

TAB D

*This is EXHIBIT "D" Referred to in the
Affidavit of
MIKE P. DEAN*

Sworn the 11th day of January, 2013



A Commissioner For Taking Affidavits (or as may be)

ORIGINAL

06/20/12

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 PLAN OF COMPROMISE OR
ARRANGEMENT OF SINO-FOREST CORPORATION

Applicant

APPLICATION UNDER THE *COMPANIES CREDITORS'*
ARRANGEMENT ACT, R.S.C. 1985, c.C-36, AS AMENDED

**Proof of Claim against
Directors or Officers of
Sino-Forest Corporation
of Ernst & Young LLP**

**PROOF OF CLAIM AGAINST
DIRECTORS AND OFFICERS OF SINO-FOREST CORPORATION**

I N D E X

Tab	Description
A	Proof of Claim of Ernst & Young LLP
A1	Schedule A1 – Particularized Claim
A2	Schedule A2 – Description of Claim
B	Schedule B – List of Directors and Officers

TAB A

PROOF OF CLAIM AGAINST DIRECTORS OR OFFICERS OF SINO-FOREST CORPORATION

This form is to be used only by Claimants asserting a claim against any director and/or officers of Sino-Forest Corporation, and NOT for claims against Sino-Forest Corporation itself. For claims against Sino-Forest Corporation, please use the form titled "Proof of Claim Against Sino-Forest Corporation", which is available on the Monitor's website at <http://cfcanada.fticonsulting.com/sfc>.

1. Original Claimant Identification (the "Claimant")

Legal Name of Claimant: Ernst & Young LLP

Name of Contact: Doris Stamml

Address:

Title: Chief Legal Counsel

Ernst & Young LLP
222 Bay Street, P.O. Box 251
Ernst & Young Tower, 27th Floor

Phone #: 416-943-3039

Email: doris.stamml@ca.ey.com

City: Toronto

Prov / State: ON

Postal/Zip code: M5K 1J7

2. Assignee, if D&O Claim has been assigned

Full Legal Name of Assignee _____

Name of Contact _____

Address _____

Phone # _____

Fax # _____

City _____

Prov / State _____

e-mail _____

Postal/Zip code _____

3. Amount of D&O Claim

The Director or Officer was and still is indebted to the Claimant as follows:

I/we have a claim against a Director(s) and/or Officer(s)

Name(s) of Director(s) and/or Original Officer(s)	Currency	Currency Amount	Amount of Claim
<u>See Schedule B for a list of all directors and officers whom this claim is asserted</u>	<u>CDN</u>	\$7,154,200,000.00 plus all not yet quantified/unknown amounts as set out in Schedule "A1" are also claimed against the directors and officers listed in Schedule B.	\$7,154,200,000.00 plus all not yet quantified/unknown amounts as set out in Schedule "A1" are also claimed against the directors and officers listed in Schedule B.
<u>See Schedule B for a list of all directors and officers whom this claim is asserted</u>	<u>USD</u>	\$1,805,000,000.00 plus all not yet quantified/unknown amounts as set out in Schedule "A1"	\$1,805,000,000.00 plus all not yet quantified/unknown amounts as set out in Schedule "A1"

4. Documentation

Provide all particulars of the D&O Claim and supporting documentation, including amount, and description of transaction(s) or agreement(s), or legal breach(es) giving rise to the D&O Claim.

See Schedule "A2" plus all documents appended thereto.

5. Certification

I hereby certify that:

1. I am the Claimant, or authorized representative of the Claimant.
2. I have knowledge of all the circumstances connected with this D&O Claim.
3. Complete documentation in support of this D&O Claim is attached.

Name Doris Stamml

Title Chief Legal Counsel

Dated at Toronto

this 20th day of June 2012

Signature 

Witness 

6. Filing of D&O Claim

This Proof of Claim **must be received by the Monitor by no later than 5:00 p.m. (prevailing Eastern Time) on June 20, 2012**, by registered mail, courier, personal delivery or electronic or digital transmission at the following address:

FTI Consulting Canada Inc.
Court-appointed Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Telephone: (416) 649-8094
E-mail: sfc@fticonsulting.com

An electronic version of this form is available at <http://cfcanda.fticonsulting.com/sfc>

TAB 1

SCHEDULE "A1"

1. Negligent misrepresentation:

- (a) in an amount yet to be quantified as more particularly set out in Schedule "A2";
and
- (b) costs and interest.

2. Fraudulent misrepresentation:

- (a) in an amount yet to be quantified as more particularly set out in Schedule "A2";
and
- (b) costs and interest.

3. Inducing Breach of Contract:

- (a) in an amount yet to be quantified as more particularly set out in Schedule "A2";
and
- (b) costs and interest.

4. Injury to Reputation:

- (c) in an amount yet to be quantified as more particularly set out in Schedule "A2";
and
- (d) costs and interest.

5. Contribution and indemnity under the *Negligence Act*, R.S.O 1990, c. N-1 and other applicable legislation outside of Ontario:

(a) The action in Ontario Superior Court of Justice Court File No. CV-11-43115300CP (only as the Court permits):

- (i) damages claimed in the amount of up to CDN \$7,149,200,000.00;
- (ii) damages claimed in the amount of up to USD \$1,805,000,000.00;
- (iii) any unknown amounts not yet pleaded or quantified (including interest and costs) against Ernst & Young LLP in this proceeding; and
- (iv) any amounts incurred or to be incurred by Ernst & Young LLP with respect to its defence of the above-mentioned proceeding.

(b) The action in *Quebec Superior Court* File No. 200-06-000132-111 (only as authorized and given representative status):

- (i) unknown and unquantified damages in Canadian dollars;
- (ii) unknown and unquantified damages in U.S. dollars;
- (iii) any unknown amounts not yet pleaded or quantified (including interest and costs) against Ernst & Young LLP in the above-mentioned proceeding; and
- (iv) any amounts incurred or to be incurred by Ernst & Young LLP with respect to its defence of the above-mentioned proceeding.

- (c) The verified complaint in *Supreme Court of the State of New York*, County of New York – Index No. 650258/2012:
 - (i) unknown and unquantified damages in Canadian dollars;
 - (ii) unknown and unquantified damages in U.S. dollars;
 - (iii) any unknown amounts not yet pleaded or quantified (including interest and costs) against Ernst & Young LLP in the above-mentioned proceeding; and
 - (iv) any amounts incurred or to be incurred by Ernst & Young LLP with respect to its defence of the above-mentioned proceeding.

- (d) Other Proceedings (as defined in Schedule “A2” to this Proof of Claim):
 - (i) unknown and unquantified damages in Canadian dollars;
 - (ii) unknown and unquantified damages in U.S. dollars;
 - (iii) any unknown amounts not yet pleaded or quantified (including interest and costs) against Ernst & Young LLP in the Other Proceedings; and
 - (iv) any amounts incurred or to be incurred by Ernst & Young LLP with respect to the Other Proceedings.

- (e) In respect of claims (a)-(d) above, to the date of this proof of claim, Ernst & Young LLP has incurred legal and related costs of approximately \$5,000,000 and will incur additional costs in the future.

TAB 2

SCHEDULE "A2"

CLAIM OF ERNST & YOUNG LLP AGAINST DIRECTORS AND OFFICERS

THE CLAIMANT AND BACKGROUND TO THE CLAIM

1. This proof of claim is to be read in conjunction with the proof of claim of Ernst & Young LLP ("E&Y") filed as against Sino-Forest Corporation ("SFC", the "Applicant" or the "Company"). E&Y repeats and relies upon, and incorporates by reference, the statements in its proof of claim against SFC and the SFC Subsidiaries, including all schedules thereto (the "E&Y SFC Proof of Claim"), into this proof of claim against the directors and officers. For ease of reference, defined terms referred to in this proof of claim are as defined in the E&Y SFC Proof of Claim.

2. E&Y claims against the directors and officers for:

a) Claims for damages relating to:

i. Negligent misrepresentation;

ii. Fraudulent misrepresentation;

iii. Inducing breach of contract; and

iv. Injury to Reputation; and

b) Contribution and indemnity under the *Negligence Act*, R.S.O 1990, c. N-1 and any other applicable legislation outside of Ontario (the "*Negligence Act*").

3. The claims in 2(a) above are not derivative of the claims in 2(b) above.

4. As more particularly set out in the E&Y SFC Proof of Claim, management of SFC was and is responsible for the preparation and fair presentation of SFC's consolidated financial statements which it prepared, issued and contracted with E&Y (on behalf of SFC and the SFC Subsidiaries) to independently audit. Management was responsible for the presentation of those consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"), and for such internal controls as management determined were necessary to enable the preparation of consolidated financial statements that were free from material misstatement, whether due to fraud or error. The Board of Directors of SFC approved the consolidated financial statements for each fiscal year ended December 31, 2007 to 2010. The consolidated financial statements were accompanied in all cases by representations from management.

5. The directors and officers of SFC are listed in the schedule attached at Schedule "B", including their Board and Committee memberships in the various years. The known directors and officers of the SFC Subsidiaries are listed in the schedule attached at Schedule "B". The Monitor may have additional information about the identities and roles of the directors and officers of the SFC Subsidiaries, which E&Y relies upon in asserting this Claim. E&Y reserves the right to amend this claim upon further and better information respecting officers and directors of SFC Subsidiaries. Together, they are referred to as the "directors and officers".

6. E&Y observes that the Claims Procedure Order of The Honourable Justice Morawetz, Supervising *Companies' Creditors Arrangement Act* Judge, dated May 14, 2012 does not call for claims against the directors and officers of the SFC Subsidiaries.

7. The directors and officers were the controlling minds of, and responsible for the oversight of, SFC and the SFC Subsidiaries. In particular, Allen Chan was a director of substantially all of the SFC companies. Attached at Schedule "C11" of the EY SFC Proof of Claim is a copy of publicly available corporate search results for the SFC Subsidiaries incorporated in the British Virgin Islands which shows Allen Chan as a director of substantially all of those SFC Subsidiaries.

E&Y'S CLAIMS

8. E&Y repeats and relies upon claims and the statements in E&Y SFC Proof of Claim. In addition to those claims, SFC also claims against the directors and officers listed on Schedule "B1", as follows:

- (a) Claims for:
 - (i) Negligent misrepresentation;
 - (ii) Fraudulent misrepresentation;
 - (iii) Inducing breach of contract; and
 - (iv) Injury to reputation; and
- (b) Contribution and indemnity under the *Negligence Act*.

(a) Claims for Damages

(I) and (II) Negligent and Fraudulent Misrepresentation

9. E&Y repeats and relies upon the statements in its E&Y SFC Proof of Claim with respect to the direct representations made to it by the directors and officers.

10. In performing its audit work in respect of the consolidated financial statements for the fiscal years ended December 31, 2007 to 2010 E&Y relied in good faith on (among other things)

representations, documents, information and reports provided by, *inter alia*, the directors and officers on behalf of SFC and the SFC Subsidiaries.

11. As expressly stated in the 2010 Auditors' Report and the Engagement Letters, management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. E&Y has relied on management of SFC and each of the SFC Subsidiaries, as well as management's representations and warranties and the consolidated financial statements of SFC themselves, in carrying out its work. E&Y relied on the Board of Directors' approval of the consolidated financial statements.

12. The representations made by the directors and/or officers of SFC and the SFC subsidiaries, upon which E&Y did (and was intended to) reasonably rely, included:

- a) The consolidated financial statements for the fiscal years ended December 31, 2007 to 2010;
- b) The Management Representation Letters. In each of the fiscal years ended December 31, 2007 to 2010 inclusive, management of SFC provided E&Y with a Management Representation Letter. In each of those years, the Management Representation Letters were signed by Chan, Horsley and Maradin. Alvin Lim also signed the Management Representation Letter for the 2007 fiscal year. The details of the representations contained therein are set out in the E&Y SFC Proof of Claim;

- c) The D&O Questionnaires. The details of the representations contained therein are set out in the E&Y SFC Proof of Claim;
- d) The Company's Code of Conduct and Whistleblower Policies. The directors and officers represented to E&Y that they and the employees of SFC and the SFC Subsidiaries were aware of and complied with these policies. The details of the representations contained therein are set out in the E&Y SFC Proof of Claim;
- e) Other direct representations were made by the directors and officers to E&Y. The details of those representations are set out in the E&Y SFC Proof of Claim; and
- f) Other applicable representations set out in the E&Y SFC Proof of Claim.

13. In a Statement of Allegations issued May 22, 2012, Staff of the Ontario Securities Commission (the "OSC") stated that the directors and officers knew or should have known that the documentation upon which E&Y relied was allegedly deceitful. In that regard, the OSC stated as follows:

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

14. Further particulars of the OSC's allegations are set out in the E&Y Proof of Claim.

15. If the allegations or some of them are proven, the alleged negligent, deceitful and misleading information provided by the directors and officers caused and continues to cause E&Y to incur losses, all as described in the SFC Proof of Claim.

(III) Inducing Breach of Contract

16. The directors and officers knew that SFC engaged E&Y as its auditors, having signed or otherwise been made variously privy to the audit relationship and, in certain instances, executed the audit and offering Engagement Letters. Moreover, the Board of Directors reviewed and approved the consolidated financial statements in each year and knew that the E&Y's Auditors' Reports were delivered in respect of them.

17. SFC's directors and officers knew or ought to have known that pursuant to the Engagement Letters, SFC undertook that it and its management would provide E&Y with accurate and complete financial information, maintain internal controls to prevent fraud and material misstatement in the unaudited financial information it provided to E&Y, and bear responsibility that prospectuses or offering memoranda in respect of which audited financial statements were relied upon by E&Y would contain no misrepresentations.

18. The details of the terms of the Engagement Letters are set out in the E&Y SFC Proof of Claim and the Engagement Letters themselves are attached as Schedules thereto.

19. As stated above, the OSC Statement of Allegations alleges that SFC's directors and officers orchestrated and engaged in a complex fraud meant to inflate the value of SFC's assets.

20. If proven true, those directors and officers induced SFC to breach its contractual obligations towards E&Y, thus entitling E&Y to recover damages from them.

21. If proven, the alleged negligent, deceitful and misleading information provided by those directors and officers caused and continues to cause E&Y to incur losses, all as described in the E&Y SFC Proof of Claim.

(IV) Reputational Loss

22. Had E&Y been aware of the alleged misconduct of the directors and officers, E&Y would not have opined on, associated itself with or consented to any use of its opinions with respect to the financial statements of SFC and the SFC Subsidiaries. The continued proceedings and events arising out of the financial affairs of SFC have the potential to impact the good reputation of E&Y in its market place, to its detriment.

(b) Contribution and Indemnity Under the *Negligence Act*

23. E&Y asserts contribution and indemnity claims in the event that E&Y is found liable to the plaintiffs, the Interested Parties or any other party for any damages inclusive of interest and/or costs award E&Y may be ordered to pay, pursuant to ss. 1 and 2 of the *Negligence Act* and any other applicable legislation outside of Ontario against the directors and officers as joint and several tortfeasors.

24. The various proceedings against E&Y in respect of which E&Y claims contribution and indemnity from the directors and officers are set out in the E&Y SFC Proof of Claim.

E&Y's DAMAGES

25. E&Y has suffered the damages set out in the E&Y SFC Proof of Claim.

NATURE AND CLASS OF CLAIMS

26. E&Y asserts this claim as an unsecured creditor.

27. E&Y's claim is distinct from any and all potential and existing claims by the plaintiffs in the Class Actions against the directors and officers. E&Y's claim for contribution and indemnity is not based upon the claims against the directors and officers advanced in the Class Actions

advanced in the Class Actions or Other Proceedings, but rather, in part upon the claims against E&Y advanced in the Class Actions or Other Proceedings on behalf of the Interested Parties.

28. As any success of the plaintiffs in the Class Actions against E&Y on behalf of the Interested Parties would not necessarily lead to success against the directors and officers, and vice versa. E&Y has a separate and distinct claim against the directors and officers independent of that of the plaintiffs in the Class Actions on behalf of the Interested Parties. The success of E&Y's claims against the directors and officers, and the success of the claims advanced by the Class Action plaintiffs, are not co-dependent. Either could succeed if the other were to fail.

29. The relationship between E&Y on the one hand, and the directors and officers on the other, is arm's length. The nature of the relationship between a shareholder, who may be in a position to assert an equity claim, is fundamentally different from the relationship existing between a corporation, its directors and officers and its auditors.

30. The policy rationale for subordinating equity claims to the claims of creditors of the corporation, given the well-established corporate law recognizing the bargain that shareholders have struck and the inherent fact that their fortunes rise or fall with those of the company and the directors and officers, does not apply to auditors.

31. Shareholders, directors and officers accept both risk and reward, and benefit directly from any increase in the value of the equity in a company. An auditor is in a fundamentally different position, namely that of a professional service provider who entered into a contract with the debtor company and relied upon its directors and officers based with the expectation of receiving fees commensurate with the professional services delivered and not being exposed to risks associated with the Company's financial performance.

32. E&Y is prepared to provide to the Monitor, on a confidential basis, further submissions with respect to the nature and quality, as well as quantity, of its claims.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Ernst & Young LLP

Doris Starnul

per Chief Legal Counsel.

June 20, 2012

TAB B

SCHEDULE B1

**Proof of Claim of Claim Against
Directors or Officers of Sino-Forest Corporation**

<u>Director/Officer</u>	<u>Title</u>	<u>Board and Committee Membership</u>	<u>Years</u> *
Ardell, William (Bill)	Board Member	Board of Directors (Lead Director)	2010-present
		Audit Committee	2010-present
		Compensation and Nominating Committee	2010- present
		Corporate Governance Committee	2010- present
Bowland, James	Board Member	Board of Directors	2011
		Audit Committee	2011
		Compensation and Nominating Committee	2011
Chan, Allen T.Y.	Board Member	Board of Directors (Chairman)	2007-2011
	Chief Executive Officer		2007-2011
	Board Member, Sino-Wood Partners Limited	Board of Directors (Chairman), Sino-Wood Partners Limited	2007-2011
	Chief Executive Officer, Sino-Wood Partners Limited		2007-2011
Chan, Gary	Assistant Vice-President		2008
Chen, Hua	Senior Vice-President		2007-present
	Senior Vice President, Sino-Wood Partners Limited		2007-present
Ho, George	Vice-President		2008-2012
	Vice-President, Sino-Wood Partners Limited		2007-2012
Horsley, David	Senior Vice President and Chief Financial Officer		2007-2012
Hung, Alfred C.T.	Vice-President		2007-2012
	Vice-President, Sino-Wood Partners Limited		2007-2012

<u>Director/Officer</u>	<u>Title</u>	<u>Board and Committee Membership</u>	<u>Years*</u>
Hyde, James (Jamie)	Board Member	Board of Directors Audit Committee (Chair) Compensation and Nominating Committee Corporate Governance Committee Corporate Governance Committee (Chair)	2007- present 2007- present 2007- present 2007 2008- present
Ip, Albert	Senior Vice-President Senior Vice-President, Sino-Panel (Asia) Inc.		2007-2012 2007-2012
Keung, Louis	Assistant Vice-President, Sino-Panel (Asia) Inc.		2007-present
Lau, James	Vice-President, Sino-Panel (Asia) Inc.		2007-present
Lim, Alvin	Vice-President and Group Financial Controller Vice-President, Sino-Wood Partners Limited		2007 2007, 2009-present
Mak, Edmund	Board Member	Board of Directors Audit Committee Corporate Governance Committee	2007- present 2007-2009 2007-present
Maradin, Thomas M.	Vice-President		2007-present
Martin, Judson W.	Board Member	Board of Directors (Lead Director) Board of Directors (Vice-Chairman) Audit Committee Corporate Governance Committee (Chair) Corporate Governance Committee Compensation and Nominating Committee (Chair)	2007-2009 2010- present 2007-2009 2007 2008-2009 2007-2009

<u>Director/Officer</u>	<u>Title</u>	<u>Board and Committee Membership</u>	<u>Years*</u>
	Chief Executive Officer		2011- present
	President and Chief Executive Officer, Greenheart Group		2010- present
Murray, Simon	Board Member	Board of Directors Compensation and Nominating Committee	2007- present 2007-2009
Ni, Xu	Vice-President Vice-President, Sino-Wood Partners Limited		2007-present 2007-present
Poon, Kai Kit (K.K.)	Board Member President President, Sino-Wood Partners Limited	Board of Directors	2007-2008 2007- present 2007-present
Wang, Peter	Board Member	Board of Directors	2007- present
West, Gary	Board Member	Board of Directors Audit Committee Corporate Governance Committee	2011- present 2011- present 2011- present
Wong, Tony	Vice-President, Sino Panel (Asia) Inc.		2007-present
Yau, Kit	Assistant Vice-President, Sino-Wood Partners Limited		2008
Yeung, Simon	Assistant Vice-President, Sino Panel (Asia) Inc.		2007- Jan 11, 2012
Zhao, Wei Mao	Senior Vice-President Senior Vice-President, Sino-Wood Partners Limited		2007-present 2007-present

* From 2007 to the present.

T A B E

*This is EXHIBIT "E" Referred to in the
Affidavit of
MIKE P. DEAN*

Sworn the 11th day of January, 2013



A Commissioner For Taking Affidavits (or as may be)



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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)
)
JUSTICE MORAWETZ) WEDNESDAY, THE 25th
)
) DAY OF JULY, 2012

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

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

**ORDER
(Mediation)**

THIS MOTION, made by FTI Consulting Canada Inc. in its capacity as monitor (the "Monitor") of Sino-Forest Corporation (the "Applicant") for a consent order concerning mediation and related relief was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Monitor's Notice of Motion dated July 13, 2012 and the Fifth Report of the Monitor dated July 13, 2012 (the "Fifth Report"), the Responding Motion Record of the Applicants and the Responding Motion Record of Pöyry Beijing (as defined below), and on hearing the submissions of counsel for the Applicant, the Monitor, the ad hoc committee of Noteholders (the "Ad Hoc Noteholders"), the ad hoc group of purchasers of the Applicant's securities (the "Plaintiffs") and the other defendants in the Ontario Class Action and the Quebec Class Action (the "Third Party Defendants") and those other parties present, no one appearing for any of the other parties served with the Monitor's Motion Record, although duly served as appears from the affidavit of service of Alma Cano sworn July 13, 2012, filed.

SERVICE AND INTERPRETATION

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record, including the Fifth Report, is hereby abridged and validated such that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. THIS COURT ORDERS that capitalized terms used herein and not otherwise defined shall have the meaning given to them in the Fifth Report.

MEDIATION

3. THIS COURT ORDERS that the parties eligible to participate in the Mediation pursuant to paragraph 5 of this Order are the Applicant, the Plaintiffs, the Third Party Defendants (which shall be read to include Pöyry (Beijing) Consulting Company Limited (“**Pöyry Beijing**”)), the Monitor, the Ad Hoc Noteholders and any insurers providing coverage in respect of the Applicant and the Third Party Defendants (collectively, the “**Mediation Parties**”).
4. THIS COURT ORDERS that the subject matter of the Mediation shall be the resolution of the claims of the Plaintiffs against the Applicant and the Third Party Defendants as set out in the statements of claim in the Ontario Class Action and the Quebec Class Action and any and all related claims (the “**Subject Claims**”), provided that for the purpose of the Mediation, the Plaintiffs shall not seek contribution from any of the Mediation Parties with respect to amounts that could have been sought by the Plaintiffs from Pöyry Beijing had the Plaintiffs not reached a settlement with Pöyry Beijing (the “**Pöyry Settlement**”) and provided that the Plaintiffs shall provide to the Mediation Parties, within 10 days of the date of this Order or such further time as this Court may direct, a written summary of evidence proffered by Pöyry Beijing pursuant to the Pöyry Settlement, which summary shall be treated in the same manner as material in the Data Room (as defined below) pursuant to this Order.
5. THIS COURT ORDERS that, where practicable, the Mediation Parties shall participate in the Mediation in person and with representatives present with full authority to settle the Subject Claims (including any insurer providing coverage), provided that, where not practicable, the Mediation Parties may participate in the Mediation through counsel or other representatives, subject to those counsel or other representatives having access to representatives with full

- (c) for any other reason determined by the Mediator;
- (d) mutual agreement by the Mediation Parties; or
- (e) further Order of this Court,

provided that, the Mediation shall in any event terminate on September 10, 2012, unless extended with the prior written consent of all Mediation Parties.

NO IMPACT ON OTHER PROCEEDINGS

14. THIS COURT ORDERS that all offers, promises, conduct statements, whether written or oral, made in the course of the Mediation are inadmissible in any arbitration or court proceeding. No person shall subpoena or require the Mediator to testify, produce records, notes or work product in any other existing or future proceedings, and no video or audio recording will be made of the Mediation. Evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the Mediation. In the event that the Mediation Parties (or any group of them) do reach a settlement, the terms of that settlement will be admissible in any court or other proceeding required to enforce it, unless the Mediation Parties agree otherwise. Information disclosed to the Mediator by any Mediation Party at a private caucus during the Mediation shall remain confidential unless such Mediation Party authorizes disclosure.

15. THIS COURT ORDERS that nothing in this Order nor the participation of any party in the Mediation shall provide such party with rights within these proceedings than such party may otherwise have.

16. THIS COURT ORDERS that, subject to any applicable stay of proceedings, nothing in this Order shall prevent the Applicant, the Monitor or any other party of standing from otherwise pursuing the resolution of claims under the Claims Procedure Order granted by this Court on May 14, 2012, or any other matter in these CCAA proceedings, including without limitation, the filing and advancement of the Meetings Order and a Plan.

CONFIDENTIALITY

17. THIS COURT ORDERS that any mediation briefs or other documents filed by the Mediation Parties shall be used only in the context of the Mediation and for no other purpose and shall be kept confidential by all such parties irrespective of whether such Mediation Parties sign a confidentiality agreement.

18. THIS COURT ORDERS that any mediation briefs or other documents filed by the Mediation Parties that contain information obtained from the Data Room may not be shared with or otherwise disclosed to any person or entity that has not signed a confidentiality agreement, other than the Applicant, the incumbent directors of the Applicant, the Monitor and Mediator.


MISCELLANEOUS

19. THIS COURT ORDERS that the terms of this Order may only be varied by further Order of this Court, which may be sought on an ex parte basis on consent of the Mediation Parties.



TOR_LAW\7922234\9

FILED AT / LE / DANS LE REGISTRE NO. 11 A TORONTO
COURT BOOK NO.
JUL 25 2012

PER/PAR: 

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

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

(PROCEEDING COMMENCED AT TORONTO)

**ORDER
(Mediation)**

GOWLING LAFLEUR HENDERSON LLP
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
TORONTO, Ontario
M5X 1G5

Derrick Tay / Clifton Prophet / Jennifer Stam
LSUC Nos.: 21152A / 34345K / 46735J

Telephone: (416) 862-7525
Facsimile: (416) 862-7661

Lawyers for FTI Consulting Canada Inc.,
in its capacity as Monitor of the Applicant

TAB F

*This is EXHIBIT "F" Referred to in the
Affidavit of
MIKE P. DEAN*

Sworn the 11th day of January, 2013



A Commissioner For Taking Affidavits (or as may be)

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)	MONDAY, THE 30th
)	
JUSTICE MORAWETZ)	DAY OF JULY, 2012



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

ORDER

THIS MOTION made by the Ad Hoc Committee of Purchasers of the Applicant's Securities (the "**Moving Party**"), for the production of certain documents in the possession, control and power of the Applicant, was heard this day, at the courthouse at 330 University Avenue, Toronto, Ontario,

ON READING the Motion Record and factum of the Moving Party, and on hearing the submissions of counsel for the Moving Party, Sino-Forest Corporation, the Monitor, an ad hoc Committee of Bondholders, Ernst & Young, BDO, and certain underwriters named as defendants in the Ontario Class Action,

AND ON BEING ADVISED that the Applicant consents to the relief contained herein and that the Monitor supports the granting of relief contained herein;

1. **THIS COURT ORDERS** that further service of the Notice of Motion and Motion Record on any party not already served is hereby dispensed with, such that this motion is properly returnable today.

2. **THIS COURT ORDERS** the Applicant to make the documents listed in Schedule "A" hereto (the "Documents") available to the Moving Party and the other Mediation Parties (as defined in the order of this court dated July 25, 2012 (the "Mediation Order")), subject to: (i) the provisions of the Mediation Order applicable to information made available through the electronic data room referenced in the Mediation Order (the "Data Room"), including without limitation the requirement for confidentiality agreements; and (ii) any claims of privilege; and provided, for greater certainty, that the Applicant need not produce any audit-related documents created after June 2, 2011.

3. **THIS COURT ORDERS** that the Documents shall be added to the Data Room by the Applicant as and when they become available, but the Applicant shall make best efforts to add the Documents to the Data Room by August 16, 2012, and that, in any event, the Applicant shall add the Documents to the Data Room by no later than August 23, 2012.

4. **THIS COURT ORDERS** that, promptly following the addition of any Documents to the Data Room, the Applicant shall notify or shall cause to be notified, by email, those persons who have executed the Confidentiality Agreement pursuant to this Court's Mediation Order that such Documents have been added to the Data Room, but in no event shall the Applicant be required to provide such notification more than one time per day.

5. **THIS COURT ORDERS** that, to the extent that the Applicant withholds production of any Documents on the basis of a claim of privilege, the Applicant shall produce an itemized list describing each of the documents in the form of or substantially similar to a Schedule "B" of an affidavit of documents, with sufficient specificity to establish the Applicant's claim for privilege, including, without limitation, identifying information for each document, the nature of the privilege being asserted in respect of the document, and, if litigation privilege is being asserted, reasonable identifying

information regarding the litigation that gives rise to the privilege (the "Privilege Log"). The Applicant shall add the Privilege Log to the Data Room by August 27, 2012, unless the Court orders otherwise.

- 6. **THIS COURT ORDERS** that the Documents specified in clauses 1, 2(s), 3 and 4 of Schedule "A" hereto shall be in the English language.



ENTERED AT THE COURT OFFICE
 DEPOSE / BOOK NO. 11
 LE / DANS LE REGISTRE NO.:

JUL 30 2012

PREPARE:



Schedule "A"

1. the unconsolidated financial statements of Sino-Forest Corporation and its subsidiaries prepared prior to June 2, 2011;
2. the following documents relating to Sino-Forest audits, for each of the fiscal years 2006 through 2010, inclusive, for each audited entity:
 - a) Information request list for each year's audit, detailing the documents to be provided by the company to the auditor;
 - b) The Year End Communication or Report of the Auditor to the Audit Committee from BDO or E&Y, including:
 - i) Audit scope and findings report;
 - ii) Significant matters discussed with management;
 - iii) Management's analysis and response;
 - iv) Significant judgments and estimates;
 - v) Audit risks encountered/identified and audit response; and
 - vi) Summary of corrected and uncorrected financial statement misstatements;
 - c) Communications between the auditors and the company regarding any disagreements with management;
 - d) The unadjusted (pre-audit) trial balance;
 - e) Proposed Adjustments presented by the auditor following each year's audit (listing adjusting journal entries, analysis and explanations);
 - f) List of related parties provided to the auditor each year;
 - g) Correspondence with the auditor concerning related parties and related party transactions;
 - h) Accounting policy manuals or documented accounting policies of the company for each year;

- i) Process and procedure manuals of the company for each year, particularly pertaining to the sales cycle and purchase/acquisition cycle;
- j) Ledgers and subledgers for the following accounts;
 - i) Cash;
 - ii) Sales;
 - iii) Timber Inventory; and
 - iv) Cost of Goods Sold;
- k) Sale transaction documents provided to (requested by) the auditors in respect of timber transactions:
 - i) Sales order (or purchase order from customer) or Sales contract/agreement;
 - ii) Invoice; and
 - iii) Proof of collection;
- l) Purchase transaction documents provided to (requested by) the auditors in respect of timber transactions:
 - i) Purchase order (or contract/agreement);
 - ii) Invoice; and
 - iii) Proof of payment;
- m) Transaction documents provided to auditor in respect of Sino's "set-off" agreements on timber transactions;
- n) Correspondence with auditors regarding confirmation of transactions with authorized intermediaries and suppliers (or authorization provided to Auditors to confirm directly with the AIs and Suppliers);
- o) Documentation concerning the auditors' procedures to independently examine timber assets, including on-site physical inspection, inventory counts, examination of transaction documentation, etc.;

- 126
- p) Internal worksheets, analyses and calculations supporting the "related party transactions" disclosure in each year's financial statements (e.g., see Note 23 of the 2009 financial statements);
 - q) Any additional information provided to/requested by the auditor regarding related party transactions;
 - r) Drafts and correspondence regarding the preparation of the Cash Flow Statement;
 - s) A statement of the total fees paid to the Applicant's auditors in respect of each of the 2006-2010 fiscal years; in addition, the Applicant shall make best efforts to break down such fees by audit-related and non-audit-related work (if any), and if non-audit related work was performed by the Applicant's auditors in any such year, a reasonably detailed description of the non-audit-related work performed by the auditors in such year;
 - t) Minutes of all meetings in which the auditors and members of management participated; and
 - u) BDO and E&Y presentations to the board of directors and management.
3. a summary of the coverage positions of the insurers of the Applicant and its directors and officers, and an approximation of the remaining insurance coverage; and
 4. the claims register as provided by the Monitor .

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceedings commenced at
TORONTO

ORDER

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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

TAB G

*This is EXHIBIT "G" Referred to in the
Affidavit of
MIKE P. DEAN*

Sworn the 11th day of January, 2013



A Commissioner For Taking Affidavits (or as may be)

CITATION: Sino-Forest Corporation (Re), 2012 ONSC 6275
COURT FILE NO.: CV-12-9667-00CL
DATE: 20121106

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

RE: 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, Applicant

BEFORE: MORAWETZ J.

COUNSEL: Robert Staley and Derek Bell, for Sino-Forest Corporation

Peter Griffin and Shara Roy, for Ernst & Young Inc.

Brendan O'Neill, for the Ad Hoc Committee of Noteholders

Derrick Tay and Jennifer Stam, for the Monitor, FTI Consulting Canada Inc.

David Bish, John Fabello and Stephanie Lafrance, for the Underwriters

Edward A. Sellers, for the Board of Directors of Sino-Forest Corporation

Kenneth Rosenberg, Dimitri Lascaris and Massimo Starnino, for the Ad Hoc Committee of Purchasers of the Applicant's Securities

Kenneth Dekker, for BDO Limited

John Pirie and David Gadsden, for the Poyry (Beijing)

James Grout, for the Ontario Securities Commission

Simon Bieber and Aaron Pleet, for David Horsley

Emily Cole and Joseph Marin, for Allen Chan

HEARD: OCTOBER 28, 2012

ENDORSEMENT

[1] This motion was brought by the Ad Hoc Committee of Purchasers of the Applicant's Securities, including the Representative Plaintiffs in the Ontario Class Action (the "Class Action Plaintiffs") for an order limiting the scope of the stay of proceedings (the "Stay") imposed by the Initial Order dated March 30, 2012 and extended from time to time (the "Initial Order"), such that the Stay should not apply to Ernst & Young LLP, BDO Limited, the underwriters, and former directors Messrs. Allen T. Y. Chan, David Horsley and Kai Kit Poon, with respect to the following motions or petitions (the "Class Action Motions"):

- (a) a motion certifying the action styled *Trustees of the Labourers' Pension Fund of Central and Eastern Canada v. Sino-Forest Corporation et al (Toronto)*, Court File No. CV-11-431153-00CP (the "Ontario Class Action") as a class proceeding under the *Class Proceedings Act, 1992 S.O. 1992, C. 6* ("CPA") (the "Ontario Certification Motion");
- (b) a petition for authorization to commence a class proceeding (the "Quebec Class Action" and, together with the Ontario Class Action, the "Class Actions") under the *Quebec Code of Civil Procedure, R.S.Q. C. c-25*;
- (c) a motion for leave to proceed with statutory secondary market claims in the Ontario Class Action pursuant to s. 138.3 of the *Securities Act, R.S.O. 1990, C.S.5*;
- (d) a motion for leave to proceed with the statutory secondary market claims in the Quebec Class Action pursuant to Article 225.4 of the *Securities Act, R.S.Q. C.V-1-1*, to be filed; and
- (e) a motion for leave to add CONDEX WATCO Inc. as a plaintiff in the Quebec Class Action and with Ilan Toledano as its representative, to be filed, and a motion to amend the pleading in the Quebec Class Action to plead the *Securities Act, R.S.Q. C.V-1-1* and add BDO Limited as a party.

[2] The original motion sought wider relief. In its restructured form, the motion was not opposed by the Applicant.

[3] The relief was, however, opposed by Ernst & Young, BDO, the Underwriters and the three former directors.

[4] Broadly speaking, the Class Actions allege that Sino-Forest, certain of its officers and directors, its auditors and its underwriters made material misrepresentations regarding the operations and assets of Sino-Forest. The claims seeks \$9.18 billion in damages.

[5] Sino-Forest obtained protection from its creditors pursuant to the Initial Order on March 30, 2012. The Class Actions have been stayed since that time.

[6] A Sales Process was undertaken by the Applicant following the Initial Order but it failed to attract any significant interest.

[7] Following the unsuccessful Sales Process, the Applicant and the Monitor, in cooperation with the Ad Hoc Committee of Noteholders, engaged in developing a Plan of Arrangement (the "Plan").

[8] The Applicant intends to call a meeting of creditors to consider the Plan.

[9] During the development of the Plan, the Applicant brought a motion to determine the status of certain claims against it, including the claims of the shareholder plaintiffs in the Ontario Class Action and the claims of the third party defendants based on indemnities arising as a result of these shareholder claims.

[10] On July 27, 2012, I rendered a decision finding that, among other things, the shareholder claims and indemnity claims were "equity claims" as defined in section 2 of the CCAA (the "Equity Claims Decision").

[11] The third party defendants have since obtained leave to appeal the Equity Claims Decision to the Court of Appeal for Ontario, which appeal I understand is scheduled to be heard in mid-November 2012.

[12] The parties to the Ontario Class Action have entered into a tolling agreement in respect of the limitation period in Part XXIII.1 of the *Securities Act (Ontario)*, which suspends the operation of those limitation periods until February 28, 2013.

[13] I can well understand the basis of the motion. The Class Action Plaintiffs want the Class Actions to move forward. I have no doubt that, failing resolution, the Class Actions will have to proceed. The only issue is when should the Class Actions proceed.

[14] However, at this point in time, the auditors and the underwriters are active participants in the upcoming appeal of the Equity Claims Decision. It is conceivable that the decision of the Court of Appeal for Ontario will have an impact on the auditors and underwriters with respect to the upcoming meeting of creditors to consider the Plan and any potential motion to sanction the Plan.

[15] It seems to me that the auditors and underwriters, in the short term, should focus their attention on the appeal and the upcoming meeting. It could very well be that, within a short period of time, the situation affecting the auditors and the underwriters will be clarified such that these groups will be in a position to focus their attention on the Class Actions.

[16] As I stated in *Timminco Limited (Re)* 2012 ONSC 215 at [17]: Courts will consider a number of factors in assessing whether it is appropriate to lift a stay, but these factors can generally be grouped under three headings: (a) the relative prejudice to parties; (b) the balance of convenience; and (c) where relevant, the merits (*i.e.* if the matter has little chance, there may not be sound reasons for lifting the stay). See *Camvest Global Communication (Re)*, [2011] O.J. No. 1590 (S.C.J.).

[17] In the circumstances of this case, I see little prejudice to the Class Action Plaintiffs if the stay were to be maintained for a short period of time which could result in clarity being brought to the proceedings. Although there is a concern that memories of key witnesses will fade with

the passage of time, I have not been persuaded that maintaining the stay for a short period of time will be detrimental to the Class Action Plaintiffs on that account.

[18] On the issue of the limitation period, clearly this is an issue that has to be kept in mind, but maintaining the stay for a short period of time would not appear to negatively impact the Class Action Plaintiffs.

[19] On the other hand, the concerns raised by counsel on behalf of the auditors and the underwriters have persuaded me that, the balance of convenience favours these parties, and at this time, they need to focus on issues arising out of the appeal of the Equity Claims Decision as well to focus on the Plan itself.

[20] Accordingly, it seems to me that, having taken into account the relative prejudice to the parties and the balance of convenience, it is reasonable and appropriate to maintain the stay at this time, on the basis that the issue can and should be re-evaluated shortly after the scheduled meeting of creditors to consider the Plan, but in any event, no later than December 10, 2012.

[21] Further, although the appeal of the Equity Claims Decision and the upcoming meeting of creditors and possible sanction hearing does not have any direct impact on the three former directors, I am of the view that it is appropriate to also maintain the stay with respect to these individuals so that the Class Actions can ultimately proceed in a more organized fashion.

[22] On a secondary issue, the Class Action Plaintiffs requested, if necessary, leave to amend the pleading in the Quebec Class Action to plead the Securities Act, R.S.Q. C.V.-1-1 to add BDO Limited as a party.

[23] This relief was opposed by the auditors on the basis that the Quebec Class Action plaintiffs ignored the Stay as they were never given leave to seek to add parties to any class proceedings - especially without notice.

[24] The Quebec Class Action plaintiffs countered with the submission that there was no intent to violate the Stay, but rather, there was a degree of confusion arising as a result of different procedures in the Quebec proceedings.

[25] In keeping with the direction of the main aspect of this endorsement, it is my view that this secondary issue can be considered at the time that the main issue is being revisited in early December. However, the parties should be mindful of the comments I made at [13] above, to the effect that failing resolution, the Class Actions will have to proceed. The only issue is when.

[26] In the result, the motion is dismissed, without prejudice to the right of the Class Action Plaintiffs to renew their request in accordance with the terms of this endorsement.


MORA WETZ J.

Date: November 6, 2012

TAB H

*This is EXHIBIT “H” Referred to in the
Affidavit of
MIKE P. DEAN*

Sworn the 17th day of January, 2013



A Commissioner For Taking Affidavits (or as may be)

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

Sino-Forest Corporation

THIRTEENTH REPORT OF THE MONITOR

November 22, 2012

Volume I of II

**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

**THIRTEENTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR**

INTRODUCTION

1. On March 30, 2012 (the "Filing Date"), Sino-Forest Corporation (the "Company" or "SFC") filed for and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"). Pursuant to the Order of this Honourable Court dated March 30, 2012 (the "Initial Order"), FTI Consulting Canada Inc. was appointed as the Monitor of the Company (the "Monitor") in the CCAA proceedings. By Order of this Court dated April 20, 2012, the powers of the Monitor were expanded in order to, among other things, provide the Monitor with access to information concerning the Company's subsidiaries. Pursuant to an Order of this Court made on October 9, 2012, this Court extended the Stay Period to December 3, 2012. The Company has now filed a motion returnable November 23, 2012 to seek a further extension of the Stay Period to February 1, 2013. The proceedings commenced by the Company under the CCAA will be referred to herein as the "CCAA Proceedings".
2. On the Filing Date, the Court also issued an Order authorizing the Company to conduct a sale process (the "Sale Process Order").

3. The following appendices have been attached to this Thirteenth Report:

- (a) Appendix A – The Plan
- (b) Appendix B – Blackline of the August 14 Draft Plan compared against the Plan
- (c) Appendix C – The Information Statement (without appendices)
- (d) Appendix D – Blackline of the August 15 Draft Information Circular compared against the Information Statement
- (e) Appendix E - Plan Supplement
- (f) Appendix F - the Initial Order Affidavit
- (g) Appendix G - the Pre-Filing Report
- (h) Appendix H - the Sixth Report (without appendices)
- (i) Appendix I - the Tenth Report (without appendices)
- (j) Appendix J - the Claims Procedure Order
- (k) Appendix K - the Equity Claims Decision
- (l) Appendix L - the Meeting Order
- (m) Appendix M- the Seventh Report (without appendices)
- (n) Appendix N - Voting Procedures
- (o) Appendix O - Globic’s Mailing Certificate (Meeting Materials)
- (p) Appendix P – Globic’s Mailing Certificate (Plan Supplement and Voting Procedures)

4. The purpose of this Thirteenth Report is:

- (a) to report on:

- (i) the status of the CCAA Proceedings;
 - (ii) the Claims Process;
 - (iii) the Plan, including amendments and supplements thereto;
 - (iv) the Reserves;
 - (v) Notice and Mailing of the Plan;
 - (vi) the proposed Meeting; and
- (b) to provide the Monitor’s recommendation that the Court grant the Sanction Order (defined below).

5. In preparing this Thirteenth Report, the Monitor has relied upon unaudited financial information of Sino-Forest, Sino-Forest’s books and records, certain financial information prepared by Sino-Forest, the Reports of the Independent Committee of the Company’s Board of Directors (the “**Independent Committee**”) dated August 10, 2011 (the “**First IC Report**”), November 13, 2011 (the “**Second IC Report**”), and January 31, 2012 (the “**Final IC Report**” and together, the “**IC Reports**”), and discussions with Sino-Forest’s management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. In addition, the Monitor notes that on January 10, 2012, the Company issued a press release cautioning that the Company’s historic financial statements and related audit reports should not be relied upon. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Thirteenth Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Thirteenth Report is based on management’s assumptions regarding future events; actual results may vary from forecast and such variations may be material.

6. Unless otherwise stated, all monetary amounts referred to herein are expressed in CDN Dollars.

7. The term “Sino-Forest” refers to the global enterprise as a whole but does not include references to the Greenheart Group (as defined in the Pre-Filing Report). “Sino-Forest Subsidiaries” refers to all of the direct and indirect subsidiaries of the Company, but does not include references to the Greenheart Group.

GENERAL BACKGROUND

Sino-Forest Business

8. Sino-Forest conducts business as a forest plantation operator in the People’s Republic of China (“PRC”). Its principal businesses include ownership and management of forest plantation trees, the sale of standing timber and wood logs, and complementary manufacturing of downstream engineered-wood products.
9. The Company is a public holding company whose common shares were listed on the Toronto Stock Exchange (“TSX”). Prior to August 26, 2011 (the date of the Cease Trade Order, as defined in the Pre-Filing Report), the Company had 246,095,926 common shares issued and outstanding and trading under the trading symbol “TRE” on the TSX. Effective May 9, 2012, the common shares were delisted from the TSX.
10. On June 2, 2011, Muddy Waters, LLC (“MW”), which held a short position on the Company’s shares, issued a report (the “MW Report”) alleging, among other things, that Sino-Forest is a “ponzi-scheme” and a “near total fraud”. The MW Report was issued publicly and immediately caught the attention of the media on a world-wide basis.
11. Subsequent to the issuance of the MW Report, the Company devoted extensive time and resources to investigate and address the allegations in the MW Report as well as responding to additional inquiries from, among others, the Ontario Securities Commission (“OSC”), the Royal Canadian Mounted Police and the Hong Kong Securities and Futures Commission.
12. The Monitor’s pre-filing report dated March 30, 2012 (the “Pre-Filing Report”)¹ and the Initial Order Affidavit of Judson Martin sworn March 30, 2012 (the “Initial Order

¹ See Appendix G for a copy of the Pre-Filing Report (without appendices).

Affidavit”²) provide a detailed outline of Sino-Forest’s corporate structure, business, reported assets and financial information as well as a detailed chronology of the Company and its actions since the issuance of the MW Report in June 2011.

STATUS OF THE CCAA PROCEEDINGS

Background on the Sino-Forest Business

13. The Initial Order Affidavit and the Pre-Filing Report detailed the background on the Company’s business and the events leading to the need for the commencement of the CCAA Proceedings.
14. Included in the Initial Order Affidavit was a summary of the Company’s current debt, consisting principally of approximately of debt in connection with the Notes (defined below) in the principal amount of \$1.8 billion. The Initial Order Affidavit noted that the Company does not have any other significant levels of normal course payables but that many of the Sino-Forest Subsidiaries have their own distinct banking facilities including lending facilities.
15. The Initial Order Affidavit also outlined a number of other key issues including:
 - (a) the release of the MW Report;
 - (b) the establishment of the Independent Committee and the IC Reports;
 - (c) the commencement of class actions (the “Class Actions”) in Canada and the United States and an investigation by the OSC;
 - (d) the Company’s failure to release audited financial statements for Q3 2011;
 - (e) defaults under the Company’s Notes; and
 - (f) the difficulties being experienced by Sino-Forest on its business (the “Sino-Forest Business”) in the PRC.

² See Appendix F for a copy of the Initial Order Affidavit (without exhibits).

- 16. In light of all of the difficulties being experienced by the Company and Sino-Forest, the Company commenced the CCAA Proceedings with a view to implementing a restructuring plan that would provide a path for the resolution of claims and allow ownership of the Sino-Forest Business to be separated from the Company and allowed to continue without the uncertainty and claims associated with the Company.
- 17. Shortly after the commencement of the CCAA Proceedings, the Court granted an Order (the “Expansion of Powers Order”) expanding the powers of the Monitor to specifically provide the Monitor with access to and supervisory powers over the Sino-Forest Subsidiaries.
- 18. Throughout the course of the CCAA Proceedings, the Monitor (either directly or through FTI Consulting (Hong Kong) Limited) has monitored not only the Company but also the Sino-Forest Subsidiaries in accordance with the Expansion of Powers Order. The Monitor has issued its Sixth Report dated August 10, 2012 (the “Sixth Report”)³ and Tenth Report dated October 18, 2012 (the “Tenth Report”)⁴ both of which provided a report on the Sino-Forest Business and the Sino-Forest Subsidiaries.
- 19. Some of the areas of focus of the Sixth Report and the Tenth Report include:
 - (a) report on the cash position of the Sino-Forest Subsidiaries;
 - (b) status of accounts receivable and payable, including significant issues relating to the collection of receivables and the deregistration of authorized intermediaries owing approximately US\$504 million in receivables to Sino-Forest;
 - (c) status of disbursements of the Sino-Forest Subsidiaries;
 - (d) issues related to cooperation and deregistration of suppliers of Sino-Forest (and the deterioration of relationships with key parties generally);
 - (e) status on business operations including the freezing of Sino-Forest’s primary business, BVI standing timber; and

³ See Appendix H for a copy of the Sixth Report (without appendices).
⁴ See Appendix I for a copy of the Tenth Report (without appendices).



- (f) issues surrounding efforts on asset verification, including an inability to obtain forestry bureau maps.
- 20. Since the outset of the CCAA Proceedings, the Monitor has also advised the Court, the Company and others that there is a finite amount of funds available for the CCAA Proceedings. The Monitor has advised on the Company's cash flow throughout the CCAA Proceedings and noted the negative cash flow due to disbursements relating primarily to professional fees with no source of income for the Company.
- 21. The Company and the Monitor have also indicated ongoing issues arising from the termination of several members of senior management (who received enforcement notices from the OSC) and the fact that these individuals have not been replaced.
- 22. The Company has consistently expressed the view that the lack of resolution within the CCAA Proceedings has had an ongoing negative impact on the operations and financial status of the Sino-Forest Subsidiaries.

*The RSA and the Sale Process*⁵

- 23. As part of the relief sought on the Filing Date, the Company announced that it had entered into a restructuring support agreement (the "RSA") with certain initial consenting Noteholders (as defined in the Plan) (the "ICNs") which provided for a framework for a resolution and restructuring transaction acceptable to the ICNs.
- 24. In connection with the RSA and the CCAA Proceedings, the Company sought approval of a sale process for the marketing of the Sino-Forest Business (the "Sale Process") to be conducted by the Company's financial advisor, Houlihan Lokey ("HL"). The Sale Process set out the procedures pursuant to which bids for the Company would be solicited in a multi-stage process. During Phase 1, letters of intent were solicited, which letters of intent were required to provide for consideration in an amount equal to 85% of the aggregate principal amount of the Notes, plus all accrued and unpaid interest on the

⁵ Capitalized terms used in this subsection and not otherwise defined have the meaning given to them in the Sale Process Order.

Notes at the regular rates provided in each respective note indenture up to March 30, 2012 (the “**Qualified Consideration**”).

25. Subsequent to the Filing Date, the Company, through HL, canvassed the market for a potential buyer or buyers of the Sino-Forest Business. On the Phase I Bid Deadline (as defined in the Sale Process Order), a number of letters of intent were received. However, none of those letters of intent met the criteria of being a “Qualified Letter of Intent” due to their failure to provide for the Qualified Consideration. The Sale Process was thereafter terminated by the Company (in consultation with the Monitor). More details regarding the Sale Process are set out in the Monitor’s Fourth Report dated July 10, 2012. Subsequent to the termination of the Sale Process and as set out in the Monitor’s eighth report dated September 25, 2012, the Monitor was informed by the Company and the ICNs that there was some continued interest expressed by parties in purchasing the Company’s assets. To date, no such transaction has been successfully negotiated or completed.
26. Concurrently with the conduct of the Sale Process, the Company also sought further support for the restructuring transaction contemplated by the RSA. In accordance with the terms of the RSA, on or before May 15, 2012 (the “**Early Consent Deadline**”), Noteholders representing approximately 72% of the outstanding noteholder debt (including ICNs) (with more than 66.67% of the principal amount of each of the four (4) series of Notes) agreed to support the Plan.

*Claims, the Class Actions and the Mediation*⁶

27. From the outset of the CCAA Proceedings, it was apparent that addressing the claims against Sino-Forest would be important given the extent of the litigation against the Company and resulting indemnification claims from others named in the Class Actions. To further that process, on May 14, 2012, the Company obtained a claims procedure

⁶ Capitalized terms used in this subsection and not otherwise defined have the meaning given to them in the Claims Procedure Order.

order (the “**Claims Procedure Order**”),⁷ which provided for the calling of claims against the Company, its directors and officers and its subsidiaries.

28. Notably, the Claims Procedure Order did not provide a specific mechanism for the resolution of Claims. This was largely in recognition of the relatively unique nature of the claims that were anticipated to be asserted in the claims process. As set out above, as a holding company, unlike many CCAA debtors, the Company does not have many, if any, trade creditors. Instead, aside from the claims in respect of the Notes, it was anticipated that most or all of the remaining claims filed would be in connection with the Class Actions either directly by the plaintiffs in the Class Actions (the “**Plaintiffs**”) or indemnity claims from the Third Party Defendants (defined below). Details regarding the Claims, D&O Claims and D&O Indemnity Claims filed in connection with the claims process is set out below in the section entitled “The Claims Process”.
29. On June 26, 2012, the Company brought a motion seeking a direction that Claims by the Plaintiffs in respect of the purchase of securities and resulting indemnification claims by the Third Party Defendants constituted “equity claims” pursuant to section 2(1) of the CCAA. On July 27, 2012, the Court issued its decision determining that such claims did constitute “equity claims” under section 2(1) of the CCAA (the “**Equity Claims Decision**”). The Equity Claims Decision was appealed by Ernst & Young LLP (“**EY**”), BDO Limited (“**BDO**”) and the underwriters group (the “**Underwriters**”). The appeal was heard by the Court of Appeal on November 13, 2012. As of the date of this Thirteenth Report, the Court of Appeal’s decision has not been released.⁸
30. As the process continued, it became apparent to the Monitor that the nature, complexity and number of parties involved in the litigation claims surrounding the Company had the potential to cause extensive delay and additional costs in the CCAA Proceedings. As such, it was the view of the Monitor (with the agreement of the Company) that there was merit in a global resolution of not only the Plaintiffs’ claims against the Company, but

⁷ See Appendix J for a copy of the Claims Procedure Order.

⁸ See Appendix K for a copy of the Equity Claims Decision

also against the other defendants named in the Class Actions other than Pöyry Beijing (the “Third Party Defendants”).⁹

31. On July 25, 2012 the Court granted an order (the “Mediation Order”), directing a mediation (the “Mediation”) of the class action claims against the Company and the Third Party Defendants (as defined in the Mediation Order). The Mediation was conducted on September 4 and 5, 2012 but was unsuccessful. Notwithstanding the fact that the Mediation was not successful, the Monitor is aware that many of the Third Party Defendants have remained focused on determining whether a resolution within the CCAA Proceedings is possible.

The OSC Investigation and the Enforcement Notices

32. In addition to facing the litigation claims asserted against the Company, the Company has also faced an ongoing investigation by the OSC. As set out in the Initial Order Affidavit, after the release of the MW Report, the OSC launched an investigation on the Company which led to the granting of a temporary cease trade order issued on August 26, 2011 (which has since been extended).
33. On April 9, 2012, the Company announced that it had received an enforcement notice from the OSC and was aware that certain current and former officers (the “Individual Respondents”)¹⁰ of the Company had also received enforcement notices. On May 23, 2012, the Company announced that it had learned that the OSC had commenced proceedings against the Company and the Individual Respondents and issued a statement of allegations dated May 22, 2012. On September 26, 2012, the Company announced that it had received a second enforcement notice from the OSC.
34. As of the date of the Report, the OSC investigation and enforcement proceedings are ongoing.

The Plan and the Plan Filing and Meeting Order

⁹ The Third Party Defendants are: EY, BDO, the Underwriters, Allen Chan, Judson Martin, Kai Kit Poon, David Horsley, William Ardell, James Bowland, James Hyde, Edmund Mak, Simon Murray, Peter Wang and Garry West.

¹⁰ The Individual Respondents are Allen Chan, Albert Ip, Alfred Hung, George Ho, Simon Yeung and David Horsley.

- 35. On August 14, 2012, the Company announced that it had filed a draft plan of compromise and reorganization (the “**August 14 Draft Plan**”) with the Court.¹¹ On August 15, 2012, the Company filed a draft information circular with the Court (the “**August 15 Draft Information Circular**”).
- 36. In connection with the filing of the August 14 Draft Plan, the Company also brought a motion seeking approval of a plan filing and meeting order (the “**Meeting Order**”)¹² which, among other things, provided for the calling of a meeting of creditors (the “**Meeting**”). It was agreed that the Meeting Date would be subsequent to the completion of the Mediation.
- 37. The motion for the Meeting Order was returnable on August 28, 2012. Due to concerns raised by certain of the Third Party Defendants, the motion was postponed to determine whether the parties could agree to changes that would result in a mutually satisfactory proposed order, which was ultimately achieved. On August 31, 2012, the Court granted the Meeting Order.
- 38. At the request of certain of the Third Party Defendants, the Meeting Order was granted on the express understanding that there had been no determination of: (a) the test for approval of the plan including (i) the jurisdiction of the Court to approve the plan in its then current form; (ii) whether the plan complied with the CCAA; and (iii) whether any aspect of the plan was fair and reasonable; (b) the validity or quantum of claims; and (c) the classification of creditors for voting purposes. The Company advised the Monitor that this reservation was acceptable to the Company given that it anticipated that many of these matters would be appropriately addressed at a sanction hearing.

Current Status of the CCAA Proceedings

- 39. On October 19, 2012, the Company filed a revised plan of compromise and reorganization (the “**Plan**”)¹³ and information statement (the “**Information**”).

¹¹ A further draft of the Plan dated August 27, 2012 was filed prior to the return of the motion for the Meeting Order.
¹² See Appendix L for a copy of the Meeting Order.
¹³ See Appendices A and B for a copy of the Plan and the Blackline of the Plan to the August 14 Draft Plan.

Statement”)¹⁴ in contemplation of the Meeting to be held on November 29, 2012 at 10am at the offices of Bennett Jones LLP. The Company is focused on moving forward with its Plan to seek approval by the Required Majority (as defined in the Plan) and, if that is achieved, to move before the Court for the sanctioning of the Plan. The ICNs have similarly expressed their desire and priority of moving forward with the Plan.

40. In that regard, the Company has made significant progress with various parties within the CCAA Proceedings. The current Plan is acceptable not only to the Company and the ICNs, but due to lengthy arms’ length negotiations, the revised terms of the Plan are also acceptable to the Ontario Plaintiffs and the Quebec Plaintiffs (as both terms are defined in the Claims Procedure Order).
41. The Ontario Plaintiffs and the Quebec Plaintiffs have continued to express a desire to move forward with their actions against EY, BDO, the Underwriters, Allen Chan, David Horsely and Kai Kit Poon (the “Specified Defendants”). In that regard, in late September, the Ontario Plaintiffs and Quebec Plaintiffs served a number of motions within these proceedings for, among other things, (a) representation and voting rights within the CCAA Proceedings; (b) certain document production; and (c) a lift stay against the Company and the Third Party Defendants (the “Lift Stay Motion”).
42. Ultimately, due to an agreed upon resolution between the Company and the Ontario Plaintiffs and Quebec Plaintiffs, on October 29, 2012, the Ontario Plaintiffs and Quebec Plaintiffs did not proceed with their first two motions and brought their Lift Stay Motion against only the Specified Defendants. The Lift Stay Motion was not opposed by the Company, the Monitor or the ICNs.
43. On November 6, 2012, the Court issued its decision, upholding the stay as against the Specified Defendants for a limited period of time while the Meeting and the Sanction Hearing were pending, but acknowledged that, failing a resolution, the Class Actions against these parties would proceed, the only question was when. The Court further directed that the issue be re-evaluated no later than December 10, 2012.

¹⁴ See Appendices C and D for a copy of the Information Statement and a blackline of the Information Statement to the August 15 Draft Information Circular.

THE CLAIMS PROCESS¹⁵

44. As set out above, on May 14, 2012, the Court granted the Claims Procedure Order. The Claims Procedure Order established claims bar dates for the filing of Claims, D&O Claims and D&O Indemnity Claims (the “**Claims Process**”). Pursuant to the Claims Procedure Order, claimants were also requested to list whether they intended to assert claims against any or all of the Sino-Forest Subsidiaries based in whole or in part on facts, underlying transactions, causes of action or events relating to a Claim made against the Company. The primary Claims Bar Date was set as June 20, 2012.
45. The Sixth Report previously reported that on or about the Claims Bar Date, the Company received 228 claims with a face value in excess of \$112 billion. This includes duplicative claims filed against the Company and its directors, officers and subsidiaries and does not account for marker and/or contingent claims filed. Since the Claims Bar Date, the Company has received a further four (4) claims with a face value in excess of approximately \$23,000 and one Restructuring Claim in the amount of \$485,000. Additionally, 151 D&O Indemnity Claims filed in respect of the D&O Claims that named Directors and Officers have been filed.

Nature of Claims Filed

46. As anticipated, other than with respect to three (3) trade Claims filed against the Company, the balance of the Claims, D&O Claims and D&O Indemnity Claims filed pursuant to the Claims Procedure Order can be categorized as follows:
- (a) Claims filed by the Note Indenture Trustees in respect of the Notes (the “**Noteholder Claims**”);¹⁶
 - (b) Claims by plaintiffs in the Ontario, Quebec and US Class Actions relating to damages relating to share purchases and note purchases;

¹⁵ Capitalized terms used in this section and not otherwise defined have the meaning given to them in the Claims Procedure Order.

¹⁶ As permitted by the Claims Procedure Order, claims filed by individual noteholders in respect of the Notes have been disregarded by the Monitor.

- (c) Equity Claims filed by individuals;
- (d) Class Action Indemnity Claims filed by the Third Party Defendants;
- (e) D&O Indemnity Claims filed by Directors and Officers for indemnity; and
- (f) Various individual claims which provided no information as to the nature of the claimant's claim (the "Bare Claims").

47. Additionally, pursuant to the Meeting Order, the OSC was required to indicate whether it intended to assert any OSC Monetary Claims (defined below) against the Company and/or the Officers and Directors. Details regarding the OSC Monetary Claims are discussed in further detail below in the sub-section entitled "OSC Monetary Claims".

The Noteholder Claims

48. As set out in the Initial Order Affidavit, the Company has issued four (4) series of Notes which remain outstanding:

- (a) two series of senior notes (the "Senior Notes") which have guarantees from sixty of the Sino-Forest Subsidiaries and share pledges from ten of the Sino-Forest Subsidiaries; and
- (b) two series of unsecured convertible notes (the "Convertible Notes" and together with the Senior Notes, the "Notes") which have guarantees from sixty-four Sino-Forest Subsidiaries.

49. The Monitor's legal counsel has reviewed legal opinions (the "Note Opinions") regarding the validity and enforceability of the indentures and guarantees entered into in connection with the Senior Notes and Convertible Notes and the share pledges entered into in connection with the Senior Notes. The Monitor's legal counsel has concluded that the Note Opinions are generally satisfactory in form and scope for transactions of this nature and contain the customary assumptions and qualifications for such opinions. Where, in the view of the Monitor's legal counsel, the Note Opinions were not phrased in customary terms or did not address matters customarily the subject of comparable

opinions, legal opinions were obtained from independent local counsel addressing these matters.

- 50. The Noteholder Claims have been accepted as Voting Claims (as defined in the Plan) by the Monitor for the purposes of the Meeting and the Meeting Order.

Impact of the Equity Claims Decision on Claims

- 51. Each of the Third Party Defendants has filed potentially significant, contingent Claims. In particular, each of EY, BDO and the Underwriters filed contingent Claims each in the billions of dollars.

- 52. The Equity Claims Decision held that claims against the Company resulting from the ownership, purchase or sale of equity interests in the Company, including claims on behalf of current or former shareholders (“Shareholder Claims”) and indemnity claims arising from Shareholder Claims (“Share Purchase Indemnity Claims”), are “equity claims” under section 2(1) of the CCAA. In coming to this decision, the Court noted that although the legal basis for the indemnity claims may be different from the Shareholder Claims, the substance of the underlying claims related to the Shareholder Claims and were therefore “equity claims”. The potential exception to this classification is or was claims by the defendants for “defence costs” (“Defence Costs Claims”) which, the Court noted, might not be equity claims (although no definitive decision was reached).

- 53. The Equity Claims Decision left it open for the Company to bring a motion for declarations relating to claims in respect of the purchase of securities other than shares (i.e. Claims by former noteholders). To date, no such motion has been brought. In the meantime, the Company has agreed to the Noteholder Class Action Limit (as defined in the Plan) of \$150 million, which limits the maximum liability of all of the Third Party Defendants in respect of those claims (discussed in more detail below in the sections entitled “The Plan” and “The Reserves”). However, the right to bring a motion as contemplated above has been reserved by the Company.

- 54. As set out above, on November 13, 2012, the Court of Appeal heard the appeal of the Equity Claims Decision but has not yet released its decision.

Status of Claims Resolution

55. As set out above, the Claims Procedure Order did not set out a pre-determined process for the resolution of Claims. Other than with respect to the Bare Claims, for which there was no information provided as to the nature or characterization of the Claim, no notices of disallowance have been issued.
56. Instead, as set out in the sections entitled “The Plan”, “The Meeting of the Affected Creditors Class” and “Sanction of the Plan” below, the Company has addressed the Claims, D&O Claims and D&O Indemnity Claims in the context of the Plan. Specifically, section 4.7 of the Plan provides that, the Claims of the Third Party Defendants are categorized as follows:
- (a) Claims against Sino-Forest Subsidiaries, which are released;
 - (b) Class Action Indemnity Claims in respect of Indemnified Noteholder Class Action Claims, which are limited to the Indemnified Noteholder Class Action Limit (as such terms are defined in the Plan), which are treated as Unresolved Claims and which will be accounted for in the Unresolved Claims Reserve;
 - (c) Defence Costs Claims, which are treated as Unresolved Claims and will be accounted for in the Unresolved Claims Reserve; and
 - (d) Equity Claims (as defined in the Plan), which are released.
57. Given:
- (a) the fact that other than the Claims in respect of the Notes, the overwhelming balance of the Claims and D&O Claims filed in the Claims Process were contingent Claims and D&O Claims by the Plaintiffs for their Class Actions and by the Third Party Defendants (and others) for indemnification (which only crystallize upon claims being successfully made against such parties and which are then found to be properly indemnifiable by the Company); and

- (b) the subsequent categorization of the Third Party Defendants' Claims as set out above and particularly in light of the Equity Claims Decision; and
- (c) the establishment of the Unresolved Claims Reserve (discussed in greater detail below in the section entitled "Reserves") to provide for Unresolved Claims which may ultimately become Proven Claims (as defined in the Plan),

the Monitor is of the view that it was not necessary to go through a separate dispute and resolution process through the issuance of Notices of Disallowance prior to a vote on the Plan. Third Party Defendants who object to the classification and treatment of their Claims under the Plan will have the opportunity to object to such treatment at the Sanction Hearing (defined below). The issuance of Notices of Disallowance in these circumstances would be duplicative of the other efforts that have been taken to date and would have the potential for increased delay and additional costs to the process.

OSC Monetary Claims

- 58. The Claims Procedure Order excluded any claims of the OSC against the Company or the Directors and Officers. Subsequently, as part of the Meeting Order, the OSC was required to advise the Company and the Monitor whether it intended to pursue any monetary claims against the Company or any Officers and Directors ("**OSC Monetary Claims**") on or prior to September 13, 2012 and, if so, the quantum of any such OSC Monetary Claims.
- 59. The OSC has advised the Company and the Monitor that in light of the substantial losses that stakeholders would potentially suffer, the OSC did not intend to assert any OSC Monetary Claims against the Company. Through various correspondence, the OSC has further confirmed that it has not yet determined whether it will pursue OSC Monetary Claims against any of the Officers and Directors. However, with a view to being helpful and to facilitate the Plan process, and as disclosed in the "Risk Factors" set out in the Information Statement the OSC initially confirmed that any OSC Monetary Claims against the Officers and Directors would be limited to an aggregate amount of no more than \$100 million. Subsequent to its initial confirmation, the OSC confirmed that it did

not intend to seek OSC Monetary Claims against Officers and Directors in excess of an aggregate amount of \$84 million. The OSC has further confirmed that of the OSC Monetary Claims which may be asserted against Officers and Directors, \$7 million to \$72 million could relate to fraud.¹⁷

60. The Monitor is aware that discussions between the Company and the OSC with respect to the potential OSC Monetary Claims against Officers and Directors is ongoing.

THE PLAN¹⁸

Overview of the Plan and Changes from the August 14 Draft Plan

61. A summary of the August 14 Draft Plan was set out in the Affidavit of Judson Martin sworn August 14, 2012 and the Monitor's Seventh Report dated August 17, 2012 (the "Seventh Report")¹⁹ and is therefore not repeated herein. A brief overview of the Plan is as follows:²⁰

- (a) The Plan contemplates that a new company ("Newco") will be incorporated and organized under the laws of the Cayman Islands and the Company will transfer substantially all of its assets to Newco. For information relating to the governance of Newco, reference should be made to the Information Statement and the Plan Supplement (defined below).
- (b) Affected Creditors with Proven Claims will receive their pro rata share of:
 - (i) 92.5% of the Newco Shares;
 - (ii) 100% of the Newco Notes; and
 - (iii) 75% of the Litigation Trust Interests.

¹⁷ The Monitor notes that the issue of whether any OSC Monetary Claims against Directors and Officers are released by operation of the Plan has not been resolved.

¹⁸ Capitalized terms used in this section and not otherwise defined have the meaning given to them in the Plan.

¹⁹ See Appendix M for a copy of the Seventh Report (without appendices).

²⁰ The summary provided herein is for informational purposes only. In the event of any inconsistency between the summary set out in this Report and the Plan, the Plan shall govern.

- (c) On the Plan Implementation Date, all of the Litigation Trust Claims²¹ and Litigation Trust Assets (as defined in the Plan Supplement) will be transferred to the Litigation Trustee.
- (d) The remaining 7.5% of the Newco Shares will constitute the Early Consent Equity Sub-Pool and will be issued and distributed to the Early Consent Noteholders. The remaining 25% of the Litigation Trust Interests will be allocated to the Noteholder Class Action Claimants (subject to the caveats in the Plan).
- (e) All Affected Creditors will constitute a single class for the purpose of voting on and considering the Plan. Equity Claimants will constitute a separate class, but will have no right to attend the Meeting or vote on the Plan (in such capacities). Further information regarding the classification of creditors voting at the Meeting is discussed below in the section entitled "Meeting of the Affected Creditors Class".
- (f) All Affected Claims will be compromised and released under the Plan (further information regarding the releases and also those claims which are specifically not released under the Plan are summarized below).
- (g) The Claims of Third Party Defendants (also discussed in further detail below) are categorized as follows:²²
 - (i) claims against the Sino-Forest Subsidiaries, which will be released;

²¹ "Litigation Trust Claims" means any and all claims, actions, causes of action, demands, suits, rights, entitlements, litigation, arbitration, proceeding, hearing or complaint, whether known or unknown, reduced to judgment or not reduced to judgment, liquidated or unliquidated, contingent or non-contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly or derivatively, in law, equity or otherwise, based in whole or in part upon any act or omission or other event occurring before or after the Filing Date that have been or may be asserted by or on behalf of: (i) SFC against any and all third parties; or (ii) the Trustees, the Noteholders or any representative of the Noteholders against any and all Persons in connection with the Notes issued by SFC; provided, however, that in no event shall the Litigation Trust Claims include any claim, right or cause of action against any Person that is released pursuant to Article 7 of the Plan. For greater certainty: (i) the claims being advanced or that are subsequently advanced in the Class Actions are not being transferred to the Litigation Trust; and (ii) the claims transferred to the Litigation Trust shall not be advanced in the Class Actions.

²² See also paragraph 56 of this Thirteenth Report for the impact of the characterization of the Third Party Defendants' Claims.

- (ii) Defence Costs Claims;
 - (iii) Class Action Indemnity Claims relating to Indemnified Noteholder Class Action Claims, which are limited to an aggregate of \$150 million, being the Indemnified Noteholder Class Action Limit (discussed in further detail below); and
 - (iv) Equity Claims.
- (h) The Plan contemplates specific mechanics for implementation of the restructuring transaction including the distribution of Newco Shares and Newco Notes and the incorporation of SFC Escrow Co. which will be formed to hold Newco Shares and Newco Notes in the Unresolved Claims Reserve and to act as the Unresolved Claims Escrow Agent.
- (i) The Plan remains subject to several conditions precedent including, among other things:
- (i) approval of the Plan by the Required Majority at the Meeting;
 - (ii) the granting of the Sanction Order;
 - (iii) all filings under Applicable Laws that are required shall have been made and any regulatory consents or approvals required shall have been obtained including, without limitation (A) any required filings and consents of the securities regulatory authorities in Canada (B) a consultation with the Executive of the Hong Kong Securities and Futures Commission; (C) the submission by the Company and each applicable Sino-Forest Subsidiary of a Circular 698 tax filing with all appropriate tax authorities in the PRC within the requisite time prior to the Plan Implementation Date; and (D) if notification is necessary or desirable under the *Antimonopoly Law of the People's Republic of China* and its implementation rules, the submission of such filings and the acceptance and/or approval thereof by the competent Chinese authority; and

- (iv) the completion of satisfactory due diligence by the ICNs prior to the Sanction Hearing.

62. The Plan filed on October 19, 2012 contained a number of changes to the August 14 Draft Plan. Reference should be made to the Plan and the Information Statement for the details of the Plan. Briefly, a summary of some of the significant changes is as follows:²³

(a) Insurance

- (i) A number of changes to section 2.4 of the Plan were made in consultation with various constituencies including counsel to the Ontario and Quebec Plaintiffs as well as the Company's insurers.

(b) Section 5.1(2) D&O Claims and Conspiracy Claims.

- (i) References previously to "Retained D&O Claims" now refer to Section 5.1(2) D&O Claims and Conspiracy Claims.²⁴

(c) Mechanics of Distribution.

- (i) A number of changes regarding the mechanics of distribution were made to the Plan following consultation with the Monitor and representatives of the Trustees. The Monitor is further entitled to seek directions from the Court with respect to any matter relating to the implementation of the Plan, including with respect to the distribution mechanics provided for under the Plan.

(d) SFC Escrow Co.

²³ The summary provided herein is for informational purposes only. In the event of any inconsistency between the summary set out in this Report and the Plan, the Plan shall govern.

²⁴ "Section 5.1(2) D&O Claim" means any D&O Claim that is not permitted to be compromised pursuant to section 5.1(2) of the CCAA, but only to the extent not so permitted, provided that any D&O Claim that qualifies as a Non-Released D&O Claim or a Continuing Other D&O Claim shall not constitute a Section 5.1(2) D&O Claim. "Conspiracy Claim" means any D&O Claim alleging that the applicable Director or Officer committed the tort of civil conspiracy, as defined under Canadian common law.

- (i) SFC Escrow Co. shall be incorporated prior to the Plan Implementation Date under the laws of the Cayman Islands or such other jurisdiction as may be agreed to by SFC, the Monitor and the ICNs. SFC Escrow Co. shall be incorporated for the purpose of holding, in escrow, the Unresolved Claims Reserve.

- (e) Releases. Significant changes were made to the Plan releases. The Plan now contemplates that the following will be specifically released:
 - (i) all Affected Claims, including all Affected Creditor Claims, Equity Claims, D&O Claims (other than Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O Claims and Non-Released D&O Claims), D&O Indemnity Claims (except as set forth in section 7.1(d) of the Plan) and Noteholder Class Action Claims (other than the Continuing Noteholder Class Action Claims);
 - (ii) all Claims of the Ontario Securities Commission or any other Governmental Entity that have or could give rise to a monetary liability, including fines, awards, penalties, costs, claims for reimbursement or other claims having a monetary value;
 - (iii) all Class Action Claims (including the Noteholder Class Action Claims) against SFC, the Subsidiaries or the Named Directors or Officers of SFC or the Subsidiaries (other than Class Action Claims that are Section 5.1(2) D&O Claims, Conspiracy Claims or Non-Released D&O Claims);
 - (iv) all Class Action Indemnity Claims (including related D&O Indemnity Claims), other than any Class Action Indemnity Claim by the Third Party Defendants against SFC in respect of the Indemnified Noteholder Class Action Claims (including any D&O Indemnity Claim in that respect), which shall be limited to the Indemnified Noteholder Class Action Limit pursuant to the releases set out in section 7.1(f) of the Plan and the injunctions set out in section 7.3 of the Plan;

- (v) any portion or amount of or liability of the Third Party Defendants for the Indemnified Noteholder Class Action Claims (on a collective, aggregate basis in reference to all Indemnified Noteholder Class Action Claims together) that exceeds the Indemnified Noteholder Class Action Limit;
- (vi) any portion or amount of, or liability of SFC for, any Class Action Indemnity Claims by the Third Party Defendants against SFC in respect of the Indemnified Noteholder Class Action Claims to the extent that such Class Action Indemnity Claims exceed the Indemnified Noteholder Class Action Limit;
- (vii) any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, against Newco, the directors and officers of Newco, the Noteholders, members of the ad hoc committee of Noteholders, the Trustees, the Transfer Agent, the Monitor, FTI Consulting Canada Inc., FTI HK, counsel for the current Directors of SFC, counsel for the Monitor, counsel for the Trustees, the SFC Advisors, the Noteholder Advisors, and each and every member (including members of any committee or governance council), partner or employee of any of the foregoing, for or in connection with or in any way relating to: any Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims); Affected Claims; Section 5.1(2) D&O Claims; Conspiracy Claims; Continuing Other D&O Claims; Non-Released D&O Claims; Class Action Claims; Class Action Indemnity Claims; any right or claim in connection with or liability for the Notes or the Note Indentures; any guarantees, indemnities, claims for contribution,

share pledges or Encumbrances related to the Notes or the Note Indentures; any right or claim in connection with or liability for the Existing Shares, Equity Interests or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries;

- (viii) any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, against Newco, the directors and officers of Newco, the Noteholders, members of the ad hoc committee of Noteholders, the Trustees, the Transfer Agent, the Monitor, FTI Consulting Canada Inc., FTI HK, the Named Directors and Officers, counsel for the current Directors of SFC, counsel for the Monitor, counsel for the Trustees, the SFC Advisors, the Noteholder Advisors, and each and every member (including members of any committee or governance council), partner or employee of any of the foregoing, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date (or, with respect to actions taken pursuant to the Plan after the Plan Implementation Date, the date of such actions) in any way relating to, arising out of, leading up to, for, or in connection with the CCAA Proceeding, RSA, the Restructuring Transaction, the Plan, any proceedings commenced with respect to or in connection with the Plan, or the transactions contemplated by the RSA and the Plan, including the creation of Newco and the creation, issuance or distribution of the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust

Interests, provided that nothing in this paragraph shall release or discharge any of the Persons listed in this paragraph from or in respect of any obligations any of them may have under or in respect of the RSA, the Plan or under or in respect of any of Newco, the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust Interests, as the case may be;

- (ix) any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, against the Subsidiaries for or in connection with any Claim (including, notwithstanding anything to the contrary herein, any Unaffected Claim); any Affected Claim (including any Affected Creditor Claim, Equity Claim, D&O Claim, D&O Indemnity Claim and Noteholder Class Action Claim); any Section 5.1(2) D&O Claim; any Conspiracy Claim; any Continuing Other D&O Claim; any Non-Released D&O Claim; any Class Action Claim; any Class Action Indemnity Claim; any right or claim in connection with or liability for the Notes or the Note Indentures; any guarantees, indemnities, share pledges or Encumbrances relating to the Notes or the Note Indentures; any right or claim in connection with or liability for the Existing Shares, Equity Interests or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries; any right or claim in connection with or liability for the RSA, the Plan, the CCAA Proceedings, the Restructuring Transaction, the Litigation Trust, the business and affairs of SFC and the Subsidiaries (whenever or however conducted), the administration and/or management of SFC and the Subsidiaries, or any public filings, statements, disclosures

or press releases relating to SFC; any right or claim in connection with or liability for any indemnification obligation to Directors or Officers of SFC or the Subsidiaries pertaining to SFC, the Notes, the Note Indentures, the Existing Shares, the Equity Interests, any other securities of SFC or any other right, claim or liability for or in connection with the RSA, the Plan, the CCAA Proceedings, the Restructuring Transaction, the Litigation Trust, the business and affairs of SFC (whenever or however conducted), the administration and/or management of SFC, or any public filings, statements, disclosures or press releases relating to SFC; any right or claim in connection with or liability for any guaranty, indemnity or claim for contribution in respect of any of the foregoing; and any Encumbrance in respect of the foregoing; and

- (x) all Subsidiary Intercompany Claims as against SFC (which are assumed by Newco pursuant to the Plan).
- (f) Claims Not Released. The following are specifically not released under the Plan:
 - (i) SFC of its obligations under the Plan and the Sanction Order;
 - (ii) SFC from or in respect of any Unaffected Claims (provided that recourse against SFC in respect of Unaffected Claims shall be limited in the manner set out in section 4.2 of the Plan);
 - (iii) any Directors or Officers of SFC or the Subsidiaries from any Non-Released D&O Claims, Conspiracy Claims or any Section 5.1(2) D&O Claims, provided that recourse against the Named Directors or Officers of SFC in respect of any Section 5.1(2) D&O Claims and any Conspiracy Claims shall be limited in the manner set out in 4.9(e) of the Plan;
 - (iv) any Other Directors and/or Officers from any Continuing Other D&O Claims, provided that recourse against the Other Directors and/or Officers in respect of the Indemnified Noteholder Class Action Claims shall be limited in the manner set out in 4.4(b)(i) of the Plan;

- (v) the Third Party Defendants from any claim, liability or obligation of whatever nature for or in connection with the Class Action Claims, provided that the maximum aggregate liability of the Third Party Defendants collectively in respect of the Indemnified Noteholder Class Action Claims shall be limited to the Indemnified Noteholder Class Action Limit pursuant to section 4.4(b)(i) of the Plan and the releases set out in section 7.1(e) of the Plan and the injunctions set out in section 7.3 of the Plan;
- (vi) Newco from any liability to the applicable Subsidiaries in respect of the Subsidiary Intercompany Claims assumed by Newco pursuant to section 6.4(n) of the Plan;
- (vii) the Subsidiaries from any liability to Newco in respect of the SFC Intercompany Claims conveyed to Newco pursuant to section 6.4(m) of the Plan;
- (viii) SFC of or from any investigations by or non-monetary remedies of the Ontario Securities Commission, provided that, for greater certainty, all monetary rights, claims or remedies of the Ontario Securities Commission against SFC shall be treated as Affected Creditor Claims in the manner described in section 4.1 of the Plan and released pursuant to section 7.1(b) of the Plan;
- (ix) the Subsidiaries from their respective indemnification obligations (if any) to Directors or Officers of the Subsidiaries that relate to the ordinary course operations of the Subsidiaries and that have no connection with any of the matters listed in section 7.1(g) of the Plan;
- (x) SFC or the Directors and Officers from any Insured Claims, provided that recovery for Insured Claims shall be irrevocably limited to recovery solely from the proceeds of Insurance Policies paid or payable on behalf of SFC

or its Directors and Officers in the manner set forth in section 2.4 of the Plan;

- (xi) insurers from their obligations under insurance policies; and
 - (xii) any Released Party for fraud or criminal conduct.
- (g) Sanction Order. In addition to the previously enumerated items set out in the August 14 Draft Plan, the Plan now contemplates that the Sanction Order shall:
- (i) Confirm that the Court was satisfied that (A) the hearing of the Sanction Order was open to all of the Affected Creditors and all other Persons with an interest in SFC and that such Affected Creditors and other Persons were permitted to be heard at the hearing in respect of the Sanction order; (B) prior to the hearing, all of the Affected Creditors and all other Persons on the service list were given adequate notice thereof;
 - (ii) Declare that in no circumstance will the Monitor have any liability for any of SFC's tax liability regardless of how or when such liability may have arisen;
 - (iii) Declare that, subject to the due performance of its obligations as set forth in the Plan and subject to its compliance with any written directions or instructions of the Monitor and/or directions of the Court in the manner set forth in the Plan, SFC Escrow Co. shall have no liabilities whatsoever arising from the performance of its obligations under the Plan.

Additionally, as set out in paragraph 46 of the draft Sanction Order contained in the Plan Supplement (defined below), the Sanction Order now provides that any Unresolved Claims in excess of \$1 million shall not be accepted or resolved without further Order of the Court. Further, the Sanction Order also provides that all parties with Unresolved Claims shall have standing in any proceeding with respect to the determination or status of any other Unresolved Claim.

- (h) Alternative Sale Transaction.

- (i) The Plan provides that, at any time prior to the implementation of the Plan, SFC may, with the consent of the ICNs, complete a sale of all or substantially all of the SFC Assets on terms that are acceptable to the ICNs (an “Alternative Sale Transaction”), provided that any such Alternative Sale Transaction has been approved by the Court pursuant to section 36 of the CCAA on notice to the service list;
 - (ii) In the event that an Alternative Sale Transaction is completed, the terms and conditions of the Plan would continue to apply subject to certain conditions identified in the Plan.
- (i) **Expense Reimbursement.** The Plan provides that the “Expense Reimbursement” shall now also include a work fee of up to \$5 million to the ICNs.

*The Plan Supplement*²⁵

63. On November 21, 2012, the Company issued its plan supplement (the “**Plan Supplement**”).²⁶ Details regarding the publication and distribution of the Plan Supplement are set out below in the section entitled “Notice of the Plan”.
64. The Plan Supplement provides further detail regarding the Plan including:
- (a) a summary of the terms of the Litigation Trust;
 - (b) a draft copy of the Litigation Trust Agreement;
 - (c) a draft of the Sanction Order;
 - (d) a summary of certain information concerning Newco, including information relating to Newco's governance and management and a summary of the terms of the Newco Shares;
 - (e) a description of the terms of the Newco Notes;

²⁵ The summary provided herein is for informational purposes only. In the event of any inconsistency between the summary set out in this Report and the Plan Supplement, the Plan Supplement shall govern.

²⁶ See Appendix E for a copy of the Plan Supplement.

- (f) a summary of the constitution and governance of SFC Escrow Co.; and
- (g) information concerning certain of the Reserves.

The Litigation Trust

65. The Litigation Trust will be created pursuant to the Plan on the Plan Implementation Date. Pursuant to the Litigation Trust Agreement, the Litigation Trustee will hold the Litigation Trust Claims and the other Litigation Trust Assets for the benefit of Affected Creditors with Proven Claims and the Noteholder Class Action Claimants entitled to receive Litigation Trust Interests under the Plan.
66. On the Plan Implementation Date, the Litigation Trust Claims will be transferred to the Litigation Trustee. Upon the creation of the Litigation Trust, the Company will transfer the Litigation Funding Amount to the Litigation Trustee to finance the operations of the Litigation Trust. The amount of the Litigation Funding Amount is subject to ongoing discussion.
67. The Litigation Trustee will be determined by the Company and the ICNs (with the consent of the Monitor) prior to the Plan Implementation Date. The litigation trust board (the "**Litigation Trust Board**") will be established and consist of three (3) persons and will make decisions based on a majority vote of the Litigation Trust Board members. The Litigation Trust Board will have the right to direct and remove the Litigation Trustee in accordance with the Litigation Trust Agreement and will have the right to operate and manage the Litigation Trust in a manner not inconsistent with the Litigation Trust Agreement. The parties have not yet determined who will serve as the members of the Litigation Trust Board.
68. Subject to the terms of the Litigation Trust Agreement, the Litigation Trustee, upon the direction of the Litigation Trust Board, will prosecute the Litigation Trust Claims and preserve and enhance the value of the Litigation Trust Assets.

Information Regarding Newco

69. As set out in the Plan, the Information Statement and the Plan Supplement:

- (a) Newco will be incorporated as an exempt company under the laws of the Cayman Islands.
- (b) Newco will have share capital consisting of a single class of voting shares, being Newco Shares. Newco Shares may be divided into different classes subject to requisite shareholder approvals. Also with requisite shareholder approvals, Newco may issue equity securities having a preference over Newco Shares.
- (c) Newco is not and will not be, following the Plan Implementation Date, a reporting issuer in any jurisdiction and the Newco Shares will not be listed on any stock exchange or quotation service on the Plan Implementation Date.
- (d) Subject to preferences for receipt of dividends that may be accorded to holders of other classes of shares of Newco, dividends may be declared by the board from time to time in equal amounts per share on the Newco Shares.
- (e) Newco will hold its first annual general meeting of shareholders no earlier than 12 months following the Plan Implementation Date, with subsequent annual general meetings to be held annually thereafter.
- (f) The board of Newco will initially consist of up to five (5) directors, who will be satisfactory to the ICNs. The ad hoc committee of Noteholders and its advisors are reviewing potential candidates for appointment to the Newco board of directors and senior management. It is intended that the directors and senior management of Newco will be appointed on or prior to the Plan Implementation Date.
- (g) Newco will deliver to each shareholder (i) copies of Newco's annual financial statements within 180 days of each fiscal year end; and (b) copies of Newco's semi-annual financial statements within 90 days of the end of each financial half-year. The board of directors will have the discretion to determine whether or not to obtain an audit of the annual financial statements.

- (h) Prior to the Plan Implementation Date, it is intended that Newco will organize a wholly-owned subsidiary as an exempt company under the laws of the Cayman Islands (“Newco II”) for the purposes of acquiring from Newco the SFC Assets to be transferred by the Company to Newco on the implementation of the Plan. The transfer of the SFC Assets to Newco II is intended to facilitate the resolution of any tax, jurisdictional or other issues that may arise out of a subsequent sale of all or substantially all of Newco’s assets.
- (i) Newco will be named “Evergreen China Holdings Ltd.” and Newco II will be named “Evergreen China Holdings II Ltd.”

Description of Newco Notes

70. As set out in the Plan, the Information Statement and the Plan Supplement:

- (a) The principal aggregate amount of the Newco Notes will be \$300 million.
- (b) The Newco Notes will:
 - (i) constitute general obligations of Newco;
 - (ii) mature on the date that is seven (7) years after the Original Issue Date (as defined in the Plan Supplement) unless redeemed earlier pursuant to the terms of the Newco Notes indenture;
 - (iii) be subject to interest on the Newco Notes which will be payable in cash or, at Newco’s election, partially in cash and partially in kind notes or entirely in PIK Notes (as defined in the Plan Supplement);
 - (iv) be subject to guarantees and pledges granted by various of the Sino-Forest Subsidiaries on terms similar to the guarantees and pledges granted on the existing Notes; and
 - (v) be subject to several terms and conditions that are similar to the terms of the existing Note indentures.

Information regarding SFC Escrow Co.

- 71. SFC Escrow Co. will be incorporated prior to the Plan Implementation Date under the laws of the Cayman Islands or such other jurisdiction as may be agreed by the Company, the Monitor and the ICNs. SFC Escrow Co. will be a wholly-owned subsidiary of the Company and the sole director of SFC Escrow Co. will be Codan Services (Cayman) Limited or such other person as may be agreed by the Company, the Monitor and the ICNs.
- 72. SFC Escrow Co. is being formed to serve as the Unresolved Claims Escrow Agent and to facilitate the implementation of the Plan as the holder of the assets in the Unresolved Claims Reserve. SFC Escrow Co. will also administer the Undeliverable Distributions in accordance with the Plan.

Information and other Amounts relating to the Plan

- 73. The Plan Supplement contains information regarding the Reserves (defined below). Notably, the Indemnified Noteholder Class Action Limit has been established at \$150 million. The Indemnified Noteholder Class Action Limit has been agreed to by the Ontario Plaintiffs and the Quebec Plaintiffs and it means that no Third Party Defendant can have liability to the Plaintiffs in the Class Actions for Indemnified Noteholder Class Action Claims beyond that limit. As such, the maximum liability of the Company in respect of any Class Action Indemnity Claims asserted by the Third Party Defendants against the Company is similarly limited.
- 74. The balance of the Reserves is discussed in the section below entitled “Reserves”.

THE RESERVES²⁷

The Cash Reserves

- 75. The terms of the Plan provide for the creation of a number of cash reserves upon Plan Implementation. Those cash reserves are as follows (the “Cash Reserves”):

²⁷ Capitalized terms used in this section and not otherwise defined have the meaning given to them in the Plan.



- (a) Administration Charge Reserve – The Administration Charge Reserve is intended to cover any claims which are covered by the Administration Charge (as defined in and established by the Initial Order). The beneficiaries of the Initial Order include the Monitor, HL, and counsel for the Company, the Monitor, the board and the ICNs. It is anticipated that most or all of outstanding fees of these advisors will be paid prior to or upon the Plan Implementation Date. As such, it is not anticipated that much or any of the amount of the Administration Charge Reserve will be required to satisfy any outstanding claims. The amount for funding the Administration Charge, if any, is subject to ongoing discussion.
- (b) Directors’ Charge Reserve²⁸ – The Directors’ Charge Reserve is intended to cover any claims of the directors for amounts covered by the directors’ indemnity contained in the Initial Order. The amount, if any, of the Directors’ Charge Reserve is subject to ongoing discussion.
- (c) Unaffected Claims Reserve – The Unaffected Claims Reserve is intended to provide for payment of Unaffected Claims under the Plan. The amount of the Unaffected Claims Reserve will be calculated based on the Company’s and the Monitor’s estimate of the Unaffected Claims which may not be paid upon the Plan implementation or which are not otherwise accounted for in the other Cash Reserves. The calculation of the Unaffected Claims Reserve is subject to ongoing discussion.
- (d) Monitor’s Post-Implementation Reserve – After implementation of the Plan, it is anticipated that there will be ongoing items to be addressed within the CCAA Proceedings including the administration of the SFC estate and the claims procedure. The Monitor’s Post-Implementation Reserve is intended to provide funds to carry out these items. The amount of the Monitor’s Post-Implementation Reserve is subject to ongoing discussion.

76. As set out above, the appropriate amounts for the Cash Reserves is subject to ongoing discussion. As set out in the Plan, the amounts of the Cash Reserves are to be confirmed

²⁸ Pursuant to the Initial Order, the amount of the Directors’ Charge is \$3.2 million.

as part of the Sanction Order. The Monitor intends to provide further information prior to the Sanction Hearing with respect to the calculation and proposed amounts of the Cash Reserves.

77. Pursuant to the Plan, the Monitor will hold and administer the monies used to fund the Cash Reserves. Pursuant to section 5.7 of the Plan, excess funds in the Administration Charge Reserve, the Directors' Charge Reserve and the Unaffected Claims Reserve will be transferred to the Monitor's Post-Implementation Reserve.
78. The Monitor may, at any time and from time to time in its sole discretion, release amounts from the Monitor's Post-Implementation Reserve to Newco. Once the Monitor has determined that the cash remaining in the Monitor's Post-Implementation Reserve is no longer necessary for administering the Company or the Claims Procedure, the Monitor shall forthwith transfer any such remaining cash to Newco.

The Unresolved Claims Reserve

79. In addition to the Cash Reserves, the Plan also contemplates the establishment of an Unresolved Claims Reserve (together with the Cash Reserves, the "Reserves"), constituting Newco Shares and Newco Notes (and any distributed Litigation Trust Interests) which will be held in escrow by SFC Escrow Co. pending the resolution of Unresolved Claims. The proposed amount of the Unresolved Claims Reserve will be Newco Shares and Newco Notes sufficient to satisfy distributions on a pro rata basis in respect of the Unresolved Claims (the "Unresolved Claims Reserve Consideration"). The Unresolved Claims Reserve Consideration will be held by SFC Escrow Co. and will be released out of the Unresolved Claims Reserve in accordance with the Plan if and when any such Unresolved Claims become Proven Claims.
80. The anticipated Unresolved Claims that will have recourse to the Unresolved Claims Reserve in accordance with the Plan are primarily:
 - (a) Indemnity Claims by the Third Party Defendants in respect of Noteholder Class Action Indemnity Claims up \$150 million, being the Indemnified Noteholder Class Action Limit;

- (b) Indemnity Claims by Directors and Officers in respect OSC Monetary Claims; and
- (c) Defence Costs Claims (as defined in the Meeting Order).

81. The appropriate amount of the Unresolved Claims Reserve as it relates to OSC Monetary Claims and Defence Costs Claims is subject to ongoing discussion. The Monitor is of the view that the fact that reserve amounts for OSC Monetary Claims and Defence Costs Claims have not yet been determined does not affect the exercise of any voting rights of potential beneficiaries of the Unresolved Claims Reserve from voting on the Plan because the reserve amount is not, in itself tied to the amounts that persons will be entitled to vote. Instead, the proposed calculation and treatment of these Claims for voting purposes is discussed below in the section entitled "Meeting of the Affected Creditor Class". The Monitor does intend to provide a further report with respect to the amount of the Unresolved Claims Reserve in advance of the Sanction Hearing.

NOTICE AND MAILING OF THE PLAN²⁹

- 82. The Meeting Order contemplated a process for the declaration of a Mailing Date and providing notice and mailing of the Meeting Materials to Noteholders and Ordinary Affected Creditors.
- 83. The original outside date for the Mailing Date was September 20, 2012 provided that such date could be extended by the Monitor with the consent of the Company and the ICNs. In accordance with the Meeting Order, the outside date for the Mailing Date was extended a number of times with the consent of the Company and the ICNs. The Mailing Date was ultimately set as October 24, 2012.
- 84. The Monitor, in consultation with the Company and the ICNs, also determined that the originally proposed process for the mailing of the Noteholder Meeting Materials was not the most efficient process for mailing. In that regard, on October 24, 2012, the Monitor sought and obtained an Order (the "Revised Noteholder Mailing Process Order")

²⁹ Capitalized terms used in this section and not otherwise defined have the meaning given to them in the Meeting Order.

providing for the approval of a revised noteholder mailing process as set out in its Eleventh Report dated October 24, 2012 (the "Eleventh Report").

85. In accordance with the Meeting Order and the Revised Noteholder Mailing Process Order, the Notice of the Creditors' Meeting was provided as follows:

- (a) An electronic copy of the Notice to Affected Creditors, the Plan and the Information Circular (in the form provided by the Company as at the date of the Meeting Order) were posted on the Monitor's website on September 5, 2012;
- (b) The Ordinary Affected Creditor Meeting Materials were delivered by courier or email to each of the Ordinary Affected Creditors with a Voting Claim and/or an Unresolved Claim on October 24, 2012;
- (c) The Ordinary Affected Creditor Meeting Materials were also delivered by email to the service list in the CCAA Proceedings on October 24, 2012;
- (d) The Noteholder Meeting Materials were delivered by courier or email to the Trustees (as defined in the Plan) and DTC on October 24, 2012; and
- (e) The Noteholder Meeting Materials were delivered to Registered Noteholders via Globic Advisors ("Globic") on October 24, 2012 and as described further in the Eleventh Report.³⁰

86. On November 21, 2012, the Plan Supplement and the Voting Procedures (defined below) were distributed as follows:

- (a) An electronic copy of the Plan Supplement and the Voting Procedures were posted on the Monitor's website on November 21, 2012;
- (b) The Plan Supplement and the Voting Procedures were delivered by email to each of the Ordinary Affected Creditors with a Voting Claim and/or an Unresolved Claim on November 21, 2012;

³⁰ See Appendix O for a copy of Globic's Mailing Certificate (Mailing Materials).

- (c) The Plan Supplement and the Voting Procedures were also delivered by email to the service list in the CCAA Proceedings on November 21, 2012;
- (d) The Plan Supplement and the Voting Procedures were delivered by email to the Trustees and DTC on November 21, 2012; and
- (e) The Plan Supplement and the Voting Procedures were delivered to Registered Noteholders via Globic on November 21, 2012.³¹

87. To the extent there are any amendments, restatements, modifications and/or supplements to the Plan Supplement, subject to the terms of the Plan:

- (a) The Monitor, the Company or the Chair shall communicate the details of any such amendments, restatements, modifications and/or supplements to Affected Creditors present at the Meeting prior to any vote being taken;
- (b) The Monitor shall post an electronic copy of any such amendments, restatements, modifications and/or supplements on the Website forthwith and in any event prior to the Sanction Hearing.

MEETING OF THE AFFECTED CREDITORS CLASS³²

Meeting Date

88. The Meeting has been scheduled for November 29, 2012 at the offices of Bennett Jones LLP. In the event that the Court of Appeal decision is not released prior to November 29, 2012, the Meeting will be adjourned in accordance with the direction of the Court of Appeal.

³¹ See Appendix P for a copy of Globic's Mailing Certificate (Plan Supplement and Voting Procedures).

³² Capitalized terms used in this section and not otherwise defined have the meaning given to them in the Plan or Meeting Order, as applicable.

Voting of Claims

89. The determination as to which Persons will have Voting Claims and/or Unresolved Claims to vote at the Meeting has been determined with regard to the provisions of the Meeting Order and the classification and treatment of Persons under the Plan.

90. Pursuant to paragraph 39 of the Meeting Order, the only Persons entitled to vote at the Meeting are:

- (a) Beneficial Noteholders with Voting Claims that have beneficial ownership of one or more Notes as at the Voting Record Date;³³ and
- (b) Ordinary Affected Creditors with Voting Claims as at the Voting Record Date.

91. The Meeting Order also provides that:

- (a) any Affected Creditor with an Unresolved Claim (including Defence Costs Claims) as at the Voting Record Date is entitled to attend the Meeting and shall be entitled to one vote at the Meeting in respect of such Unresolved Claim. Votes cast in respect of Unresolved Claims will be recorded separately by the Monitor and the Monitor will provide a report on the votes cast in respect of Unresolved Claims at the Sanction Hearing; and
- (b) each of the Third Party Defendants will be entitled to one vote as a member of the Affected Creditors Class in respect of any Class Action Indemnity Claim that it has properly filed in respect of the Indemnified Noteholder Class Action Claims, provided that the aggregate value of all such Class Action Indemnity Claims shall, for voting purposes, be deemed to be limited to the amount of the Indemnified Noteholder Class Action Limit.³⁴

92. Pursuant to paragraph 54 of the Meeting Order, the following Persons are not entitled to vote at the Meeting:

³³ The Voting Record Date is August 31, 2012.

³⁴ As set out in the Plan Supplement the Indemnified Noteholder Class Action Limit is \$150 million.

- (a) Unaffected Creditors;
 - (b) Noteholder Class Action Claimants;
 - (c) Equity Claimants;
 - (d) Any Person with a D&O Claim;
 - (e) Any Person with a D&O Indemnity Claim (other than a D&O Indemnity Claim in respect of Defence Costs Claims or in respect of Class Action Indemnity Claims related to Indemnified Noteholder Class Action Claims;
 - (f) Any Person with a Subsidiary Intercompany Claim; and
 - (g) Any other Person asserting Claims against the Company whose Claims do not constitute Affected Creditor Claims on the Voting Record Date.
93. As set out above, the Plan further provides that the Claims of the Third Party Defendants other than Class Action Indemnity Claims related to Indemnified Noteholder Class Action Claims and Defence Costs Claims, are Equity Claims.
94. On November 21, 2012, the Monitor issued a notice of voting procedures (the “**Voting Procedures**”)³⁵ setting out the guidelines for tabulating and recording votes of Voting Claims and Unresolved Claims at the Meeting. A summary of the Voting Procedures is as follows:
- (a) Pursuant to paragraph 39 of the Meeting Order, persons entitled to vote at the Meeting (whether in person or by proxy) are as follows:
 - (i) Beneficial Noteholders with Voting Claims as at the Voting Record Date; and
 - (ii) Ordinary Affected Creditors with Voting Claims as at the Voting Record Date.
 - (b) Pursuant to paragraph 54 of the Meeting Order, persons not entitled to vote at the

³⁵ See Appendix N for a copy of the Voting Procedures.

Meeting include:

- (i) Unaffected Creditors;
 - (ii) Noteholder Class Action Claimants;
 - (iii) Equity Claimants;
 - (iv) Any Person with a D&O Claim;
 - (v) Any Person with a D&O Indemnity Claim (other than a D&O Indemnity Claim in respect of Defence Costs Claims or in respect of Indemnified Noteholder Class Action Claims);
 - (vi) Any Person with a Subsidiary Intercompany Claim; and
 - (vii) Any other Person asserting Claims against the Company whose Claims do not constitute Affected Creditor Claims on the Voting Record Date.
- (c) Unless specifically provided for in the Plan and/or the Meeting Order, place holder Claims will not be entitled to a vote.
- (d) Third Party Defendants with Class Action Indemnity Claims in respect of Indemnified Noteholder Class Action Claims will be entitled to vote such Claims in accordance with paragraph 51 of the Meeting Order and votes cast in respect of such Claims will be recorded and reported on in accordance with paragraph 51 of the Meeting Order. The aggregate value of all such Class Action Indemnity Claims will, for voting purposes, be limited to the amount of the Indemnified Noteholder Class Action Limit.
- (e) Persons with Defence Costs Claims will be entitled to vote such Defence Costs Claims to the extent that such Claim or D&O Indemnity Claim, as the case may be, set out a specified amount of defence costs incurred up to the Claims Bar Date, and votes cast in respect of such Defence Costs Claims will be recorded and reported on as Unresolved Claims in accordance with paragraph 53 of the Meeting Order.
- (f) For greater certainty, the Claims of the Third Party Defendants will be treated in accordance with section 4.7 of the Plan, as follows:

- (i) Class Action Indemnity Claims in respect of Indemnified Noteholder Class Action Claims will be entitled to vote as set out above;
- (ii) Defence Costs Claims will be entitled to vote as set out above; and
- (iii) the balance of the Third Party Defendants' Claims are Equity Claims and not entitled to vote.

95. As such, the Third Party Defendants will be permitted to vote their Defence Costs Claims and Indemnified Noteholder Class Action Claims as contemplated by the Meeting Order. The result of those votes will be recorded by the Monitor and reported on at the Sanction Hearing. The balance of the Third Party Defendants' Claims are classified as Equity Claims and therefore not entitled to vote.

96. To the extent that Persons believe that the classification and tabulation of their votes has been incorrectly or unfairly tabulated by the Monitor, such Persons are entitled to appear and make such objections at the Sanction Hearing.

SANCTION OF THE PLAN³⁶

97. To the extent that the Plan is approved by the Required Majority at the Meeting, the Company intends to seek an Order (the "Sanction Order")³⁷ sanctioning of the Plan at a motion scheduled for December 7 and 10, 2012 (the "Sanction Hearing"). The following sections set out the Monitor's analysis on the Plan and the basis for its recommendation that the Plan be approved by creditors and sanctioned by the Court.

Alternatives to the Plan

98. In arriving at its recommendation, the Monitor has considered the possible alternatives to the Plan.

99. The RSA was negotiated to provide a restructuring solution acceptable to the Company and the ICNs. Further support was then solicited and approximately 72% (with more than 66.67% of the principal amount of each of the four (4) series of Notes) of the

³⁶ Capitalized terms used in this section and not otherwise defined have the meaning given to them in the Plan.

³⁷ See Exhibit G to the Plan Supplement (Appendix E to this Thirteenth Report) for a draft Sanction Order.

Noteholders (including the ICNs) provided their support through the execution of joinder agreements. However, alternatives to the restructuring transaction contemplated by the RSA were explored. Specifically, a court-approved sale process was undertaken to determine whether the Sino-Forest business could be sold. The baseline Qualified Consideration was less than the full amount of the principal outstanding amount of the Notes. As set out above, no interested party provided a letter of intent indicating such interest.

100. The Monitor believes that the canvassing of the market during the Sale Process was thorough. The Company has now been in the CCAA Proceedings for almost eight (8) months and no other viable alternatives have been proposed by any interested party willing to participate in the CCAA process. At the same time, the Sino-Forest Business in the PRC is effectively frozen and the Company continues to burn through its remaining cash and cannot afford to continue with this process for much longer.
101. Given the failure of the Sale Process and the lack of other viable alternative proposals, the Monitor has concluded that, other than the Plan, the only possible alternative for the Company is liquidation (discussed in the next section).

Liquidation or Bankruptcy

102. The core of the issues facing the Company and Sino-Forest relate to the existence, ownership and value of the Sino-Forest assets (primarily standing timber located in the PRC). The MW Report called these items into question as have the Class Actions and the investigation by the OSC. Significant time and resources have been spent investigating these issues.
103. The Company itself is a holding company with little or no assets other than cash on hand and its interests in its direct and indirect subsidiaries. Any bankruptcy or liquidation of assets would have to take place under the laws of the jurisdiction of the Sino-Forest Subsidiaries and/or the location of the assets (i.e. such as the BVI, Hong Kong and the PRC).

104. Although the Monitor is not an expert in the liquidation of BVI, HK or PRC entities, the Monitor has previously disclosed various issues regarding the Sino-Forest Business and the Sino-Forest Subsidiaries in the Sixth Report and the Tenth Report and it is apparent that the issues in a liquidation of Sino-Forest would include, among others:

- (a) The collectability of receivables;
- (b) Difficulties in accessing standing timber absent cooperation from suppliers;
- (c) Difficulties in establishing title to standing timber where intermediaries have deregistered or are uncooperative;
- (d) Difficulty in dealing with the claims against the Sino-Forest Subsidiaries which have been identified in the Claims Process; and
- (e) Legal difficulties in exporting cash out of the PRC.

105. In the event of a liquidation or bankruptcy of the Sino-Forest Subsidiaries, it is unlikely that any value would be realized by the Company on account of its equity interest in the Sino-Forest Subsidiaries.

The Scope of Releases

106. As set out above, section 7.1 of the Plan contemplates a number of specific plan releases. The Monitor has reviewed the releases and believes that they are fair and reasonable in the circumstances. Specifically, the Monitor notes the following:

- (a) Claims, and D&O Indemnity Claims against the Company are released, which is standard for a CCAA plan;
- (b) The Claims of the Noteholders and the Third Party Defendants against the Sino-Forest Subsidiaries are released (the “Subsidiary Releases”);
- (c) Unaffected claims and claims which cannot be compromised pursuant to the CCAA are not compromised or released under the Plan;

- (d) Class Action Indemnity Claims in respect of Indemnified Noteholder Class Action Claims against the Company are released beyond the Noteholder Class Action Limit, however, the liability of the Third Party Defendants for any such Indemnified Noteholder Class Action Claims is also limited to a maximum amount of the Noteholder Class Action Limit;
- (e) Except as set out below, D&O Claims are released against only the Named Directors and Officers (as set out in the Plan);
- (f) D&O Claims against any other Directors and Officers (other than the Named Directors and Officers) are not released;
- (g) D&O Claims which cannot be released pursuant to section 5.1(2) of the CCAA (i.e. Section 5.1(2) D&O Claims) are not released against any Directors and Officers (although recovery against Named Directors and Officers is limited to insurance proceeds);
- (h) Conspiracy Claims are not released against any Directors and Officers (although recovery against Named Directors and Officers is limited to insurance proceeds);
and
- (i) Non-monetary claims of the OSC are not released.

107. In addition to the foregoing, Class Action Claims and Claims of the Third Party Defendants against the Sino-Forest Subsidiaries are compromised and released pursuant to the Plan.

108. The Monitor has reviewed and discussed the proposed releases with the Company at length and believes them to be fair and reasonable in the circumstances. In coming to this conclusion the Monitor has taken many factors into account including:

- (a) The standard for releases relating to CCAA debtors and professionals in CCAA plans generally;

- (b) The impact of the Equity Claims Decision on the Claims and D&O Indemnity Claims;
- (c) The non-opposition of the Plaintiffs to the Plan, including the treatment of their Claims, D&O Claims, the amount of the Indemnified Noteholder Class Action Limit and the releases;
- (d) The benefit of the imposition of the Indemnified Noteholder Class Action Limit to the Third Party Defendants inasmuch as it is effectively a partial release for the Indemnified Noteholder Class Action Claims;
- (e) The fact that the releases related to D&O Claims do not purport to provide releases which are prohibited by the CCAA;
- (f) The fact that the releases related to D&O Claims extend only to Named Directors and Officers;
- (g) The Subsidiary Releases are necessary in order to achieve the goal of allowing the Sino-Forest Business to continue free of the cloud of uncertainty caused by the litigation claims and is required by the ICNs as a condition to the Plan. Further, the assets of the Sino-Forest Subsidiaries are effectively being contributed to the assets available for transfer to Newco to satisfy their obligations under the guarantees of the Notes – this will benefit not only the Noteholders but also any other creditor who is ultimately determined to have a *pari passu* claim against the Company; and
- (h) The impact of liquidation if the Plan is not approved.

Statutory Compliance of the Plan

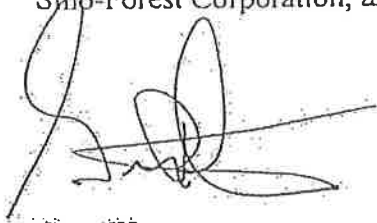
109. The Monitor is not aware of any Claims that are being compromised under the Plan which are prohibited from being compromised pursuant to the CCAA.

RECOMMENDATION AND CONCLUSIONS

110. The Monitor's Twelfth Report dated November 16, 2012 attaches the Company's proposed cash flow forecast (the "November 3 Forecast") for its stay extension request to February 1, 2013. The November 3 Forecast projects that the Company will have sufficient funds to the proposed stay extension date. However, as set out above and is further evidenced by the November 3 Forecast, the Company continues to burn cash and cannot afford to remain in a CCAA process for much longer.
111. At this time, the only alternative to liquidation is the Plan. The Plan is acceptable to the ICNs (and those Noteholders that signed joinder agreements) who, in total, consist of the vast majority of the Company's funded debt. The Plan further provides actual and tangible benefits to the Third Party Defendants (such as the imposition of the Indemnified Noteholder Class Action Limit) and the Plaintiffs have indicated the Plan is acceptable to them. All of these factors and those set out in the above sections inform the Monitor's conclusion that the Plan provides the best viable alternative to the Company's creditors.
112. Accordingly, the Monitor respectfully recommends that this Honourable Court grant the Company's request for sanction of the Plan.

Dated this 22nd day of November, 2012.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Sino-Forest Corporation, and not in its personal capacity



Greg Watson
Senior Managing Director



Jodi Porepa
Managing Director

TAB I

*This is EXHIBIT "I" Referred to in the
Affidavit of
MIKE P. DEAN*

Sworn the 11th day of January, 2013



A Commissioner For Taking Affidavits (or as may be)

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

Sino-Forest Corporation

**SUPPLEMENTAL REPORT TO THE
THIRTEENTH REPORT OF THE MONITOR**

December 4, 2012

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

**SUPPLEMENTAL REPORT TO THE
THIRTEENTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR**

1. The purpose of this Supplemental Report to the Thirteenth Report (the “**Supplemental Report**”) is to supplement the Thirteenth Report of the Monitor dated November 22, 2012 (the “**Thirteenth Report**”) by:
 - (a) Reporting on amendments to the Plan since the October 19 Plan (defined below) that was described in the Thirteenth Report;
 - (b) to report on the results of the Meeting (defined below); and
 - (c) to provide the Monitor’s recommendation that the Court approve the Plan.
2. Capitalized terms used herein and not otherwise defined have the meaning given to them in the Plan and, if not defined in the Plan, the Thirteenth Report. Paragraphs 5 and 6 of the Thirteenth Report are incorporated herein by reference.
3. The following appendices have been attached to this Supplemental Report:
 - (a) Appendix A – The Plan of Compromise and Reorganization dated December 3, 2012 (the “**Plan**”)

- (b) Appendix B – Blackline of the October 19 Plan to the Plan
- (c) Appendix C – Blackline of the November 28 Plan to the Plan
- (d) Appendix D – Copy of the Company’s press releases dated November 28, 2012, November 30, 2012 and December 3, 2012
- (e) Appendix E – Copy of the Emails to the Service List dated November 28, 2012, November 30, 2012 and December 3, 2012
- (f) Appendix F – Voting Procedures
- (g) Appendix G - Form of Resolution
- (h) Appendix H – Copy of the Minutes of the Meeting including Scrutineer’s Report
- (i) Appendix I – OSC Notice of Hearing and Statement of Allegations against EY
- (j) Appendix J – Letter from Wardle Daley Bernstein re Claim of David Horsley dated November 29, 2012 and responding letter of Bennett Jones LLP dated November 30, 2012
- (k) Appendix K – Proof of Claim (excluding Tab 1 and 2) of David Horsley for vacation pay, termination and severance dated November 1, 2012
- (l) Appendix L - Letter from Davis LLP re Kai Kit Poon dated November 28, 2012 and responding letter of Gowling Lafleur Henderson LLP dated November 29, 2012

AMENDMENTS TO THE PLAN

Changes to the Plan (Non-Third Party Defendants)

4. As result of numerous negotiations which have occurred since the October 19 Plan was filed, a number of changes to the Plan have been agreed upon. Certain of those changes relate specifically to certain Third Party Defendants and those changes are summarized in

the next section below. A summary of certain of the other changes contained in the Plan is as follows:

- (a) Reserves (which are also discussed in more detail below):
 - (i) the amount of the Administration Charge Reserve will be \$500,000 or such other amount as may be agreed to by the Monitor and the ICNs;
 - (ii) there will be no Directors' Charge Reserve nor will there be any amount in the Unresolved Claims Reserve set aside for OSC claims against Directors and Officers;
 - (iii) the Unresolved Claims Reserve will now consist of Plan consideration sufficient to make potential distributions under the Plan in respect of the following in the event that they become Proven Claims: (a) indemnity claims of Third Party Defendants for Indemnified Noteholder Class Action Claims up to the Indemnified Noteholder Class Action Limit; (b) Defence Costs Claims of up to \$12 million¹ or such other amount as may be agreed by the Monitor and the ICNs; and (c) other unresolved Affected Creditor Claims of up to \$500,000 or such other amount as may be agreed by the Monitor and the ICNs;
 - (iv) the Monitor's Post-Implementation Charge Reserve will be \$5 million or such other amount as may be agreed to by the Monitor and the ICNs; and
 - (v) The Unaffected Claims Reserve will be \$1.5 million or such other amount as may be agreed to by the Monitor, the Company and the ICNs.

- (b) Matters relating to the Litigation Trust:
 - (i) the amount of the Litigation Funding Amount is \$1 million; and

¹ Please see the section below entitled "Additional Information Relating to the Reserves" for the Monitor's report on the adjustment to the calculation of the Defence Costs Claims Limit (defined below).

- (ii) at any date prior to the Plan Implementation Date, the Company and the ICNs may agree to exclude one or more claims, actions or causes of action from the Litigation Trust Claims that would otherwise be assigned to the Litigation Trust on Plan Implementation (“**Excluded Litigation Trust Claims**”).
- (c) Certain provisions relating to the creation of “Newco II” in connection with the implementation of the restructuring transaction have been incorporated throughout the Amended Plan. Newco II will be a wholly-owned subsidiary of Newco to which Newco will transfer the SFC Assets on the Plan Implementation Date. Following implementation of the Plan, Newco II will own the SFC Assets.
- (d) Unaffected Claims no longer includes Claims for termination pay or severance pay payable by the Company to any Person who ceased to be an employee, director or officer of the Company prior to the date of the Plan. Any claims in this regard will now be treated as Unresolved Claims.
- (e) Persons with Unresolved Claims shall have standing in any proceeding in respect of the determination or status of any Unresolved Claims and Goodmans LLP shall have standing in any such proceeding on behalf of the ICNs.
- (f) The due diligence condition precedent in favour of the ICNs now extends to the Plan Implementation Date with respect to any new material information or events arising or discovered on or after the date of the Sanction Hearing provided that any “new material information or events” does not include any information or events disclosed prior to the date of the Sanction Hearing in a press release or affidavit of the Company or a report of the Monitor that has been filed with the Court.
- (g) Within three (3) business days of the Plan Implementation Date, a foreign representative of the Company will commence a proceeding in the United States for the purpose of seeking recognition of the Plan and the Sanction Order and shall use its reasonable best efforts to obtain such recognition.

Changes to the Plan (Third Party Defendants)

5. In addition to the foregoing changes, the Plan was also amended to incorporate changes that relate specifically to the Underwriters and Ernst & Young as well as additional changes to provide a mechanism for a Plan release in the event that the Underwriters and BDO enter into settlements with the Class-Action Plaintiffs or the Litigation Trustee (on behalf of the Litigation Trust), all of which is discussed below.

6. Changes relating to the Underwriters:

- (a) Claims of the Underwriters against the Company for indemnification in respect of any Noteholder Class Action Claims (other than claims against them for fraud or criminal conduct) shall, for the purposes of the Plan, be deemed to be valid and enforceable Class Action Indemnity Claims against the Company.
- (b) The Underwriters shall not be entitled to any distributions under the Plan.
- (c) All Causes of Action against the Underwriters by the Company or the Trustees are deemed to be Excluded Litigation Trust Claims.
- (d) Any portion or amount of liability of the Underwriters for the Noteholder Class Action Claims (other than such claims for fraud or criminal conduct) that exceeds the Indemnified Noteholder Class Action Limit is released under the Plan.
- (e) The Underwriters are Named Third Party Defendants (as discussed and defined below).

7. Changes relating to Ernst & Young (as defined in the Plan):

- (a) Any and all indemnification rights and entitlements of Ernst & Young and any indemnification agreement between Ernst & Young and the Company shall be deemed to be valid and enforceable in accordance with their terms for the purposes of determining whether the Claims of Ernst & Young for

indemnification in respect of the Noteholder Class Action Claims are valid and enforceable within the meaning of section 4.4(b) the Plan.²

- (b) Ernst & Young shall not be entitled to any distributions under the Plan.
- (c) The Sanction Order shall contain a stay against Ernst & Young between the Plan Implementation Date and the earlier of the Ernst & Young Settlement Date (as defined in the Plan) or such other date as may be ordered by the Court on a motion to the Court.
- (d) In addition to the foregoing, Ernst & Young has now entered into a settlement with the Ontario Plaintiffs and the Quebec Plaintiffs, which is still subject to several conditions and approval of the Ernst & Young Settlement itself, does not form part of the Sanction Order. Section 11.1 of the Plan contains provisions that provide a framework pursuant to which a release of the Ernst & Young Claims³ under the Plan would happen if several conditions were met. That release will only be granted if all conditions are met including further Court approval. A summary of those terms is as follows:
 - (i) Notwithstanding anything to the contrary in the Plan, subject to (A) the granting of the Sanction Order; (B) the issuance of the Settlement Trust Order (as may be modified in a manner satisfactory to the parties to the Ernst & Young Settlement and the Company (if occurring on or prior to the Plan Implementation Date), the Monitor and the ICNs, as applicable, to the extent, if any, that such modifications affect the Company, the Monitor or the ICNs, each acting reasonably); (C) the granting of an Order under Chapter 15 of the United States Bankruptcy Code recognizing and enforcing the Sanction Order and the Settlement Trust Order in the United States; (D) any other order necessary to give effect to the Ernst & Young

² Section 4.4(b) of the Plan, among other things, establishes the Indemnified Noteholder Class Action Limit.

³ "Ernst & Young Claims" has the definition given to it in the Plan and does not include any proceedings or remedies that may be taken against Ernst & Young by the Ontario Securities Commission or by staff of the Ontario Securities Commission and the jurisdiction of the Ontario Securities Commission is expressly preserved.

Settlement (the orders referenced in (C) and (D) being collectively the “**Ernst & Young Orders**”); (E) the fulfillment of all conditions precedent in the Ernst & Young Settlement and the fulfillment by the Ontario Class Action Plaintiffs of all of their obligations thereunder; and (F) the Sanction Order, the Settlement Trust Order and all Ernst & Young Orders being final orders and not subject to further appeal or challenge, Ernst & Young shall pay the settlement amount as provided in the Ernst & Young Settlement to the trust established pursuant to the Settlement Trust Order (the “**Settlement Trust**”);

- (ii) Upon receipt of a certificate from Ernst & Young confirming it has paid the settlement amount to the Settlement Trust in accordance with the Ernst & Young Settlement and the trustee of the Settlement Trust confirming receipt of such settlement amount, the Monitor shall deliver to Ernst & Young the Monitor’s Ernst & Young Settlement Certificate. The Monitor shall thereafter file the Monitor’s Ernst & Young Settlement Certificate with the Court;
- (iii) Notwithstanding anything to the contrary in the Plan, upon receipt by the Settlement Trust of the settlement amount in accordance with the Ernst & Young Settlement: (A) all Ernst & Young Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled, barred and deemed satisfied and extinguished as against Ernst & Young; (B) section 7.3 of the Plan shall apply to Ernst & Young and the Ernst & Young Claims *mutatis mutandis* on the Ernst & Young Settlement Date; and (C) none of the plaintiffs in the Class Actions shall be permitted to claim from any of the other Third Party Defendants that portion of any damages that corresponds to the liability of Ernst & Young, proven at trial or otherwise, that is the subject of the Ernst & Young Settlement; and
- (iv) In the event that the Ernst & Young Settlement is not completed in accordance with its terms, the Ernst & Young Release will not become

effective (and any claims against Ernst & Young will be assigned to the Litigation Trust).

8. Changes relating to Named Third Party Defendants:

- (a) The Plan now provides a mechanism that would provide the framework for any Eligible Third Party Defendants⁴ to become a "Named Third Party Defendant" with the consent of such Third Party Defendant, the Monitor, the ICNs, counsel to the Ontario Plaintiffs and, if occurring prior to the Plan Implementation Date, the Company. As set out above, the Underwriters have become Named Third Party Defendants pursuant to the Plan.
- (b) The deadline for an Eligible Third Party Defendant to become a Named Third Party Defendant is 10am on December 6, 2012 or such later date as may be consented to by the Monitor, the Company (if on or prior to the Plan Implementation Date) and the ICNs. As set out above, the Underwriters have become Named Third Party Defendants.
- (c) Any Named Third Party Defendants will not be entitled to any distributions under the Plan.
- (d) If an Eligible Third Party Defendant becomes a Named Third Party Defendant, then any indemnification rights and entitlements of such party and any indemnity agreements between such party and by the Company shall be deemed valid and enforceable in accordance with their terms for the purpose of determining whether the Claims of that Named Third Party Defendant for indemnification in respect of the Noteholder Class Action Claims are valid and enforceable within the meaning of section 4.4(b) the Plan.

⁴ The Eligible Third Party Defendants are the Underwriters, BDO and, if the Ernst & Young Settlement is not completed, Ernst & Young.

- (e) The Plan now provides the framework pursuant to which a Named Third Party Defendant Settlement would be approved and such Named Third Party Defendant would obtain a release under the Plan as follows:
- (i) Notwithstanding anything to the contrary in the Plan, subject to: (A) the granting of the Sanction Order; (B) the granting of the applicable Named Third Party Defendant Settlement Order; and (C) the satisfaction or waiver of all conditions precedent contained in the applicable Named Third Party Defendant Settlement, the applicable Named Third Party Defendant Settlement shall be given effect in accordance with its terms;
 - (ii) Upon receipt of a certificate (in form and in substance satisfactory to the Monitor) from each of the parties to the applicable Named Third Party Defendant Settlement confirming that all conditions precedent thereto have been satisfied or waived, and that any settlement funds have been paid and received, the Monitor shall deliver to the applicable Named Third Party Defendant a Monitor's Named Third Party Defendant Settlement Certificate stating that (A) each of the parties to such Named Third Party Defendant Settlement has confirmed that all conditions precedent thereto have been satisfied or waived; (B) any settlement funds have been paid and received; and (C) immediately upon the delivery of the Monitor's Named Third Party Settlement Certificate, the applicable Named Third Party Defendant Release will be in full force and effect in accordance with the Plan. The Monitor shall thereafter file the Monitor's Named Third Party Settlement Certificate with the Court; and
 - (iii) Notwithstanding anything to the contrary in the Plan, upon delivery of the Monitor's Named Third Party Settlement Certificate, any claims and Causes of Action shall be dealt with in accordance with the terms of the applicable Named Third Party Defendant Settlement, the Named Third Party Defendant Settlement Order and the Named Third Party Defendant Release. To the extent provided for by the terms of the applicable Named

Third Party Defendant Release: (A) the applicable Causes of Action against the applicable Named Third Party Defendant shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled, barred and deemed satisfied and extinguished as against the applicable Named Third Party Defendant; and (B) section 7.3 of the Plan shall apply to the applicable Named Third Party Defendant and the applicable Causes of Action against the applicable Named Third Party Defendant *mutatis mutandis* on the effective date of the Named Third Party Defendant Settlement.

Other Changes that Relate to the Third Party Defendants

9. Indemnified Noteholder Class Action Limit:

- (a) It has been clarified that in the event that a Third Party Defendant is found to be liable for or agrees to a settlement in respect of Noteholder Class Action Claims (other than for fraud or criminal conduct), and such amounts are paid by the Third Party Defendant, then the amount of the Indemnified Noteholder Class Action Limit applicable to the remaining Third Party Defendants shall be reduced by the amount of such judgement or settlement.⁵

10. Document Preservation.

- (a) Prior to Plan Implementation, the Company shall:⁶
 - (i) preserve or cause to be preserved copies of any documents (as such term is defined in the *Rules of Civil Procedure* (Ontario)) that are relevant to the issues raised in the Class Actions; and
 - (ii) make arrangements acceptable to SFC, the Monitor, the ICNs, counsel to Ontario Class Action Plaintiffs, counsel to Ernst & Young, counsel to the Underwriters and counsel to any other Eligible Third Party Defendant if

⁵ Section 4.4(b)(iii)

⁶ Section 8.2(x)

they become a Named Third Party Defendants to provide the parties to the Class Actions with access thereto, subject to customary commercial confidentiality, privilege or other applicable restrictions, including lawyer-client privilege, work product privilege and other privileges or immunities, and to restrictions on disclosure arising from s. 16 of the *Securities Act* (Ontario) and comparable restrictions on disclosure in other relevant jurisdictions, for purposes of prosecuting and/or defending the Class Actions, as the case may be, provided that nothing in the foregoing reduces or otherwise limits the parties' rights to production and discovery in accordance with the *Rules of Civil Procedure* (Ontario) and the *Class Proceedings Act, 1992* (Ontario).

ADDITIONAL INFORMATION RELATING TO THE RESERVES

The Cash Reserves

11. Information relating to the purpose of the Administration Charge, the Unaffected Claims Reserve and the Monitor's Post-Implementation Reserve was contained in the Thirteenth Report. The Plan now provides for the amounts of these Reserves as follows:

- (a) *Administration Charge Reserve (\$500,000)*. The Plan now provides for the payment of the final invoices of the beneficiaries of the Administration Charge Reserve as a condition to the implementation of the Plan. The amount of \$500,000 has been allocated to the Administration Charge Reserve as a safeguard in the event that there are miscellaneous amounts which are inadvertently missed upon the final payments prior to Plan implementation.
- (b) *Monitor's Post-Implementation Reserve (\$5,000,000)*. The Monitor's Post-Implementation Reserve is intended to capture costs in administering the SFC estate and the Claims Process post-implementation.
- (c) *The Unaffected Claims Reserve (\$1,500,000)*. Pursuant to the Plan, the following categories of Claims are Unaffected Claims under the Plan: (i) Claims secured by the Administration Charge; (ii) Government Priority Claims; (iii) Employee

Priority Claim; (iv) Lien Claims; (iv) any other Claims of any employee, former employee, Director or Officer of SFC in respect of wages, vacation pay, bonuses, termination pay, severance pay or other remuneration payable to such Person by SFC, other than any termination pay or severance pay payable by SFC to a Person who ceased to be an employee, Director or Officer of SFC prior to the date of this Plan; (v) Trustee Claims; and (vi) any trade payables that were incurred by SFC (A) after the Filing Date but before the Plan Implementation Date; and (B) in compliance with the Initial Order or other Order issued in the CCAA Proceeding. The Monitor and the Company have reviewed the categories of Unaffected Claims (other than those that are covered by the Administration Charge Reserve) taking into consideration the Company's incurred expenses post-filing, Lien Claims which may be asserted by parties with personal property security registrations, the fact that the Trustees are expected to be paid prior to Plan Implementation (see section 9.1(ee) of the Plan) and the maximum estimated employee related Claims for employees who did not cease to be an employee prior to the date of the Plan. Based on the foregoing, the Monitor and the Company estimate that any such Claims would not exceed \$1.5 million in the aggregate.

The Unresolved Claims Reserve

12. The Unresolved Claims Reserve now accounts for three categories of Unresolved Claims:
 - (a) Class Action Indemnity Claims by the Third Party Defendants in respect of Indemnified Noteholder Class Action Claims up to \$150 million (being the Indemnified Noteholder Class Action Limit). In light of the fact that the Plan provides for a release of any Third Party Defendants for any Indemnified Noteholder Class Action Claims beyond the Indemnified Noteholder Class Action Limit, the total potential maximum liability of the Company for any resulting Indemnified Noteholder Class Action Claims is thereby also limited to the Indemnified Noteholder Class Action Limit.

- (b) Defence Costs Claims of up to \$12 million (the “Defence Costs Claims Limit”). The basis for the calculation of the Defence Costs Claims Limit is discussed in the following paragraphs.
- (c) Other Affected Creditor Claims that are Unresolved Claims up to \$500,000 which represents the amount of Affected Creditor Claims as set out in the proofs of claims filed that are Unresolved Claims and not otherwise accounted for in the Unresolved Claims Reserve or otherwise provided for in the Plan.

Basis for Calculating Reserve for Defence Costs Claims

- 13. In accordance with the process established under the Claims Procedure Order, a number of claims have been filed by persons who seek indemnification for Defence Costs Claims⁷ (in this capacity, “Cost Claim Defendants”). In light of the recent changes to the Plan which release the right of EY or the Underwriters to any distribution under the Plan, the amount of the Unresolved Claims Reserve to address Defence Costs Claims has been reduced to \$12 million.
- 14. As set out above, the Defence Costs Claims Limit has been established as part of the Unresolved Claims Reserve for Defence Costs Claims. All remaining Defence Costs Claims will be treated as Unresolved Claims until such time as they are disposed of or may become Proven Claims for Plan purposes.
- 15. The Company has requested the Monitor’s views concerning the quantum of the reserve for remaining Defence Costs Claims.
- 16. In considering this issue, the Monitor has taken account of a number of factors, including but not limited to the following:
 - (a) the amounts claimed as having been actually incurred;

⁷ Pursuant to section 4.8 of the Plan, Claims for “Defence Costs” are all Claims against SFC for indemnification of defence costs incurred by any Person (other than a Named Director or Officer) in connection with defending against Shareholder Claims (as defined in the Equity Claims Order), Noteholder Class Action Claims or any other claims of any kind relating to SFC or the Subsidiaries.

- (b) the specific nature of the claims to which the Cost Claim Defendants are responding;
 - (c) the anticipated synergies arising where multiple Cost Claim Defendants in similar legal and factual circumstances are represented by the same counsel;
 - (d) the experience of counsel to the Monitor in relation to the costs of other class proceedings;
 - (e) costs previously claimed as having been incurred and costs awarded by courts in other class proceedings, both on certification motions and following trial;
 - (f) the overlap in subject area between the class proceedings and regulatory or other proceedings in which the Cost Claim Defendants are involved; and
 - (g) the difficulties inherent in estimating costs to be incurred in the future which are contingent upon the actions of other parties and the course of complex litigation that is currently at an early stage.
17. Having weighed these factors, it is the Monitor's view that the aggregate amount of \$12 million would constitute a reasonable reserve for costs claimed in connection with the class proceedings by the Cost Claim Defendants (excluding EY, the Underwriters and the Named Directors and Officers who have waived any right to distributions under the Plan).
18. In forming its views concerning the amount to be reserved in connection with the Defence Costs Claims, the Monitor has made the following basic assumptions:
- (a) certification will be contested by all defendants, but ultimately granted;
 - (b) the Ontario class proceeding will be the only class proceeding to go to trial; and
 - (c) except for defendants represented by the same counsel, there will be no general cost sharing arrangements between defendants.

19. The establishment of the Unresolved Claims Reserve is not an admission by the Company, the Monitor or any other party (including the ICNs) as to the validity of any such Claims and all rights to dispute such Claims are reserved.

THE MEETING

Meeting Date

20. On November 28, 2012, the Company issued a press release (Appendix D) announcing it had further amended its plan dated October 19, 2012 (the “October 19 Plan”) and that, to provide creditors with time to review this amended plan (the “November 28 Plan”), the Meeting would be postponed to 10am on Friday November 30, 2012. The Company also announced the change in location of the meeting to the offices of Gowling Lafleur Henderson LLP (“Gowlings”) at 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario. The Monitor provided notice of these changes to the service list and posted the revised plan and the new time for the Meeting on its website (Appendix E).
21. On November 30, 2012, the Company issued a further press release (Appendix D) announcing that the Meeting would be postponed to 10am on Monday, December 3, 2012. The Monitor provided notice of the postponement of the Meeting to the service list and posted notice of the new time for the Meeting on its website (Appendix E).
22. On December 3, 2012, the Company issued a further press release (Appendix D) that it had further amended the November 28 Plan with the Plan. The Monitor provided a copy of the Plan to the CCAA service list (Appendix E) and the press release stated that the Plan would be posted on the Monitor’s website but that in the meantime, parties could contact the Monitor for a copy of the Plan.

Summary of Meeting

23. The Meeting was held at Gowlings office on December 3, 2012, starting shortly after 10am.

- 24. In accordance with the Meeting Order, Greg Watson, an officer of FTI Consulting Canada Inc., acted as chair (the “Chair”) of the Meeting. Stephen McKersie of Gowlings acted as secretary of the Meeting and Jodi Porepa of FTI Consulting Canada Inc. acted as scrutineer (the “Scrutineer”).
- 25. Quorum for the purposes of the Meeting was one Affected Creditor with a Voting Claim present at the Meeting (in person or by proxy). The Scrutineer confirmed that there was at least one (1) Affected Creditor with a Voting Claim present at the Meeting (in person or by proxy). Accordingly, the Chair declared that the Meeting was properly constituted.
- 26. The Chair then provided an overview of the process for providing notice of the Plan and dispensed with the reading of the Notice to Affected Creditors (as set out in the Meeting Order) asked whether there was any person present with a Voting Claim or Unresolved Claim who had not submitted a proxy and who wished to vote at the Meeting. No such person responded.
- 27. The Chair then provided a brief overview of the CCAA proceedings and summarized the amendments to the Plan since the October 19 Plan. Upon conclusion of the summary of the Plan, the Chair asked whether anyone who was entitled to speak had any questions regarding the Plan. Ken Dekker of Affleck Greene McMurtry LLP, counsel for BDO, asked a question regarding the timeframe for further detail surrounding the mechanics regarding the implementation of the Plan and the continuation of the Class Actions including matters relating to documentary discovery and the impact of the release. Derrick Tay of Gowlings, counsel for the Monitor, replied that while discussions may take place prior to the Sanction Hearing, it was unlikely that all such issues would be resolved prior to the Sanction Hearing.
- 28. Upon conclusion of the discussion of the Plan, the Chair reviewed the process for voting on the Plan as set out in the Voting Procedures (Appendix F). The Chair then confirmed that: (a) the result of the proxy count would be announced after proposal and consideration of the motion and that results of both Voting Claims and Unresolved Claims would be announced; and (b) the CCAA requires a majority in number and 2/3 in

value of the voting class (present at the Meeting in person or by proxy) for approval of the Plan.

29. The Chair then read out the proposed resolution (Appendix G), as follows:

- (a) *"The plan of compromise and reorganization (the "CCAA Plan") under the Companies' Creditors Arrangement Act (Canada) and the Canada Business Corporations Act concerning, affecting and involving Sino-Forest Corporation ("SFC"), substantially in the form dated December 3, 2012 (as such CCAA Plan may be amended, varied or supplemented by SFC from time to time in accordance with its terms) and the transactions contemplated therein be and it is hereby accepted, approved, agreed to and authorized;*
- (b) *Notwithstanding the passing of this resolution by each Affected Creditor Class (as defined in the CCAA Plan) or the passing of similar resolutions or approval of the Ontario Superior Court of Justice (the "Court"), the board of directors of SFC, without further notice to, or approval of, the Affected Creditors (as defined in CCAA Plan), subject to the terms of the CCAA Plan, may decide not to proceed with the CCAA Plan or may revoke this resolution at any time prior to the CCAA Plan becoming effective, provided that any such decision after the issuance of a sanction order shall require the approval of the Monitor and the Court; and*
- (c) *Any director or officer of SFC be and is hereby authorized, for and on behalf of SFC, to execute and deliver, or cause to be executed and delivered, any and all documents and instruments and to take or cause to be taken such other actions as he or she may deem necessary or desirable to implement this resolution and the matters authorized hereby, including the transactions required by the CCAA Plan, such determination to be conclusively evidenced by the execution and delivery of such documents or other instruments or taking of any such actions."*

30. Robert Chadwick of Goodmans LLP, holder of a number of proxies on behalf of Noteholders, then proposed the motion.

31. The Monitor then advised that it had tabulated the proxies indicating votes received for both Voting Claims and Unresolved Claims in connection with the Plan (as amended up to December 3, 2012). The following tables show:

- (a) the number of Voting Claims and their value for and against the Plan (table 1):

	Number of Votes	%	Value of Votes	%
Total Claims Voting For	250	98.81%	\$ 1,465,766,204	99.97%
Total Claims Voting Against	3	1.19%	\$ 414,087	0.03%
Total Claims Voting	253	100.00%	\$ 1,466,180,291	100.00%

- (b) the number of votes for and against the Plan in connection with Class Action Indemnity Claims in respect of Indemnified Noteholder Class Action Claims up to the Indemnified Noteholder Limit (table 2):

	Vote For	Vote Against	Total Votes
Class Action Indemnity Claims	4	1	5

- (c) the number of Defence Costs Claims votes for and against the Plan and their value (table 3):

	Number of Votes	%	Value of Votes	%
Total Claims Voting For	12	92.31%	\$ 8,375,016	96.10%
Total Claims Voting Against	1	7.69%	\$ 340,000	3.90%
Total Claims Voting	13	100.00%	\$ 8,715,016	100.00%

- (d) the overall impact on the approval of the Plan if the count were to include Total Unresolved Claims (including Defence Costs Claims) and if the entire \$150 million of the Indemnified Noteholder Class Action Limit had been voted a “no” vote (table 4):

	Number of Votes	%	Value of Votes	%
Total Claims Voting For	263	98.50%	\$ 1,474,149,082	90.72%
Total Claims Voting Against	4	1.50%	\$ 150,754,087	9.28%
Total Claims Voting	267	100.00%	\$ 1,624,903,169	100.00%

32. A copy of the Minutes of the Meeting including a copy of the scrutineer’s report is attached as Appendix H.
33. The motion was carried and Meeting was terminated at approximately 10:34am.

ADDITIONAL UPDATES

OSC Proceedings regarding EY

34. On December 3, 2012, the OSC issued a statement of allegations and notice of hearing against EY (Appendix I). The hearing was set for January 7, 2013.

Appeal of the Equity Decision

35. On November 28, 2012, the Underwriters provided notice of their intention to seek leave of the Supreme Court of Canada to appeal the Ontario Court of Appeal's decision dismissing the appeal of the Equity Claims Decision. The Underwriters have now advised of their decision to not further pursue leave of the Supreme Court of Canada.

REMAINING OBJECTIONS TO THE PLAN

36. The Company and the ICNs have made significant progress in resolving issues relating to the Plan such that, neither the Ontario Plaintiffs nor the Quebec Plaintiffs are opposed to the Plan; and both Ernst & Young and the Underwriters are supportive of the Plan. As of the date of this Report, the Monitor is aware of objections to the Plan from only from BDO and one former director and one former officer. The Company and the ICNs intend to continue to work to see if the objections of BDO can be resolved prior to the Sanction Hearing.
37. As of the date of this Supplemental Report, the former director and former officer referred to above have written letters indicating their intention to object to the Plan. For the reference of the Court, attached are the following documents:
- (a) Letter from Wardle Daley Bernstein re Claim of David Horsley dated November 29, 2012 and responding letter of Bennett Jones LLP dated November 30, 2012 (Appendix J);
 - (b) Proof of Claim (excluding Tab 1 and 2) of David Horsley for vacation pay, termination and severance pay dated November 1, 2012 (Appendix K); and
 - (c) Letter from Davis LLP re Kai Kit Poon dated November 28, 2012 and responding letter of Gowling Lafleur Henderson LLP dated November 29, 2012 (Appendix L).
38. Additionally, the Monitor is aware that an individual, Mr. Lam, who the Monitor understands was a purchaser of shares after the release of the MW Report (and therefore not part of the Class Actions) has requested changes to the Plan to, among other things, expressly preserve his claims against the Third Party Defendants. The Monitor has

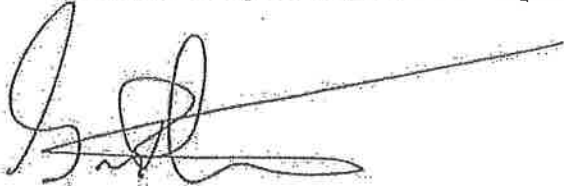
written to Mr. Lam and indicated that it was not prepared to recommend any of the changes requested.

RECOMMENDATION AND CONCLUSIONS

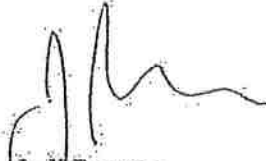
39. The Thirteenth Report contained the Monitor's analysis as to the reasonableness of the Plan. The Monitor remains of the view that liquidation or bankruptcy would not be more beneficial to the Company's Affected Creditors.
40. As set out above, a number of outstanding objections to the Plan have now been settled and an overwhelming majority in number and in value of Affected Creditors with Voting Claims present in person or by proxy at the Meeting voted in favour of the Plan.
41. Accordingly, for the reasons set out in the Thirteenth Report and this Supplemental Report, the Monitor believes that the Plan is fair and reasonable and respectfully recommends that this Honourable Court grant the Company's request for sanction of the Plan.

Dated this 4th day of December, 2012.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Sino-Forest Corporation, and not in its personal capacity



Greg Watson
Senior Managing Director



Jodi Porepa
Managing Director

TAB J

*This is EXHIBIT "J" Referred to in the
Affidavit of
MIKE P. DEAN*

Sworn the 11th day of January, 2013



A Commissioner For Taking Affidavits (or as may be)

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

Sino-Forest Corporation

**SECOND SUPPLEMENTAL REPORT TO THE
THIRTEENTH REPORT OF THE MONITOR**

December 6, 2012

2. Capitalized terms used herein and not otherwise defined have the meaning given to them in the Plan and, if not defined in the Plan, the Thirteenth Report or the Supplemental Report. Paragraphs 5 and 6 of the Thirteenth Report are incorporated herein by reference.

THE PLAN

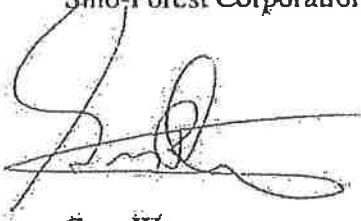
3. On December 5, 2012, BDO, who was an Eligible Third Party Defendant under the Plan, became a Named Third Party Defendant in accordance with section 11.2 of the Plan. On the same date, counsel to BDO sent an email to the CCAA service list advising that BDO is supportive of the Plan. A copy of the email is attached as Appendix A.
4. Additionally, small amendments to the Plan have been made to:
 - (a) state that (in addition to Ernst & Young, BDO and the Underwriters), Directors and Officers are “Eligible Third Party Defendants”;
 - (b) change the reference to the “Court” to be “court” in the definitions of Named Third Party Defendant Settlement Order and Settlement Trust Order;
 - (c) amend Schedule A to include BDO and Ernst & Young (on a contingent basis) as each as a Named Third Party Defendant; and
 - (d) “clean up” a few non-material sections.
5. Attached as Appendices B through D are copies of the revised Plan, a blackline to the draft that was attached to the Supplemental Report and a blackline to the October 19 Plan.

DEFENCE COSTS CLAIMS LIMIT

6. The Supplemental Report set out the Monitor’s analysis with respect to the calculation of the Defence Costs Claims Limit, which is a component of the Claims factoring into the calculation of the Unresolved Claims Reserve. As a result of BDO becoming a Named Third Party Defendant, BDO will no longer be entitled to any distributions under the Plan

Dated this 6th day of December, 2012.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Sino-Forest Corporation, and not in its personal capacity



Greg Watson
Senior Managing Director

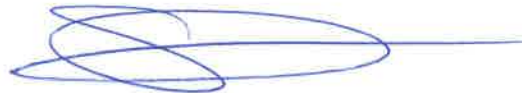


Jodi Porepa
Managing Director

TAB K

*This is EXHIBIT "K" Referred to in the
Affidavit of
MIKE P. DEAN*

Sworn the 11th day of January, 2013

A handwritten signature in blue ink, consisting of several overlapping loops and a horizontal line extending to the right.

A Commissioner For Taking Affidavits (or as may be)

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**

NOTICE OF APPEARANCE

The Respondents, Invesco Canada Ltd., Northwest & Ethical Investments L.P., and Comité Syndical National de Retraite Bâtirente Inc. intend to respond to this application.

December 6, 2012

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Bâtirente Inc.

TO: THE 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**

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

NOTICE OF APPEARANCE

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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

SINO-FOREST CORPORATION

Plaintiffs

ERNST & YOUNG LLP, et al

Defendants

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

IN THE MATTER OF
PROCEEDING COMMENCED AT TORONTO

**AFFIDAVIT OF MIKE P. DEAN SWORN THIS 11TH
DAY OF JANUARY, 2013**

**LENCZNER SLAGHT ROYCE
SMITH GRIFFIN LLP**

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Lawyers for the Defendant Ernst & Young LLP

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

SINO-FOREST CORPORATION

Plaintiffs

ERNST & YOUNG LLP, et al

Defendants

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

PROCEEDING COMMENCED AT TORONTO

MOTION RECORD

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