financial statements of Sino Forest for the years ended December 31, 2005 and December 31, 2006, BDO obtained and reviewed the Pöyry Asset Valuations and members of its audit team met with individuals from JP Management and Pöyry New Zealand and attended site visits at Sino Forest plantations with Pöyry staff.

[30] In its statement of defence, BDO will deny the allegations of negligence, and it will deliver a crossclaim against Pöyry (Beijing).

[31] BDO has already commenced an action against a Pöyry Beijing affiliate, Pöyry Management Consulting (Singapore) Pte. Ltd. ("Pöyry Singapore"), seeking contribution and indemnity in connection with the claims advanced against BDO in this action.

[32] The Pöyry valuations were relied upon by the Defendant Ernst & Young in its role as auditor of Sino Forest from 2007 to 2012. Ernst & Young submits that that the Plaintiffs' claims against it are inextricably linked to the claims the Plaintiffs advance against Pöyry (Beijing).

[33] Ernst & Young has commenced a separate action against Pöyry (Beijing) and the other Pöyry entities seeking contribution, indemnity and other relief emanating from the claim made by the plaintiffs against Ernst & Young.

[34] It was the position of the underwriters that the Pöyry entities and their valuation reports played significant roles in presenting Sino Forest's business to the market for many years and before the involvement of the Underwriters.

[35] The Underwriters have commenced an action seeking contribution and indemnity against seven Pöyry entities in respect of their involvement Sino Forest's disclosure and any liability that may be found after trial.

[36] Ernst & Young, BDO, and the Underwriters in their factums opposing the court approving the settlement disparaged the settlement as providing nothing of benefit to the class and as unfair to the non-settling defendants who had substantial claims of contribution and indemnity against the Pöyry entities whom they submit were at the centre of the events of this litigation.

E. CERTIFICATION FOR SETTLEMENT PURPOSES

[37] Pursuant to s. 5(1) of the *Class Proceedings Act, 1992*, S.O. 1992, c.6, the court shall certify a proceeding as a class proceeding if: (a) the pleadings disclose a cause of action; (b) there is an identifiable class; (c) the claims of the class members raise common issues of fact or law; (d) a class proceeding would be the preferable procedure; and (e) there is a representative plaintiff who would adequately represent the interests of the class without conflict of interest and who has produced a workable litigation plan.

[38] Where certification is sought for the purposes of settlement, all the criteria for certification still must be met: *Baxter v. Canada (Attorney General)* (2006), 83 O.R. (3d) 481 (S.C.J.) at para. 22. However, compliance with the certification criteria is not as strictly required because of the different circumstances associated with settlements: *Bellaire v. Daya*, [2007] O.J. No. 4819 (S.C.J.) at para. 16; *National Trust Co. v. Smallhorn*, [2007] O.J. No. 3825 (S.C.J.) at para. 8; *Bonanno v. Maytag Corp.*, [2005] O.J. No. 3810 (S.C.J.); *Bona Foods Ltd. v. Ajinomoto U.S.A. Inc.*, [2004] O.J. No. 908 (S.C.J.); *Garipey v. Shell Oil Co.*, [2002] O.J. No. 4022 (S.C.J.) at para. 27; *Nutech Brands Inc. v. Air Canada*, [2008] O.J. No. 1065 (S.C.J.) at para. 9.

[39] Subject to approval of the settlement, in my opinion, the Plaintiffs' action satisfies the criterion for certification under the *Class Proceedings Act, 1992*. Their pleading discloses two causes of action against Pöyry (Beijing); namely: (1) misrepresentations in relation to the assets, business and transactions of Sino-Forest contrary to Part XXIII.1 and section 130 of the Ontario *Securities Act*; and (2) negligence in the preparation of its opinions and reports about the nature and value of Sino Forest's assets. Thus, the first criterion is satisfied.

[40] There is an identifiable class in which all class members have an interest in the resolution of the proposed common issue. Thus, the second criterion is satisfied. The proposed class is defined as:

All persons and entities, wherever they may reside, who acquired Sino's Securities during the Class Period by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all person and entities who acquired Sino's Securities during the Class Period* who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino's Securities outside of Canada, except the Excluded Persons.*

*Class Period is defined as the period from and including March 19, 2007 to and including June 2, 2011.

*Excluded Persons is defined as the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an Individual Defendant.

[41] The Plaintiffs propose the following common issue, as agreed to between the parties to the Settlement Agreement:

Did [Pöyry (Beijing)] make misrepresentations as alleged in this Proceeding during the Class Period concerning the assets, business or transactions of Sino-Forest? If so, what damages, if any, did Settlement Class Members suffer?

[42] I am satisfied that this question satisfies the third criterion.

[43] I am also satisfied that assuming that the settlement agreement is approved, a class proceeding is the preferable procedure and the Plaintiffs are suitable representative plaintiffs.

[44] Thus, I conclude that the action against Pöyry (Beijing) should be certified as a class action for settlement purposes.

F. SETTLEMENT APPROVAL

[45] To approve a settlement of a class proceeding, the court must find that in all the circumstances the settlement is fair, reasonable, and in the best interests of those affected by it: *Dabbs v. Sun Life Assurance*, [1998] O.J. No. 1598 (Gen. Div.) at para. 9, aff'd (1998), 41 O.R. (3d) 97 (C.A.); leave to appeal to the S.C.C. ref'd, [1998] S.C.C.A. No. 372; *Parsons v. Canadian Red Cross Society*, [1999] O.J. No. 3572 (S.C.J.) at paras. 68-73.

[46] In determining whether to approve a settlement, the court, without making findings of facts on the merits of the litigation, examines the fairness and reasonableness of the proposed settlement and whether it is in the best interests of the class as a whole having regard to the claims and defences in the litigation and any objections raised to the settlement: *Baxter v. Canada (Attorney General)* (2006), 83 O.R. (3d) 481 (S.C.J.) at para. 10.

[47] While a court has the jurisdiction to reject or approve a settlement, it does not have the jurisdiction to rewrite the settlement reached by the parties: *Dabbs v. Sun Life Assurance Co. of Canada*, *supra*, at para. 10.

[48] In determining whether a settlement is fair and reasonable and in the best interests of the class members, an objective and rational assessment of the pros and cons of the settlement is required: *Al-Harazi v. Quizno's Canada Restaurant Corp.*, [2007] O.J. No. 2819 (S.C.J.) at para. 23.

[49] A settlement must fall within a zone of reasonableness. Reasonableness allows for a range of possible resolutions and is an objective standard that allows for variation depending upon the subject matter of the litigation and the nature of the damages for which the settlement is to provide compensation: *Parsons v. The Canadian Red Cross Society*, *supra*, at para. 70; *Dabbs v. Sun Life Assurance*, *supra*.

[50] When considering the approval of negotiated settlements, the court may consider, among other things: likelihood of recovery or likelihood of success; amount and nature of discovery, evidence or investigation; settlement terms and conditions; recommendation and experience of counsel; future expense and likely duration of litigation and risk; recommendation of neutral parties, if any; number of objectors and

nature of objections; the presence of good faith, arms length bargaining and the absence of collusion; the degree and nature of communications by counsel and the representative plaintiffs with class members during the litigation; information conveying to the court the dynamics of and the positions taken by the parties during the negotiation: *Dabbs v. Sun Life Assurance Company of Canada*, *supra*; *Parsons v. The Canadian Red Cross Society*, [1999] O.J. No. 3572 (S.C.J.) at paras. 71-72; *Frohlinger v. Nortel Networks Corp.*, [2007] O.J. No. 148 (S.C.J.) at para. 8.

[51] There is an initial presumption of fairness when a settlement is negotiated at arms-length: *Vitapharm Canada Ltd. v. F. Hoffmann-La Roche Ltd.* (2005), 74 O.R. (3d) 758 (S.C.J.) at paras. 113-114; *CSL Equity Investments Ltd. v. Valois*, [2007] O.J. No. 3932 (S.C.J.) at para. 5.

[52] The court may give considerable weight to the recommendations of experienced counsel who have been involved in the litigation and are in a better position than the court or the class members, to weigh the factors that bear on the reasonableness of a particular settlement: *Kranjcec v. Ontario*, [2006] O.J. No. 3671 (S.C.J.) at para. 11; *Vitapharm Canada Ltd. v. F. Hoffmann-La Roche Ltd.* (2005), 74 O.R. (3d) 758 (S.C.J.) at para. 142.

[53] In assessing the reasonableness of a settlement agreement, the court is entitled to consider the non-monetary benefits, including the provision of cooperation: *Nutech Brands Inc. v. Air Canada*, [2009] O.J. No. 709 (SCJ) at paras 29-30, 36-37; *Osmun v Cadbury Adams Canada Inc.*, [2010] O.J. No. 1877 (S.C.J.), *aff'd* 2010 ONCA 841, leave to appeal to S.C.C. *ref'd* [2011] S.C.C.A. No. 55.

[54] The court may approve a settlement with a “bar order” in which the plaintiff settles with some defendants and agrees only to pursue claims of several liability against the remaining defendants: *Ontario New Home Warranty Program v. Chevron Chemical Co.* (1999), 46 O.R. (3d) 130 (S.C.J.); *Vitapharm Canada Ltd. v. F. Hoffmann-La Roche Ltd.* (2005), 74 O.R. (3d) 758 (S.C.J.) at paras. 134-39; *Millard v. North George Capital Management Ltd.*, [2000] O.J. No. 1535 (S.C.J.); *Garipey v. Shell Oil Co.*, [2002] O.J. No. 4022 (S.C.J.); *McCarthy v. Canadian Red Cross Society*, [2001] O.J. No. 2474 (S.C.J.); *Bona Foods Ltd. v. Ajinomoto U.S.A. Inc.*, [2004] O.J. No. 908 (S.C.J.); *Attis v. Canada (Minister of Health)*, [2003] O.J. No. 344 (S.C.J.), *aff'd* [2003] O.J. No. 4708 (C.A.); *Osmun v. Cadbury Adams Canada Inc.*, *supra*.

[55] In the case at bar, before the settlement agreement between the Plaintiffs and Pöyry (Beijing) was revised at the eleventh hour, I had serious misgivings about approving the proposed settlement. I was concerned about whether the non-settling Defendants were being fairly treated, and I was concerned about whether the Plaintiffs should take on the risk and burden of contesting the apportionment of liability in crossclaims and third party claims that normally would not be their concern.

[56] Subject to what the Plaintiffs might submit during the oral argument, the Defendants’ arguments in their factums appeared to me to make a strong case that the non-settling Defendants’ ability to defend themselves by shifting the blame exclusively on the Pöyry entities and the non-settling Defendants’ ability to advance their

substantive claims for contribution and indemnity were unfairly compromised by the release of all the Pöyry entities and the protection afforded all of them by a bar order.

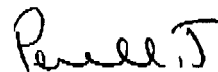
[57] Subject to what the Plaintiffs might submit during the oral argument, I was concerned whether the release and bar order was in the class members' best interests in the circumstances of this case, where it is early days in assessing the extent to which the non-settling Defendants could succeed in establishing their claims of contribution and indemnity.

[58] However, with the non-settling Defendants, apparently being content with the revised settlement arrangement, and with the assertive and confident recommendation of the Plaintiffs and their lawyers made during oral argument that the proposed settlement is in the best interests of the class members and will increase the likelihood of success in obtaining leave under the *Securities Act* and certification under the *Class Proceedings Act, 1992* and perhaps success in encouraging a settlement, my conclusion is that the court should approve the settlement.

[59] I know from the carriage motion that the lawyers for the Plaintiffs have expended a great deal of forensic energy investigating and advancing this litigation and it is true that they are in a better position than the court to weigh the factors that bear on the reasonableness of a particular settlement, particularly a tactically and strategically motivated settlement in ongoing litigation.

G. CONCLUSION

[60] For the above reasons, I grant the Plaintiffs' motion without costs.



Perell, J.

Released: September 25, 2012

The Trustees of the Labourers' Pension Fund of Central and Eastern Canada v. Sino Forest Corporation, 2012 ONSC 5398

**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

Plaintiff

- 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)

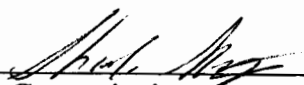
Defendants

REASONS FOR DECISION

Perell, J.

Released: September 25, 2012.

This is Exhibit "D" mentioned and referred to in the Affidavit of Charles Wright, sworn before me at the City of London, in the Province of Ontario, this 21st day of November, 2013.


A Commissioner, etc.

SHARLA JOAN STROOP, a Commissioner, etc.,
Province of Ontario, for Siskinds^{LLP}
Barristers and Solicitors. Expires: October 6, 2015

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

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

Plaintiffs

- and -

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF CHARLES M. WRIGHT

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I, CHARLES M. WRIGHT, of the City of London, in the Province of Ontario, AFFIRM:

1. I am a partner at Siskinds LLP, who, along with Koskie Minsky LLP (together, "Class Counsel"), are counsel to the plaintiffs (the "Representative Plaintiffs") in the above-captioned class proceeding (the "Ontario Action").

2. Class Counsel have retained Paliare Roland Rosenberg Rothstein LLP for purposes of the above-captioned proceeding (the "Insolvency Proceeding") under the *Companies' Creditors Arrangement Act* ("CCAA"), who act for the Ad Hoc Committee of Purchasers of the Applicant's Securities (together with the Representative Plaintiffs, the "Ontario Plaintiffs").

3. Siskinds Demeules is counsel to the plaintiffs in the class proceeding in the Province of Quebec Superior Court styled as *Guining Liu v. Sino-Forest Corporation, et al.*, File No. 200-06-000132-111.

4. 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

5. On November 29, 2012, the Ontario Plaintiffs entered into Minutes of Settlement with the defendant, Ernst & Young LLP, in order to resolve all claims against Ernst & Young LLP, Ernst & Young Global Limited and any of its member firms, and any person or entity affiliated with or connected thereto ("Ernst & Young", as more fully defined in the Plan of Compromise and Reorganization of the Applicant under the CCAA dated December 3, 2012 (the "Plan")) including all claims that have been asserted or that could have been asserted against Ernst & Young in these class proceedings (the "Ernst & Young Claims", as more fully defined in the as

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defined in the Plan). Along with the Minutes of Settlement, the framework of the proposed settlement and release of Ernst & Young is contained in the Plan, and in particular at Article 11.1 and the corresponding definitions (the “Ernst & Young Release” and the “Ernst & Young Settlement”). A copy of the Minutes of Settlement is attached hereto as **Exhibit “A.”** Copies of the draft settlement approval orders are attached hereto as **Exhibits “B-1”** and **“B-2.”** A copy of the Plan is attached hereto as **Exhibit “C”** and a copy of the order sanctioning the Plan dated December 10, 2012 (the “Sanction Order”) is attached hereto as **Exhibit “D.”** The endorsement and reasons of the Honourable Justice Morawetz sanctioning the Plan are attached hereto as **Exhibits “E-1”** and **“E-2.”** Where I have used capitalized terms that I have not defined in this affidavit, those terms have the same meanings attributed to them in the draft settlement orders or the Plan.

6. I affirm this affidavit in support of the motion brought by the Ontario Plaintiffs for approval of the Ernst & Young Settlement.

OVERVIEW OF THE SETTLEMENT

7. Subject to the terms of the Ernst & Young Settlement, Ernst & Young has agreed to pay CAD\$117,000,000.00 (the “Settlement Amount”) to a Settlement Trust to be administered in accordance with orders of the court.

8. In consideration for the Settlement Amount, it is a condition of the Ernst & Young Settlement that Ernst & Young will receive a full and final release in respect of all claims relating to its relationship with Sino-Forest Corporation (“Sino”), its subsidiaries and affiliates, as more fully defined as the Ernst & Young Release in the Plan.

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9. The Ernst & Young Settlement is also conditional on the approvals by courts in Ontario, Quebec and the United States and certain other conditions contained in the Minutes of Settlement, the Plan and the Sanction Order.

10. The draft settlement approval orders provide that the distribution of the net Settlement Amount¹ shall be made to the Securities Claimants.

BACKGROUND OF THE ACTION

11. Sino shares were publicly traded at all material times on the Toronto Stock Exchange (the "TSX"), on the Berlin exchange, on the over-the-counter market in the United States and on the TradeGate market. Sino shares also traded on alternative trading venues in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. During the period from March 19, 2007 through June 2, 2011, approximately 93.4% of the aggregate global volume of trade in Sino common shares took place in Canada (82.9% on the TSX and 10.5% on other trading venues in Canada).

12. Sino also issued and had various notes outstanding. These notes were offered to investors by way of offering memoranda, and were underwritten by various financial institutions who are defendants in the Ontario Action. In addition to those primary market offerings, these notes traded in the secondary market.

13. On June 2, 2011, Muddy Waters Research ("Muddy Waters") released a research report alleging fraud against Sino and alleging that it "massively exaggerates its assets." The release of this report was immediately followed by a dramatic decline in Sino's share price.

¹ The net Settlement Amount is the amount remaining from the Settlement Amount after payment of administration and notice costs, class counsel fees and expenses as approved by the Court and payment to Claims Funding International in accordance with the funding order of Justice Perell dated May 17, 2012, attached hereto as **Exhibit "F."**

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14. On June 1, 2011, the day prior to the publication of the Muddy Waters report, Sino's common shares closed at \$18.21. After the Muddy Waters report became public, Sino shares fell to \$14.46 on the TSX (a decline of 20.6%), at which point trading was halted. When trading resumed the next day, Sino's shares fell to a close of \$5.23 (a decline of 71.3% from June 1).

15. A copy of the Muddy Waters report is attached hereto as **Exhibit "G."**

16. Sino's notes also fell in value following the Muddy Waters report. On May 9, 2012 an auction was held to settle the credit derivative trades for Sino-Forest credit default swaps ("CDS"). CDS are essentially an insurance contract for debt instruments, and the price set in that auction represents the market's view of the value of the notes as of May 9, 2012. The CDS auction price was 29% of the notes' face values.

17. On June 3, 2011, Sino issued and filed on SEDAR a press release titled "Sino-Forest Comments on Share Price Decline," which is attached hereto as **Exhibit "H."**

18. On June 6, 2011, Sino issued and filed on SEDAR a press release titled "Sino-Forest Releases Supporting Evidence against Allegations from Short Seller," and announced that a committee of its Board of Directors (the "Independent Committee") had been established and had retained Osler, Hoskin & Harcourt LLP to conduct an investigation into Muddy Waters' allegations. Attached hereto as **Exhibit "I"** is a copy of that press release.

19. Also on June 6, 2011, Sino issued a press release titled "Sino-Forest Independent Committee Appoints PricewaterhouseCoopers," relating to the Independent Committee's investigation into Muddy Waters' allegations, which is attached hereto as **Exhibit "J."**

20. On June 13, 2011, Muddy Waters issued a document titled "Reaction to TRE Q1 Earnings Call," which is attached hereto as **Exhibit "K."**

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21. On June 18, 2011, the *Globe and Mail* published an article titled "Key partner casts doubt on Sino-Forest claim," which is attached hereto as **Exhibit "L."**
22. On June 19, 2011, the *Globe and Mail* published an article titled "On the trail of the truth behind Sino-Forest," which is attached hereto as **Exhibit "M."**
23. On June 20, 2011, Sino issued and filed on SEDAR a press release titled "Sino-Forest Responds to the Globe and Mail Article," which is attached hereto as **Exhibit "N."**
24. On June 20, 2011, Muddy Waters issued a document titled "The Ties that Blind, Part 1: Huaihua Yuda," which is attached hereto as **Exhibit "O."**
25. On August 10, 2011, November 15, 2011 and January 31, 2012, the Independent Committee released three reports, reporting its findings.
26. On August 26, 2011, the Ontario Securities Commission ("OSC") issued a temporary cease-trade order in respect of Sino's securities, attached hereto as **Exhibit "P."** The recitals to the cease trade order reflect that Sino appeared to the OSC to have engaged in significant non-arm's length transactions which may have been contrary to Ontario securities laws and the public interest, that Sino and certain of its officers and directors appeared to have misrepresented some of Sino's revenue and exaggerated some of its timber holdings, and that Sino and certain of its officers and directors appeared to be engaging or participating in acts, practices or a course of conduct related to Sino's securities which they (or any of them) knew or ought reasonably to know would perpetuate a fraud.
27. On January 10, 2012, Sino issued a press release stating, among other things, that its historical financial statements and related auditors reports should not be relied upon. Attached hereto as **Exhibit "Q"** is a copy of Sino's press release dated January 10, 2012.

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28. As discussed further below, on March 30, 2012, Sino filed for protection from its creditors under the *CCAA* and obtained a stay of proceedings against it, its subsidiaries and directors and officers, including the Ontario Action.

29. On May 9, 2012, Sino's shares were delisted from the TSX. The delisting was imposed due to Sino's failure to meet the continued listing requirements of the TSX as a result of the Insolvency Proceeding (discussed below), and for failure to file on a timely basis certain of its interim financial statements and the audited financial statements for the year ended December 31, 2011. Sino has not filed audited financial statements for any period subsequent to 2010. Ernst & Young resigned as Sino's auditors effective April 4, 2012. No new auditors have been appointed. Copies of Sino's press releases announcing the resignation of Ernst & Young and the delisting of Sino shares from the TSX are attached hereto as **Exhibits "R" and "S."**

ACTIONS AGAINST ERNST & YOUNG RELATING TO SINO

30. On July 20, 2011, the Ontario Action was commenced under the *Class Proceedings Act, 1992* (the "*CPA*") against Sino, Ernst & Young LLP and other defendants on behalf of persons who had purchased Sino securities in the period from March 19, 2007 to June 2, 2011. In this action, the Ontario Plaintiffs allege that Sino misstated its financial statements, overstated the value of its assets, and concealed material information about its business and operations from investors in its public filings. As a result, Sino's securities allegedly traded at artificially inflated prices for many years.

31. Before commencing the Ontario Action, Class Counsel conducted an investigation into the Muddy Waters allegations with the assistance of the Dacheng law firm, one of China's largest law firms ("Dacheng"). This firm retained Dacheng on the day after the Muddy Waters report was issued. Class Counsel's investigation into the Muddy Waters allegations has

continued since that time, and has been aided not only by Dacheng, but also by Hong Kong-based investigators specializing in financial fraud; two separate Toronto-based firms that specialize in forensic accounting, generally accepted accounting principles and generally accepted auditing standards; a lawyer qualified to practice in the Republic of Suriname, where Sino purported to own, through an affiliate, certain timber assets; and a financial economist who specializes in the measurement of damages in securities class actions.

32. On June 9, 2011, Siskinds Desmeules, a Quebec City law firm affiliated with Siskinds, commenced a parallel proceeding against Sino, Ernst & Young LLP and certain other defendants in the Quebec Superior Court. Class Counsel in Ontario and Quebec have been working together in a coordinated manner in both of these proceedings.

33. There were also two other proposed class proceedings commenced in Ontario relating to Sino. *Smith et al. v. Sino Forest Corporation et al.*, commenced on June 8, 2011 (the "*Smith Action*") and *Northwest & Ethical Investments L.P. et al. v. Sino-Forest Corporation et. al.*, commenced on September 26, 2011 (the "*Northwest Action*"). Rochon Genova LLP acted for the plaintiffs in the *Smith Action*, and Kim Orr LLP acted for the plaintiffs in the *Northwest Action*.

34. A copy of the Statement of Claim issued in the *Northwest Action* is attached hereto as **Exhibit "T."**

35. In the *Northwest Action*, the plaintiffs sought a declaration that the misrepresentations alleged were made by the defendants (including Ernst & Young) with knowledge, fraudulently, recklessly or negligently. The Statement of Claim made specific allegations of fraud against

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each of the defendants (including Ernst & Young) at paragraphs 226-228 and allegations of knowing, reckless or willfully blind misrepresentations elsewhere.

36. In December 2011, there was a motion to determine which of the three actions in Ontario should be permitted to proceed and which should be stayed. By order dated January 6, 2012, attached hereto as **Exhibit "U,"** the Honourable Justice Perell granted carriage to the Ontario Plaintiffs. His Honour stayed the *Smith Action* and the *Northwest Action*, and appointed Siskinds LLP and Koskie Minsky LLP to prosecute the Ontario Action on behalf of the proposed class. Following that decision, and pursuant to the Court's order, David Grant was added as a proposed representative plaintiff and the scope of the class was expanded to its current scope.

37. On January 27, 2012, the Washington, DC-based law firm of Cohen Milstein Sellers & Toll PLLC ("US Plaintiffs' Counsel") commenced a proposed class action against Sino, Ernst & Young LLP, Ernst & Young Global Limited and other defendants in the New York Supreme Court (the "US Action"). The US Action was transferred from the New York state court to the federal District Court for the Southern District of New York in March 2012.

38. United States securities class actions procedure features a process by which the "lead plaintiff" is selected. On October 18, 2012, US Plaintiffs' Counsel issued the press release required by that process. All parties that intended to seek lead plaintiff status were required to move the U.S. Court within 60 days (by December 17, 2012). A review of the electronic database indicates that David Leopard, IMF Finance SA and Myong Hyon Yoo, represented by US Plaintiffs' Counsel, moved for appointment as lead plaintiffs on December 17, 2012. No other parties filed motions for appointment as lead plaintiffs by the December 17, 2012 deadline.

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39. By way of Order of the United States District Court Southern District of New York dated January 4, 2013, David Leopard, IMF Finance SA and Myong Hyon Yoo were appointed as the lead plaintiffs and US Plaintiffs' Counsel as lead counsel to represent the interests of the proposed class. The US action is presently ongoing, and asserts claims on behalf of a class of:

i) all persons or entities who, from March 19, 2007 through August 26, 2011 (the "Class Period") purchased the common stock of Sino-Forest on the Over-the-Counter ("OTC") market and who were damaged thereby; and ii) all persons or entities who, during the Class Period, purchased debt securities issued by Sino-Forest other than in Canada and who were damaged thereby.

40. Class Counsel have had numerous interactions with US Plaintiffs' Counsel concerning developments in the Canadian and New York litigation.

41. On April 18, 2012, the plaintiffs filed a Fresh as Amended Statement of Claim, a copy of which is attached hereto and marked as **Exhibit "V."** A Proposed Fresh as Amended Statement of Claim was served on the defendants as part of the Ontario Plaintiffs' motion record in support of their motion seeking leave under Part XXIII.1 of the *Securities Act* (the "Leave Motion"). Attached and marked as **Exhibit "W"** is a copy of the Proposed Fresh as Amended Statement of Claim.

PLAINTIFFS' MOTIONS FOR CERTIFICATION AND LEAVE

42. In March and April 2012, the Ontario Plaintiffs brought (a) a motion for certification of the Ontario Action as a class action under the *CPA*; and (b) a motion for leave to proceed with statutory claims under Part XXIII.1 of the Ontario *Securities Act* (the "*OSA*").

43. The Ontario Plaintiffs filed voluminous motion records in support of their motions, comprising evidence from their investigations and expert reports. The motion records included:

(a) an affidavit of Steven Chandler, a former senior law enforcement official from Hong Kong who was involved in investigating Sino in China;

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- (b) an affidavit of Alan Mak, an expert in forensic accounting;
- (c) an affidavit of Dennis Deng, a lawyer qualified to practice in the People's Republic of China, and a partner in Dacheng law firm; and
- (d) an affidavit of Carol-Ann Tjon-Pian-Gi, a lawyer qualified to practice in the Republic of Suriname.

44. Justice Perell set a schedule for the proceeding by way of Order dated March 26, 2012. The defendants entered into a tolling agreement with the Ontario Plaintiffs and a separate tolling agreement was entered into amongst the defendants to deal with any potential claims over or third party claims. The tolling agreement between the defendants and the Ontario Plaintiffs was made as of March 6, 2012, and suspended the running of time for the purpose of the proposed Part XXIII.1 claims of the Ontario Plaintiffs and members of the putative class until February 28, 2013. Following the *CCAA* stay of proceedings, a second tolling agreement between these parties was made as of May 8, 2012, wherein the parties agreed that the running of time for the purpose of the proposed Part XXIII.1 claims of the Ontario Plaintiffs and members of the putative class was to be suspended as of March 6, 2012 until the earlier of 12 months following the lifting of the *CCAA* stay or February 1, 2014. This tolling agreement was a result of the Ontario Plaintiffs agreeing to consent to the stay order.

45. The certification and leave motions were scheduled for November 21 to 30, 2012. Those motions were not heard in November 2012 as a result of Sino's insolvency.

SINO'S INSOLVENCY

46. On March 30, 2012, Sino commenced the Insolvency Proceeding and obtained an order for an interim stay of proceedings against the company, its subsidiaries and its directors and officers. Pursuant to an order on May 8, 2012, the stay of proceedings was extended to all other

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defendants in the action, including Ernst & Young. The Ontario Plaintiffs agreed not to oppose this order on condition that (a) there was an order permitting a settlement approval hearing and certification hearing relating to a settlement with the defendant Pöyry (Beijing) Consulting Company Limited (described below); and (b) the defendants execute the second tolling agreement reflecting the delay caused by the Insolvency Proceeding. The stay of proceedings is currently extended through to February 1, 2013.

47. From the outset, it was apparent to counsel to the Ontario Plaintiffs that the Insolvency Proceeding presented a material risk to the Ontario Plaintiffs. Namely that in order to effect a restructuring that generated as much value as possible for Sino's creditors, there could be a plan of arrangement that had the effect of imposing an unfavourable settlement on the Ontario Plaintiffs.

48. Consequently, Class Counsel immediately entered into negotiations with other stakeholders in the Insolvency Proceeding, and took a number of steps to vigorously represent the interests of the purchasers of Sino's securities. The following were among Class Counsel's main objectives:

- (a) Reserving the Ontario Plaintiffs' rights to object to various features of the Insolvency Proceeding, so as to generate and/or preserve momentum for the Ontario Plaintiffs' claims and positions;
- (b) Ensuring that a Claims Process was established that identified the universe of stakeholders having an interest in the Insolvency Proceeding while ensuring the recognition of the totality of the representative claim advanced by the Ontario Plaintiffs;
- (c) Establishing a process for the mediation in the Insolvency Proceeding through which the positions of the various stakeholders would be defined; and

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- (d) Obtaining access to information that would permit Class Counsel to make informed recommendations to the Ontario Plaintiffs and the court in connection with the terms of any Plan.

49. To further these objectives, Class Counsel took a number of steps in the Insolvency Proceeding, including the following:

- (a) Bringing or appearing in response to the following motions:
 - (i) March 30, 2012 – Attending at the initial application regarding *CCAA* protection and sales process for Sino and its subsidiaries, including a stay of proceedings against Sino, its subsidiaries and directors and officers;
 - (ii) April 13, 2012 – Attending at the Company’s motion regarding stay extension;
 - (iii) April 20, 2012 – Bringing a motion regarding advice and direction on the *CCAA* stay and its impact on the pending motions in the Ontario Action;
 - (iv) April 20, 2012 – Attending at the Company’s motion regarding expansion of the powers of the Monitor;
 - (v) May 8, 2012 – Attending and participating actively in the motion regarding a third party stay;
 - (vi) May 8, 2012 – Bringing a motion regarding Pöyry settlement leave;
 - (vii) May 14, 2012 – Attending and participating in a motion regarding Claims Procedure Order, including granting of leave to the Ontario Plaintiffs to file a Claim in respect of the substance of the matters set out in the Ontario Action on behalf of the proposed Class and the same leave to the Quebec Plaintiffs;
 - (viii) May 14, 2012 – Attending a motion brought by Contrarian, one of Sino’s noteholders;
 - (ix) May 17, 2012 – Bringing a motion in the Ontario Action regarding a third-party funding agreement;

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- (x) May 17, 2012 – Bringing a motion in the Ontario Action regarding Pöyry settlement approval;
- (xi) May 31, 2012 – Attending at the Company’s motion regarding stay extension;
- (xii) June 26, 2012 – Attending at the Company’s motion regarding the status of Shareholder Claims and Related Indemnity Claims under the *CCAA*;
- (xiii) July 25, 2012 – Precipitating and attending at a motion regarding mediation in the *CCAA* proceedings, which included an order that the Ontario Plaintiffs were a party to the mediation;
- (xiv) July 27, 2012 – Attending at the Company’s motion regarding the status of Shareholder Claims and Related Indemnity Claims under the *CCAA*;
- (xv) July 30, 2012 – Bringing a motion regarding document production and a data room;
- (xvi) August 31, 2012 – Attending at the Company’s motion regarding plan filing and meeting Order;
- (xvii) August 31, 2012 – Attending at the Company’s motion regarding adjournment of Ad Hoc Committee’s motion (regarding appointment of Representative Plaintiff and leave to vote on Plan of Compromise);
- (xviii) September 28, 2012 – Attending at the Company’s motion regarding stay extension;
- (xix) October 9, 2012 – Attending and participating in the Company’s motion regarding adjournment of the Ad Hoc Committee’s motion (regarding lifting of the stay against the Third Parties);
- (xx) October 9, 2012 – Attending at the Company’s motion regarding stay extension;
- (xxi) October 28, 2012 – Bringing a motion to limit the scope of stay to exclude to the Third Party Defendants and others;
- (xxii) October 29, 2012 – Attending at the Company’s motion regarding revised noteholder noticing process;

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- (xxiii) November 13, 2012 – Attending an appeal regarding Equity Claims decision; and
 - (xxiv) November 23, 2012 – Attending at the Company’s motion regarding stay extension;
 - (xxv) December 7, 2012 – Attending and participating in the motion to sanction the Plan;
- (b) almost from the inception of the Insolvency Proceeding, engaging in extensive and protracted negotiations with the Ad Hoc Noteholder Group and with Sino with respect to the terms of the Plan of Reorganization;
 - (c) bringing a motion early in the proceeding seeking various relief challenging the framework of the Insolvency Proceeding, such as the appointment of a receiver and providing for representation on behalf of the Class Members, and reserving all rights with respect to those issues throughout the Insolvency Proceeding;
 - (d) supporting a motion for an order increasing the powers of the Monitor to administer Sino which took away powers from entrenched management and the then-existing board, protecting the assets of the company for all stakeholders and ensuring greater transparency and balance in the proceeding;
 - (e) negotiating the claims procedure in the Insolvency Proceeding and obtaining the right to file a representative claim so as to protect the interests of the putative Class;
 - (f) obtaining a data room of confidential non-public documents from Sino, which related principally to the audits of Sino’s financial statements so as to permit the Ontario Plaintiffs to negotiate with other stakeholders at the Mediation and respond to any plan of arrangement in an informed manner;
 - (g) examining all applicable insurance policies and indemnity agreements and assessed the capacity to pay of various defendants, including Ernst & Young;
 - (h) compelling the attendance of Sino’s CEO at a cross-examination and testing his evidence in the Insolvency Proceeding;

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- (i) engaging in multiple formal and informal, group and individual mediation and negotiation sessions with other stakeholders regarding the Class Members' claims, including a court-ordered, 2-day Mediation in September presided over by the Honourable Justice Newbould; and
- (j) bringing a motion, in response to the form of the restructuring plan initially filed with the court, which the Ontario Plaintiffs deemed to be contrary to their interests, challenging various features of the Plan, and seeking the right to vote on the Plan, and expressly reserving all of the Ontario Plaintiffs' rights in connection with that motion pending the presentation of the plan for sanction by the court, to ensure that the plan was in the best interests of the Class Members.

SETTLEMENT WITH PÖYRY (BEIJING)

50. The Ontario Plaintiffs engaged in settlement discussions with Pöyry (Beijing) Consulting Company Limited ("Pöyry (Beijing)"), a defendant in these proceedings, starting in January 2012. Following arm's-length negotiations, the Ontario Plaintiffs entered into a settlement with Pöyry (Beijing) in March 2012. In connection with the motion for court approval of the Pöyry settlement agreement, a notice was disseminated in the form marked and attached hereto as **Exhibit "X."** No one, including any potential Class Member, objected to the settlement with Pöyry (Beijing) at the motion to approve the settlement.

51. On September 25, 2012, this action was certified as a class proceeding as against Pöyry (Beijing) for the purposes of settlement and the Pöyry settlement was approved between the Class (as defined) and Pöyry (Beijing). A copy of the certification and settlement approval order is attached hereto as **Exhibit "Y."**

52. Notice of the certification and Pöyry settlement has been given in accordance with the order of the Honourable Justice Perell, dated September 25, 2012. A copy of this notice is marked and attached hereto as **Exhibit "Z."**

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53. The notice states that “IF YOU CHOOSE TO OPT OUT OF THE CLASS, YOU WILL BE OPTING OUT OF THE **ENTIRE** PROCEEDING. THIS MEANS THAT YOU WILL BE UNABLE TO PARTICIPATE IN ANY FUTURE SETTLEMENT OR JUDGEMENT REACHED WITH OR AGAINST THE REMAINING DEFENDANTS.” [emphasis and caps in original]. The opt-out deadline is January 15, 2013.

54. As of this date, I am advised by the administrators that only one retail investor who purchased Sino shares during the period of March 19, 2007 through June 2, 2011 has validly opted out. That person had purchased 700 Sino shares during that period and explained that he opted out because he has closed his LIRA accounts and gave up rights to Scotiabank, and does not wish to participate in the class action. There is one other retail investor (who did not submit information of the number of shares owned) that submitted invalid documentation, and it is possible that he or she purchased securities during the class period. This individual gave no reason for the decision to opt-out.

SETTLEMENT APPROVAL

Negotiation Process

55. The negotiations leading to the Ernst & Young Settlement were conducted on an adversarial, arm’s-length basis.

56. On July 25, 2012, this Court ordered the various constituencies in the Insolvency Proceeding to attend a mediation. A copy of that order is attached hereto as **Exhibit “AA.”**

57. On September 4 and 5, 2012, the Ontario Plaintiffs attended an all-parties mediation, which included Ernst & Young. The mediation was conducted with the assistance of the Honourable Justice Newbould, acting as mediator. Extensive mediation briefs were filed by all parties. The briefs and the mediation itself set forth the positions of the parties, including Ernst &

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Young and the plaintiffs. The mediation did not result in a settlement with any of the parties, including Ernst & Young, at that time.

58. It is Class Counsel's opinion that, given the defendants' negotiating stance at the mediation, the Ontario Plaintiffs could not have negotiated a significant all-party settlement at that mediation.

59. Following the mediation, settlement discussions continued with the defendants. However, those settlement discussions did not come close to bridging the significant difference between the positions of the parties.

60. In mid-October 2012, the Ontario Plaintiffs began bilateral discussions with Ernst & Young. Several offers were exchanged between the Ontario Plaintiffs and Ernst & Young over a number of weeks. Those discussions did not result in a settlement at that time.

61. On October 18, 2012, the Honourable Justice Morawetz issued an endorsement scheduling the Company's motion to sanction the Plan for December 7 and 10, 2012. Attached hereto as **Exhibit "BB"** is a copy of the Endorsement of the Honourable Justice Morawetz dated October 18, 2012.

62. The Ontario Plaintiffs brought a motion returnable October 28, 2012 to have the scope of stay limited to exclude the Third Party Defendants, including Ernst & Young, and certain other parties. By way of Endorsement dated November 6, 2012, the Honourable Justice Morawetz denied the relief sought by the Ontario Plaintiffs to allow the parties to focus on the Plan and the CCAA proceedings. Justice Morawetz held that the motion could and should be re-evaluated following the sanction hearing, and in any event no later than December 10, 2012. Attached

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hereto as **Exhibit "CC"** is copy of the Endorsement of the Honourable Justice Morawetz dated November 6, 2012.

63. In late November Ernst & Young and the Ontario Plaintiffs agreed to further formal mediation.

64. On November 27, 2012, Clifford Lax, Q.C. conducted a mediation between Ernst & Young and the Ontario Plaintiffs. The parties exchanged mediation briefs in advance of the mediation which were, in the main, the briefs previously filed for the September mediation. At the conclusion of the day, the parties had made progress, but a resolution had not been reached. The parties reconvened the next day and did reach agreement on quantum, but continued to aggressively negotiate other terms of the Minutes of Settlement until the early morning of November 29. At 4 a.m. on November 29, the parties took a four-hour break, and then came back to discuss the terms of the Minutes of Settlement which were finalized in the evening of November 29. The discussions were protracted and challenging.

65. The mediation session resulted in the Ernst & Young Settlement, which conditions include court approval of the Ernst & Young Settlement, and the Ernst & Young Release. Following satisfaction of all conditions precedent as set out in the Minutes of Settlement, Ernst & Young agreed to pay CAD\$117,000,000.

66. The Minutes of Settlement reflect that Ernst & Young would not have entered into the settlement agreement with the Ontario Plaintiffs (and would not have offered the large Settlement Amount) but for the *CCAA* proceedings. Paragraph 10 and Schedule B of the Minutes of Settlement make it clear that the parties intend the settlement to be approved in the

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Sino *CCAA* proceedings and that it is conditional upon the full and final release of Ernst & Young by order of the *CCAA* court.

67. Paragraph 11 and Schedule B of the Minutes of Settlement make it clear that the settlement is conditional upon obtaining orders in the *CCAA* proceedings and in the United States Bankruptcy Court resolving all claims against Ernst & Young in relation to Sino.

68. The framework of the Ernst & Young Settlement, as contemplated by the Minutes of Settlement, is contained in the Plan at Article 11.1, and includes the framework for the Ernst & Young Release.

69. A similar framework for Named Third Party Defendants, including the Underwriters and BDO, is contained at Article 11.2 of the Plan. The Ernst & Young Settlement was the template for the framework for the Named Third Party Defendant settlement provisions.

70. Article 11.2 in respect of Named Third Party Defendants provides the Ontario Plaintiffs (and the Underwriters and BDO) with the ability to complete further settlements within the context of the *CCAA* proceedings, subject to further court approval. Such settlements could have the benefit of a full release for the Underwriters or BDO, if ordered by the Court, and would likely result in those parties paying a premium for settlement to resolve all claims against them, to the benefit of the Class.

71. Ernst & Young and the Ontario Plaintiffs supported the Plan on the basis of the inclusion of the framework for the Ernst & Young Settlement and the Ernst & Young Release in the Plan. Ernst & Young, as a creditor of Sino, voted in favour of the Plan. Ernst & Young and the Ontario Plaintiffs supported the Plan at the sanction hearing.

THE ONTARIO PLAINTIFFS SUPPORT THE SETTLEMENT

72. The Ontario Plaintiffs are:

- (a) The trustees of the Labourers' Pension Fund of Central and Eastern Canada ("Labourers Fund"). The Labourers Fund is a multi-employer pension plan providing benefits for employees working in the construction industry. The trustees of the Labourers Fund manage more than \$2.5 billion of assets. During the period from March 19, 2007 to June 2, 2011 the Labourers Fund purchased 360,700 Sino common shares. Most of those shares were purchased in the secondary market over the TSX. The Labourers Fund also purchased Sino common shares pursuant to a prospectus that Sino issued during the Class Period. As at the day before the issuance of the Muddy Waters report, the Labourers Fund held a total of 128,700 Sino shares. The Labourers Fund is a long-standing client of Koskie Minsky LLP;
- (b) The trustees of the International Union of Operating Engineers ("OE Fund"). The OE Fund is a multi-employer pension plan providing pension benefits for operating engineers in Ontario. The trustees of the OE Fund manage approximately \$1.5 billion of assets. The OE Fund purchased 465,130 Sino common shares over the TSX during the Class Period, and held 436,300 such shares at the day before the issuance of the Muddy Waters report. The OE Fund is a long-standing client of Koskie Minsky LLP;
- (c) Sjunde AP-Fonden ("AP7"), the Swedish National Pension Fund. AP7 manages billions of dollars in assets. AP7 purchased 139,398 common shares over the TSX during the Class Period, and held all of those shares as at the day before the issuance of the Muddy Waters report;
- (d) David Grant, an individual resident in Calgary, Alberta. During the Class Period, he purchased 100 of the Sino 6.25% Guaranteed Senior Notes due 2017 pursuant to an offering memorandum. Mr. Grant continued to hold these notes as at the day before the issuance of the Muddy Waters report; and

- (e) Robert Wong, an individual residing in Kincardine, Ontario. Mr. Wong purchased hundreds of thousands Sino shares from 2002 (when he first became a Sino shareholder) through June 2011. During the Class Period, he purchased 896,400 Sino common shares in the secondary market over the TSX and 30,000 shares pursuant to a prospectus that Sino issued during the Class Period, for a total of 926,400 shares. Mr. Wong continued to hold 518,700 Sino common shares at the day before the issuance of the Muddy Waters report.

73. Collectively, the Ontario Plaintiffs owned 1,223,098 Sino common shares at the day before the issuance of the Muddy Waters report, and those shares had a market value immediately prior to the issuance of the Muddy Waters report of approximately \$23.3 million.

74. I am advised by Jonathan Ptak of Koskie Minsky that the trustees of the Labourers Fund and the OE Fund are extremely pleased with the settlement with Ernst & Young and have instructed Class Counsel to seek approval of the Ernst & Young Settlement. I am advised by Dimitri Lascaris that Robert Wong, David Grant and AP7 are also very pleased with the settlement and have instructed Class Counsel to seek approval of the Ernst & Young Settlement.

75. In addition, I am advised by Mr. Lascaris that the proposed settlement with Ernst & Young is supported by the institutions that were the two largest shareholders of Sino, namely, New York-based Paulson & Co. Inc. ("Paulson") and Arizona-based Davis Selected Advisers LP ("Davis"). Paulson and Davis, respectively, owned approximately 14.1 % and 12.6% of Sino's outstanding common shares prior to the issuance of the Muddy Waters report, representing in aggregate a market value of more than \$1.1 billion.

76. Class Counsel have been retained by Davis. Mr. Lascaris advises me that, since the commencement of the class action, he has had numerous and extensive discussions with responsible officials of both Davis and Paulson in regard to the progress generally of the class

action and the Insolvency Proceeding, and in regard in particular to negotiations with Ernst & Young and the terms of and rationale for the settlement.

FACTORS CONSIDERED IN ASSESSING THE FAIRNESS AND REASONABLENESS OF THE SETTLEMENT

Experience of Class Counsel

77. Siskinds LLP and Koskie Minsky LLP both have extensive experience litigating and resolving complex class action litigation similar to this case. In addition, Kessler Topaz Meltzer and Check LLP, counsel to AP7, are one of the leading U.S. class action firms with particular expertise in securities class actions.

78. Siskinds acted for the plaintiffs in the first action certified as a class proceeding under the *CPA*, *Bendall v McGhan Medical Corp* (1993), 14 OR (3d) 734 (Gen Div). Since that time, Siskinds has been lead or co-lead counsel to the plaintiffs in well over 100 class proceedings and has successfully resolved over 60 such proceedings, in areas such as securities, competition (price-fixing), product liability (particularly with respect to pharmaceuticals and medical products), the environment and consumer claims.

79. To the date of this affidavit, Siskinds has had approximately 20 securities class actions and 2 derivative proceeding settlements approved by courts, including most recently the *SunOpta*, *CV Technologies*, *Bear Lake Gold*, *PetroKazakhstan*, *Gildan Activewear*, *Canadian Superior Energy*, *Redline Communications*, *Gammon Gold*, and *Arctic Glacier* securities class action settlements.

80. Koskie Minsky has prosecuted class actions at all levels of court in Ontario as well as before the Supreme Court of Canada, and has been responsible for shaping class actions law through leading cases including *Cloud v The Attorney General of Canada*, *Pearson v Inco Ltd*, *Caputo v Imperial Tobacco*, and *Markson v MBNA Canada Bank*. Koskie Minsky has

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prosecuted actions for securities fraud, pension fund and investment claims, intellectual property violations, environmental damage and residential school abuse, among others.

81. Koskie Minsky has acted for shareholders in securities class actions, including *Lawrence v Atlas Cold Storage Holdings Inc*, *Toevs v Yorkton*, and *Frohlinger v Nortel Networks Corp*.

82. Paliare Roland has appeared as counsel in many CCAA restructuring proceedings, and has acted for a variety of stakeholders in those proceedings, including stakeholders acting in representative capacities. Past engagements include, among others, advising and appearing on behalf of a number of institutional and other investors including various dissident noteholders in connection with the restructuring of Canada's non-bank asset backed commercial paper market, advising and appearing on behalf of the Superintendent of Financial Services in his capacity as administrator of Ontario's Pension Benefits Guarantee Fund in connection with the restructuring of Nortel Networks Corporation and its global subsidiaries, advising and appearing on behalf of the United Steelworkers in connection with the Stelco restructuring, as well as in connection with the restructuring of a variety of other steel mills, pulp mills, and manufacturing facilities across Ontario, and advising and appearing on behalf of the Air Line Pilots Association in connection with the restructuring of Air Canada. Paliare Roland also appeared as counsel to the committee of non-unionized Quebec employees in the restructuring of Fraser Papers, and, most recently, as counsel to a committee of former employees in the Cinram restructuring.

83. As of December 14, 2012, Class Counsel, together with Paliare Roland, in aggregate had more than \$5,701,546.50 in time and \$950,205.51 in disbursements for a total of \$6,651,752.01, exclusive of applicable taxes.

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84. As a result of Class Counsel's involvement in other cases, we have gained considerable experience in the settlement mechanics and imperatives, damages methodologies, and risks associated with this type of litigation.

85. Class Counsel recommend the approval of the Ernst & Young Settlement. In our view, its terms, including the consideration available to the Class, are fair and reasonable in the circumstances. The Ernst & Young Settlement delivers a substantial, immediate benefit to Class Members on claims that faced significant risks.

86. I explain below our rationale for recommending to the Ontario Plaintiffs, and to this Court, the compromise of the claims advanced against Ernst & Young in this action.

Information supporting settlement

87. In assessing our clients' position and the proposed settlement, we had access to and considered the following sources of information:

- (a) all of Sino's public disclosure documents and other publicly available information with respect to Sino;
- (b) the available trading data for Sino's securities;
- (c) non-public documents uploaded by Sino into the data-room established in the Insolvency Proceeding for purposes of the global mediation, which included the documents listed at Schedule "A" to the July 30, 2012 Order of Justice Morawetz, which is marked and attached hereto as **Exhibit "DD"**;
- (d) Ernst & Young LLP's responsive insurance policies;
- (e) the input and opinions of our accounting experts, insolvency law experts, and insurance coverage experts;

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- (f) the input and opinion of Frank C. Torchio, the President of Forensic Economics, Inc., who has consulted or given independent damage opinions in securities fraud lawsuits for over 20 years.
- (g) the Statement of Allegations issued against Sino and certain officers and directors by the OSC, dated May 22, 2012, marked and attached hereto as **Exhibit "EE"**;
- (h) the mediation briefs provided by the parties at the global mediation in September, 2012 and by Ernst & Young LLP at the mediation in November, 2012; and
- (i) input from experienced U.S. securities counsel, Kessler Topaz Meltzer & Check, LLP, and discussions with US Plaintiffs' Counsel.

88. On December 3, 2012, after the Ontario Plaintiffs had entered into the Ernst & Young Settlement and on the day of the creditors vote on the Plan, the OSC issued a Statement of Allegations against Ernst & Young relating to the matter of Sino, which is marked and attached hereto as **Exhibit "FF."** Although Class Counsel's recommendation and the Ontario Plaintiffs' approval of the Ernst & Young Settlement were grounded on numerous factors, the OSC Statement of Allegations against Ernst & Young provided further insight about the risks associated with litigating the claims as against Ernst & Young going forward. As explained below, the OSC Statement of Allegation has since become a further factor, alongside the other documents listed above and the considerations explained below, for Class Counsel to now recommend the approval of the Ernst & Young Settlement.

89. In our view, Class Counsel had more than adequate information available from which to make an appropriate recommendation concerning the resolution of the claims as against Ernst & Young.

90. It has always been Class Counsel's view that the claims against Ernst & Young have merit. However, a number of factors in this case presented a significant risk to the ultimate

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success and recovery from Ernst & Young. These risks weighed in favour of settlement with Ernst & Young. It is Class Counsel's view that this Ernst & Young Settlement (and the Ernst & Young Release) are fair and reasonable and in the best interests of the Class. Class Counsel's assessment of the Ernst & Young Settlement and our recommendation of it rest primarily on the following factors, in addition to the general risks of proceeding with complex litigation.

Recoverable damages could be far lower than actual damages

91. The Class asserts the following causes of action as against Ernst & Young:

- (a) statutory liability in respect of primary market share purchaser claims pursuant to s 130 of the *OSA*;
- (b) statutory liability in respect of secondary market share purchaser and note purchaser claims pursuant to Part XXIII.1 of the *OSA*; and
- (c) common law claims for negligent misrepresentation, negligence *simpliciter* and knowing or willfully blind misrepresentation for all purchasers of Sino securities.

92. These claims, if entirely successful, could result in an award for significant damages against all defendants. I have reviewed various expert reports by Mr. Torchio regarding damages in this action. Mr. Torchio is the President of Forensic Economics, Inc., and has consulted or given independent opinions in securities fraud lawsuits for over 20 years.

93. We were guided by the advice Mr. Torchio, but were also cognizant that it is common for defendants to produce opinions which make different assumptions and put forth lower damages figures. Indeed, in the course of settlement discussions in this case, Ernst & Young and other defendants insisted that far more conservative damages figures would be appropriate.

94. It is also important to recognize that Mr. Torchio opines on the total estimated damages. His opinions are based in large part on trading models and various assumptions, the results of which could vary from the actual trading patterns of the Class Members.

95. The damages alleged are for all losses suffered, including those attributable to Sino and the defendant directors and officers. Following the *CCAA* Proceedings, only the assets of certain of the defendants (Chan, Poon and Horsley) and the Director and Officer insurance proceeds following major draw-downs and hold-backs, are available to the Ontario Plaintiffs in respect of those claims.

96. Further, as part of the Plan, the Ontario Plaintiffs negotiated a cap of CAD\$150,000,000 for claims by noteholders in the various class actions indemnifiable by the Company, including claims by the Third Party Defendants, including Ernst & Young, for indemnification in respect of any noteholder claims against them (the "Noteholder Class Action Cap"). The Company admitted all claims for indemnification of the Third Party Defendants, including Ernst & Young, for the purposes of the Noteholder Class Action Cap. Ernst & Young waived all distribution to it under the Plan in return for the inclusion of Article 11.1 in the Plan. Therefore, the maximum that may be recovered by all noteholders with regard to indemnifiable claims in all of the class actions against all defendants in the aggregate is CAD\$150,000,000.

97. Moreover, the actual damages to be paid may only be for claims filed. For a variety of reasons, less than 100% of the Class Members generally file claims. Although claim rates vary from case to case, it is never the case in a matter of this nature that all Class Members file claims. Therefore actual payable damages could be some portion Mr. Torchio's figures if the matter proceeded to trial and the defendants succeeded in establishing that damages should be based only on claims filed.

98. Finally, and most significantly, irrespective of the scale of actual damages, the legal impediments to recovery for the claims against Ernst & Young weigh strongly in our recommendation of the Ernst & Young Settlement. In essence, while the damages alleged are in the billions of dollars, recovery against Ernst & Young may be less than the Settlement Amount if certain of Ernst & Young's defences and arguments are successful at trial.

Statutory claims on behalf of primary market share and note purchasers

99. The Ontario Action advances claims against Ernst & Young under s 130 of the *OSA*. Although no Statements of Defence have been delivered in the Ontario Action, the Ontario Plaintiffs understand that Ernst & Young denies that: (i) its auditors' reports contain the misrepresentation alleged; (ii) Sino's financial statements on which Ernst & Young opined were not GAAP-compliant; and (iii) Ernst & Young's audit work was not GAAS-compliant.

100. The Ontario Plaintiffs would be put to the proof that the auditors' reports contained the misrepresentations alleged. The Ontario Plaintiffs also understand that Ernst & Young asserts a due diligence defence under ss130(3) and (4) of the *OSA*. The Ontario Plaintiffs also understand that Ernst & Young takes issue with the damages calculations by Mr. Torchio. The damages for these claims are limited in the aggregate to approximately \$77.8 million.

101. However, recovery from Ernst & Young could be smaller. It is very likely that if Ernst & Young is found liable, responsibility would also be borne by Sino, its officers and directors, BDO Limited, and, notably, the Underwriters. Although liability under section 138 of the *OSA* is joint and several, Ernst & Young would be able to claim contribution from the other co-defendants found responsible for the misconduct. Ernst & Young waives this right to contribution as part of the Ernst & Young Settlement. The Settlement Fund provides certainty of the amount to be paid by Ernst & Young to the Class.

102. It should be noted that the Ontario Action advances claims pursuant to s 130.1 of the *OSA* against Sino for misrepresentations in the offering memoranda that Sino issued during the Class Period. However, the *OSA* does not provide for a statutory right of action relating to the offering memoranda in respect of any other defendant, including Ernst & Young, a fact that Class Counsel have taken into account in recommending the Ernst & Young Settlement.

Common law claims: auditors' duty and standard of care

103. The Ontario Action has asserted common law claims on behalf of secondary market share purchasers against Ernst & Young for negligent misrepresentation, negligence *simpliciter* and knowing or willfully blind misrepresentation.

104. As stated above, the Ontario Plaintiffs understand that Ernst & Young denies these claims.

105. A significant hurdle faced by the Class in asserting these claims is establishing that Ernst & Young, as auditor of Sino's financial statements, owed a duty of care to the Class. The Supreme Court of Canada held in *Hercules*² that the auditor in that case owed no duty of care to the shareholders of a corporation that it had audited. While Class Counsel believe that *Hercules* is distinguishable, a significant risk exists that a court would rely on the reasoning in *Hercules* and find that Ernst & Young did not owe a duty of care to the Class, thereby defeating the common law claims based on negligence against Ernst & Young.

106. Moreover, even if the Class is able to establish that Ernst & Young owed a duty of care to shareholders, there remains the possibility that we will be unable to prove that Ernst & Young breached the standard of care. Within the settlement context and on a privileged basis, Ernst &

² *Hercules Managements Ltd v Ernst & Young*, [1997] 2 SCR 165 ("*Hercules*").

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Young has provided Class Counsel with the opinion of an auditing expert, who opines that Ernst & Young complied with Generally Accepted Auditing Standards ("GAAS") and was not negligent in the preparation of its 2010 audit report (Ernst & Young's counsel have advised us that, as of the date hereof, it expects to receive similar opinions with respect to audit reports for prior years, if necessary).

107. We anticipate that Ernst & Young will argue that it was itself the victim of a fraud by Sino's management, and appropriately relied on other experts during the conduct of its audits, including a major Chinese law firm, and the valuation reports of Pöyry (Beijing) and its affiliate entities. In its Statement of Allegations against Sino and certain of its former senior officers, staff of the OSC allege that Sino's auditors, including Ernst & Young, were not made aware of Sino's alleged falsified contracts.

108. Ernst & Young could also argue, and a court could find, that a negligence claim requires a showing of reliance by each individual class member. Depending on the process a court adopts, this may require active participation by Class Members in the litigation. The need to actively participate, and to prove reliance, is likely to reduce the total judgment ultimately rendered against Ernst & Young in this class proceeding and increase the length, complexity and cost of the proceedings.

109. Finally, to the extent proof of individual reliance is required as an element of these common law claims, it was by no means certain that a court would grant class certification in respect of these claims. Recent authority has been divided on this issue, and without doubt the certification order would be appealed by the losing party.

Part XXIII.1 liability limits

110. The Class asserts statutory secondary market misrepresentation claims against Ernst & Young under Part XXIII.1 of the *OSA*. The Ontario Plaintiffs understand that Ernst & Young denies these claims. The Ontario Plaintiffs understand that Ernst & Young asserts a reasonable investigation defence pursuant to s 138.4(6) of the *OSA*. The Ontario Plaintiffs also understand that Ernst & Young takes issue with the quantification of damages. Further, the Ontario Plaintiffs understand that it is Ernst & Young's position that s 138.7(1) of the *OSA* could limit recoverable damages to the fees that Ernst & Young earned while auditing Sino, being in the range of \$4-\$8.5 million. In other words, even though the damages of these secondary market purchasers is over \$3 billion, the *OSA* could restrict recovery for the Part XXIII.1 claims to a relatively tiny amount.

111. The only exception to this potentially paltry recovery would be for the Ontario Plaintiffs to prove that Ernst & Young knowingly made the alleged misrepresentations. This could be a challenging standard to meet, one which Ernst & Young denies and which Ernst & Young asserts requires proof of fraud.

112. Class Counsel's view that establishing knowledge will be challenging is bolstered by the recent Statement of Allegations against Ernst & Young released by the OSC, more than 15 months after the cease-trade order. The OSC's Statement of Allegations does not include any allegations that amount to knowledge of or recklessness with regards to a representation.

Claims on behalf of purchasers of notes

113. The Ontario Action also advances common law claims against Ernst & Young on behalf of note purchasers (debt securities purchased pursuant to an offering memorandum).³ Class Counsel are mindful that there are challenges to the prosecution of these claims in the circumstance of this case.

114. Recovery on behalf of noteholders in the class actions is limited, with respect to indemnifiable claims, by virtue of the Plan to a total of CAD\$150,000,000, for both primary and secondary market purchasers, and as against all defendants.

115. Certification of the common law claims relating to Sino notes remains subject to certain risks, including those described above in respect of common law claims on behalf of shareholders. These claims are also subject to a number of unique defenses. For example, the trust indentures governing Sino notes restrict the right of individual noteholders to assert claims in relation to their notes. As such, the Ontario Plaintiffs understand that Ernst & Young may assert that anyone who is not a current noteholder, even if they sold their notes only recently, has no right of action. The defendants assert that those former noteholders transferred all of their rights in the notes, including any right to sue for misrepresentations. Further, to allow the common law claims may violate the rule against double proof; the claimants cannot sue both for trading losses and under the note covenants.

116. Ernst & Young has also raised the argument that the current noteholders have chosen to recover from Sino's assets pursuant to the *CCAA* Plan of Arrangement, and that any other remedy would amount to double recovery.

³ As noted, the *OSA* does not provide for a statutory right of action against Ernst & Young in relation to the alleged misrepresentations in the offering memoranda by way of which the notes were distributed.

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117. In assessing the noteholders' common law claims in the context of the settlement, Class Counsel have been cognizant of such risks and uncertainties.

Ernst & Young LLP's Insurance

118. Taking into account the available insurance and annual revenues of the firm, it is the view of plaintiffs' counsel that the amount of damages estimated by the plaintiffs' expert would not reasonably be recoverable against an organization such as Ernst & Young LLP.

Other Auditor Settlements in Securities Class Actions

119. Attached as **Exhibit "GG"** is a list titled "Top 50 Accounting Malpractice Settlements" prepared by Audit Analytics, an independent research provider focused on the accounting, insurance, regulatory, legal and investment communities.

120. Based on our assessment of the Audit Analytics document and other information available in the public domain, the Settlement Amount would represent the largest securities class action settlement paid by defendants involving a Canadian issuer, the shares of which were not listed on a U.S. stock exchange. Before this settlement, the largest such settlement was in the *YBM Magnex* case where the defendants collectively paid \$85 million to settle the action, which claimed \$875 million in damages, on a global basis.

121. Based on our assessment of the Audit Analytics document and other information available in the public domain, the Settlement Amount would also be the largest settlement paid by a Canadian auditing firm in a securities class action lawsuit. Previously, the largest recovery to shareholders by a Canadian auditing firm was a US\$50.5 million settlement paid by the Canadian branch of Deloitte & Touche in *In Re Philip Services Corp Securities Litigation*.

122. Based on our assessment of the Audit Analytics document and other information available in the public domain, the Settlement Amount ranks as the fifth largest settlement paid by an auditing firm worldwide in a securities class action.

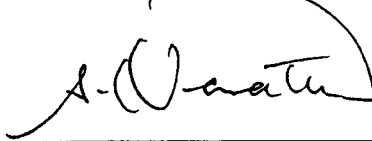
123. The other class action settlements were: i) the \$335 million payment to Cendant shareholders in December 1999; ii) the \$225 million payment to Tyco shareholders in November 2007; iii) the \$210 million payment to Adelpia shareholders in August 2007; and iv) the \$125 million payment to Rite Aid shareholders in March 2003.

124. The remaining settlements on the Audit Analytics list that rank above the Ernst & Young settlement relate to payments made by auditing firms to government regulators or the auditors' clients, or relate to non-securities litigation.

CONCLUSION

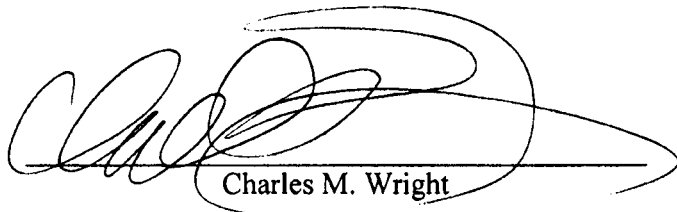
125. In light of all of the above considerations, it is Class Counsel's opinion that the Ernst & Young Settlement and Settlement Amount are fair and reasonable to the Class. Class Counsel have no hesitation in recommending to the Court that it approve this settlement.

SWORN before me at the City of)
Toronto, in the Province of Ontario,)
this 10th day of January, 2013.)


_____)

A Commissioner, etc.)
LSUC # 62311 B)

S. Sajjad Nematollahi


_____)
Charles M. Wright

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

The Trustees of the Labourer's Pension Fund of and Sino-Forest corporation, et al.
Central and Eastern Canada, et al.

Plaintiffs

Defendants

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

Proceeding commenced at **Toronto**

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The Trustees of the Labourer's Pension Fund
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and

Sino-Forest Corporation, et al.

Plaintiffs

Defendants

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

Superior Court File No: CV-10-414302

ONTARIO
SUPERIOR COURT OF JUSTICE
Commercial List

Proceeding under the *Class Proceedings Act, 1992*
Proceeding commenced at Toronto

MOTION RECORD OF THE PLAINTIFFS
(Motion for Fee Approval,
returnable December 13, 2013)

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