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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE

B E T W E E N:

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

Plaintiffs

- and -

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

MOTION RECORD OF THE PLAINTIFFS IN THE U.S. CLASS ACTION

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Defendants

Proceeding under the *Class Proceedings Act, 1992*

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

TAKE NOTICE that the Plaintiffs in the U.S. Class Action (as defined below) will make a motion to the Honourable Justice Morawetz on December 13, 2013, at 10:00 a.m., at 330 University Avenue, 8th Floor, Toronto, Ontario, or at such other time and place as the Court may direct.

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

THE MOTION IS FOR:

1. an Order approving the fees and disbursements of Cohen Milstein Sellers & Toll PLLC ("Cohen Milstein" or "U.S. Class Counsel"); and

2. such further and other relief as counsel may request and this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. On July 20, 2011, this action was commenced against Sino-Forest, Ernst & Young LLP ("E&Y") and other defendants in Ontario under the *Class Proceedings Act, 1992* (the "Ontario Class Action") on behalf of purchasers of Sino-Forest securities in Canadian markets, but generally not on behalf of investors in U.S. markets;

2. On January 12, 2012, plaintiffs filed a complaint in the Supreme Court of the State of New York on behalf of Sino-Forest investors that was subsequently removed to the United States District Court for the Southern District of New York where it remains pending (the "U.S. Class Action"). Along with other defendants, E&Y is named as a defendant in the U.S. Class Action;

3. The U.S. Class Action asserts claims on behalf of "all persons or entities who purchased (i) Sino-Forest's common stock during the Class Period [March 19, 2007 through August 25, 2011] on the over the counter market who were damaged thereby; and (ii) all persons or entities who, during the Class Period, purchased Debt Securities issued by Sino-Forest other than in Canada and who were damaged thereby";

4. On March 30, 2012, Sino-Forest applied for and was granted protection from its creditors pursuant to the Companies' *Creditors Arrangement Act* ("*CCAA*"). Counsel for Plaintiffs in the U.S. Class Action filed proofs of claim in the *CCAA* proceeding relating to the U.S. Class Action;

5. On November 29, 2012, the Plaintiffs and Ernst & Young LLP ("E&Y"), among others, entered into a settlement (the "Settlement"). The Settlement provides for a payment of $117 million in full settlement of all claims that relate to Sino-Forest as against E&Y, Ernst & Young Global Limited, and their affiliates. Lead Plaintiffs in the U.S. Class Action subsequently agreed to and supported the E&Y Settlement;

6. On December 10, 2012, the Plan of Reorganization was approved by this Court which included a mechanism for approving the E&Y Settlement;

7. The Settlement was approved by this Court on March 20, 2013. The settlement approval order provides that the fees and disbursements of class counsel are to be paid from the settlement trust, subject to court approval;

8. U.S. Class Counsel has expended significant efforts to advance the U.S. Class Action while simultaneously acting to protect class members' interests in connection with ongoing proceedings in Canada, including implementation of the E&Y Settlement;

9. U.S. Class Counsel have acted in these proceedings on a contingency fee basis and collectively seek approval of $2,340,000 (exclusive of tax) for fees plus disbursements;

10. The requested fees and disbursements are fair and reasonable having regard to the significant risk that U.S. Class Counsel undertook in prosecuting claims against Ernst & Young because of the multiple legal impediments to establishing liability and recovering damages against an auditor under Canadian and U.S. law;

11. U.S. Class Counsel took on the high risk of no success and minimal recovery, while at the same time having to devote a substantial amount of time, money and other resources to the prosecution of a difficult, complex and expensive case;

12. The fees requested by U.S. Class Counsel fall within the range of reasonableness for awards of attorneys' fees in class action securities cases as reflected in decisions both in the U.S. and in Canada;

13. The fees and disbursements requested by U.S. Class Counsel are consistent with the contingency fee retainer agreement entered into with the U.S. lead plaintiffs;

14. The settlement obtained, $117 million, is the largest auditor settlement in Canadian history, and also represented a significant success for U.S. investors;

15. The lead plaintiffs in the U.S. Class Action have approved the fees requested by U.S. Class Counsel, subject to court approval;

16. *Companies Creditors' Arrangement Act*, R.S.C. 1985, c. C-36;

17. *Class Proceedings Act, 1992*, S.0.1992, c. 6;

18. *Courts of Justice Act*, R.S.0.1990, c. C.43; and

19. such further and other grounds as this Honourable Court may permit.

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

(a) Affidavit of Steven J. Toll;

(b) Affidavit of Imad M. Fathallah;

(c) Affidavit of David W. Leapard;

(d) Affidavit of Myong Hyon Yoo; and

(e) such further and other materials as counsel may advise and this Honourable Court may permit.

December 3, 2013

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Tel: 416.367.6919
Fax: 416.863.0871

Lawyers for the Plaintiffs in the U.S. Class Action

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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 COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

NOTICE OF MOTION

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Lawyers for the Plaintiffs in the U.S. Class Action

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Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF STEVEN J. TOLL

I, STEVEN J. TOLL , of the City of Washington, in the District of Columbia, in the United States, MAKE OATH AND SAY:

1. I am a Partner at Cohen Milstein Sellers & Toll PLLC ("Cohen Milstein" or "U.S. Class Counsel"), counsel for the plaintiffs in the class action *Leopard v. Chan, et al.* Case No. 1:12-cv-01726 (AT) currently pending in the United States District Court for the Southern District of New York (the "U.S. Class Action"). In connection with these proceedings, U.S. Class Counsel has previously joined with counsel in this action in supporting the settlement (the "E&Y Settlement") with Ernst & Young LLP ("E&Y") and has been assisting in jointly prosecuting the class actions and implementing the E&Y Settlement in the U.S. Accordingly, I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information and I believe such information to be true.

2. I swear this affidavit in support of the motion for approval of the Claims and Distribution Protocol relating to the E&Y Settlement and in support of Cohen Milstein's request for attorneys' fees and reimbursement of expenses, and for no other or improper purpose.

3. In its role as Class Counsel to the Lead Plaintiffs in the U.S. Class Action, Cohen Milstein undertook this case on a contingent fee basis. For its pursuit of the litigation in the U.S. Class Action and also for its assistance to Canadian Class Counsel in the Ontario Class Action as well as the proceedings in this action, Cohen Milstein seeks approval of (CAD) $2,340,000 in respect of legal fees. This sum comprises approximately 20% of the notional

E&Y Settlement for U.S. plaintiffs and is consistent with both Canadian and U.S. case law, which has commonly found that fees approximating 20% of the recovery obtained in similar cases is reasonable. Moreover, this fee is consistent with an appropriate cross-check multiplier (here, approximately 1.7) under both Canadian and U.S. case law, as more fully explained below. Each of the Lead Plaintiffs in the U.S. Class Action has agreed to the requested fee under their respective retainer agreements.

BACKGROUND

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

5. On July 20, 2011, this action was commenced against Sino-Forest, Ernst & Young LLP ("E&Y") and other defendants in Ontario under the *Class Proceedings Act, 1992* (the "Ontario Class Action") on behalf of purchasers of Sino-Forest securities in Canadian markets, but generally not on behalf of investors in U.S. markets. On January 12, 2012, plaintiffs in the U.S. Class Action filed a complaint in the Supreme Court of the State of New York on behalf of Sino-Forest investors that was subsequently removed to the United States District Court for the Southern District of New York where it remains pending. Along with other defendants, E&Y is named as a defendant in the U.S. Class Action. The U.S. Class Action asserts claims on behalf of "all persons or entities who purchased (i) Sino-Forest's common stock during the Class Period [March 19, 2007 through August 25, 2011] on the over the counter market who were damaged thereby; and (ii) all persons or entities who, during the Class Period, purchased Debt Securities issued by Sino-Forest other than in Canada and who

were damaged thereby." The Amended Complaint in the U.S. Class Action is attached as **Exhibit "A"**.

6. On March 30, 2012, Sino-Forest applied for and was granted protection from its creditors pursuant to the Companies' *Creditors Arrangement Act* ("*CCAA*"). Counsel for plaintiffs in the U.S. Class Action filed proofs of claim in the *CCAA* proceeding relating to the U.S. Class Action.

7. In November 2012, counsel for the plaintiffs in this action participated in mediation with E&Y and negotiated the E&Y Settlement and the framework for implementing the settlement through the *CCAA* proceeding. As reflected in the Minutes of Settlement dated November 28, 2012, the E&Y Settlement provided for payment of (CAD) $117 million in full settlement of all claims (including the claims of U.S. and other foreign investors) that relate to Sino-Forest as against Ernst & Young LLP, Ernst & Young Global Limited and their affiliates, subject to certain conditions including approval of Sino-Forest's Plan of Compromise and Reorganization (the "Plan of Reorganization"). Lead plaintiffs in the U.S. Class Action subsequently agreed to and supported the E&Y Settlement. On December 10, 2012, the Plan of Reorganization was approved by this Court which included a mechanism for approving the E&Y Settlement.

8. On March 20, 2013, this Court approved the E&Y Settlement. The settlement approval order provides that the net settlement proceeds (net of class counsel fees and other specified expenses[1]) shall be distributed among persons who purchased Sino-Forest securities

[1] The net settlement proceeds are equivalent to the amount remaining from the (CAD) $117 million settlement after payment of administration and notice costs, class counsel fees and expenses as approved by

("Securities Claimants"), excluding the defendants and their affiliates after all conditions are satisfied. Plaintiffs and class members in the U.S. Class Action are among the Securities Claimants. The Court's March 20, 2013 order approving the E&Y Settlement is attached as **Exhibit "B"**.

9. In connection with the terms of the E&Y Settlement, counsel for FTI Consulting Canada, Inc., as the Court-Appointed Monitor ("Canadian Monitor") and Foreign Representative of Canadian Proceeding of Sino-Forest Corporation, moved in the U.S. Bankruptcy Court for the Southern District of New York under Chapter 15, Title 11 of the U.S. Code to have Sino-Forest's insolvency proceedings under the *CCAA* recognized as a foreign main proceeding in the U.S. By order dated on April 15, 2013, the United States Bankruptcy Court granted the Canadian Monitor's motion. The U.S. Bankruptcy Court's April 15, 2013 order is attached as **Exhibit "C"**.

10. Subsequently, on September 23, 2013, and in furtherance of the E&Y Settlement, E&Y moved for an order in the U.S. Bankruptcy Court seeking recognition of the E&Y Settlement Order. The class action plaintiffs in both this action and the U.S. Class Action joined in E&Y's motion seeking recognition of the E&Y Settlement Order. On November 18, 2013, a hearing was held before the U.S. Bankruptcy Court on the motion following full and comprehensive notice. There were no objections to the relief sought and on November 25, 2013, the Court issued an order recognizing the E&Y Settlement Order. The U.S. Bankruptcy Court's November 25, 2013 order is attached as **Exhibit "D"**.

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the Court and payment to Claims Funding International (CFI) in accordance with the funding order of Perell J. dated March 17, 2012.

PROPOSED CLAIMS AND DISTRIBUTION PROTOCOL

11. The proposed Claims and Distribution Protocol creates a claims-based process for Securities Claimants to seek compensation from the E&Y Settlement fund. U.S. Class Counsel participated in the preparation and development of the Claims and Distribution Protocol, and U.S. Lead Plaintiffs support the Claims and Distribution Protocol proposed by counsel for the reasons set forth in their affidavits and in the Affidavit of Charles Wright, dated November 4, 2013, and supporting exhibits.

U.S. CLASS COUNSEL'S REQUEST FOR ATTORNEYS' FEES AND REIMBURSEMENT OF EXPENSES

U.S. Class Counsel's Role In the Sino-Forest Related Litigations

12. U.S. Class Counsel has expended significant efforts to advance the U.S. Class Action while simultaneously acting to protect class members' interests in connection with ongoing proceedings in Canada, including implementation of the E&Y Settlement. As described in detail below, Lead Plaintiffs in the U.S. Class Action have taken the following steps to advance the litigation and the E&Y Settlement:

(a) undertook a thorough investigation of the allegations against Sino-Forest that emanated from a variety of sources, including the Muddy Waters Report, *The Globe and Mail*, the Ontario Securities Commission, and the Independent Committee of the Board of Directors of Sino-Forest, which included a review of hundreds of reports, exhibits, public filings, and other documents related to the investigations;

(b) conducted an in-depth analysis of the unique cross-border legal issues related to the scope of the Québec, Ontario and U.S. Class Actions and the basis for claims asserted in the U.S. Class Action;

(c) consulted with clients and class members regarding possible class action; researched, drafted and filed the initial Verified Class Action Complaint on January 27, 2012 in the Supreme Court of the State of

New York, County of New York,[2] which was removed to federal court in the Southern District of New York on March 8. 2012;

(d) researched and drafted memoranda regarding to the consequences of the removal to federal court and possible remand, and related jurisdictional issues;

(e) researched opposition to defendants' proposed motion to dismiss and negotiated tolling agreement;

(f) researched and investigated additional legal claims and factual developments, and prepared an Amended Complaint in the U.S. Class Action alleging claims under the Securities Act of 1933 and Securities Exchange Act of 1934;

(g) prepared Private Securities Litigation Reform Act ("PSLRA") notice which was disseminated to class members as required under the U.S. Securities Act at 15 U.S.C. § 77z-1(a)(3) as well as the U.S. Exchange Act at 15 U.S.C. § 78u-4(a)(3);

(h) researched and briefed lead plaintiff motion and supporting pleadings in December 2012 for appointment as lead plaintiff and lead counsel in the U.S. Class Action;

(i) monitored developments in the Canadian Class Actions and the *CCAA* proceeding; retained and consulted with both U.S Bankruptcy counsel and insolvency counsel in Canada, Davies Ward Phillips Vineberg LLP, regarding the potential effects of those proceedings and the E&Y Settlement on the U.S. Class Action;

(j) prepared and filed proofs of claim in the *CCAA* proceeding on behalf of U.S. investors, and appeared at certain hearings in Sino-Forest's *CCAA* proceeding through the participation of the Davies Firm;

(k) consulted extensively with Canadian Class Counsel regarding the terms and conditions of the E&Y Settlement;

(a) reviewed and analyzed terms of E&Y Settlement and its impact on U.S. class members which included the review of documents, interviews and discussions with key participants;

(l) retained expert to prepare damage analysis for U.S. investors and to review damage analysis prepared by Canadian Class Counsel;

(m) retained U.S. bankruptcy counsel, Lowenstein Sandler LLP, to advise plaintiffs in the U.S. Class Action regarding consequences of *CCAA*

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[2] *Leapard v. Chan, et al,* Index No. 650258/2012.

proceedings in Canada as well as the proceedings in the U.S. Bankruptcy Court for the Southern District of New York for recognition of the *CCAA* proceeding under U.S. Chapter 15, Title 11 of the U.S. Code;

(n) negotiated agreement with class counsel in the Ontario Class Action regarding participation of U.S. investors in E&Y Settlement and coordination of prosecution of Canadian and U.S. class actions;

(o) participated in the drafting and review of notices sent to U.S. class members, and the development of the notice program related to E&Y's motion to recognize the settlement and the motion for approval of the Claims and Distribution Protocol and Request for Attorneys' Fees and Reimbursement of Expenses; and

(p) worked jointly with Canadian Class Counsel in the Ontario Action in reviewing and analyzing over 1.2 million Chinese and English documents produced by Sino-Forest in that action.

(a) Preliminary investigation and filing of the U.S. Class Action

13. Shortly after the publication of the fraud allegations against Sino-Forest in the Muddy Waters report Cohen Milstein spoke with various investors in Sino-Forest securities and commenced an investigation into the allegations published in the Muddy Waters report.

14. U.S. Class Counsel conducted an extensive investigation, which, in part, involved an analysis of the various securities involved and the implications of cross-border trading of Sino-Forest securities. This area of investigation was particularly significant due to the recent U.S. Supreme Court ruling in a securities class action lawsuit, *Morrison v. National Australia Bank Ltd.*, 561 U.S. 247 (2010) (*"Morrison"*) which limited U.S. investor claims to only securities traded in the United States. As part of this investigation as to the scope of the class, U.S. Plaintiffs also reviewed the claims and allegations in the Canadian Class Actions which

did not assert claims on behalf of investors who purchased in the U.S. markets, except for Canadian residents.[3]

15. In preparing the initial complaint, U.S. Class Counsel reviewed and analyzed, among other things, (i) all Sino-Forest's public filings issued during the relevant period; (ii) all news articles, analyst reports, and other public statements regarding Sino-Forest's business and finances; (iii) all available reports and exhibits prepared by Sino-Forest's independent committee of the Board of Directors; (iv) documents relating to the investigations of the Ontario Securities Commission; and (v) relevant Canadian accounting and auditing standards.

16. Plaintiffs in the U.S. Class Action also reviewed and analyzed the relevant trading in Sino-Forest Securities, potential damage and causation issues, and investigated the jurisdictional basis for commencing the action.

17. As a result of these investigations, and in light of the *Morrison* decision, Plaintiffs drafted and filed a complaint in New York Supreme Court, based on various common law theories of liability including, among others, common law fraud, negligence and negligent misrepresentation. The initial complaint was removed to federal court in the Southern District of New York.

18. After removal to federal court, plaintiffs in the U.S. Class Action researched and briefed issues related to Defendants proposed motions to dismiss the original claims pled under New York State law. The U.S. Plaintiffs conducted further review and analysis of

[3] The class in the Ontario action is defined to include persons who acquired Sino's securities by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, and persons who acquired Sino securities who are resident of Canada or were resident of Canada at the time of acquisition,

factual developments based on the ongoing investigations of Defendants and information disclosed in the *CCAA* proceedings.

19. Following additional extensive research and investigation, Plaintiffs prepared a comprehensive 101 page Amended Complaint which included expanded allegations against E&Y, as well as other defendants under the U.S. securities laws.

20. U.S. Plaintiffs prepared and issued the requisite PSLRA notice to class members advising them of the litigation. Following briefing on the motion to appoint lead plaintiff and lead counsel the Court entered an order on January 4, 2013 appointing lead plaintiff and appointing Cohen Milstein lead counsel in the U.S. Class Action. The U.S. district court's order appointing Lead Plaintiffs and Cohen Milstein as Lead Counsel is attached as **Exhibit "E"**.

(b) Sino-Forest's insolvency and CCAA proceeding

21. On March 30, 2012, Sino-Forest obtained an initial order under the *CCAA*, including a stay of proceedings with respect to Sino-Forest and certain of its subsidiaries. Immediately thereafter, U.S. Class Counsel commenced monitoring the *CCAA* proceedings, reviewed all motions and related papers, and reviewed the voluminous record in Sino-Forest's *CCAA* case as it developed, including all the Monitor's Reports and exhibits. On May 8, 2012, following negotiations between Canadian Class Counsel and other stakeholders in the *CCAA* proceeding, the stay of proceedings was extended to the other defendants in this action. The parties entered a tolling agreement reflecting the delay caused by the insolvency proceeding and there was an order permitting a settlement approval hearing and certification hearing

relating to a settlement with the defendant Pöyry (Beijing). Given these developments, Plaintiffs in the U.S. Class Action agreed to a stay of their case against Sino-Forest.

22. Shortly thereafter, in order to protect the interests of U.S. Class Members, U.S. Class Counsel filed proofs of claim in Sino-Forrest's *CCAA* proceeding on behalf of Lead Plaintiffs and class members in the U.S. Class Action.

23. On July 25, 2012, the Court entered an order requiring certain parties to mediate the claims in Sino-Forest's *CCAA* proceeding. That mediation was held on September 4 and 5, 2012. Prior to the mediation, U.S. Class Counsel contacted the Monitor and other parties in an effort to participate in the mediation. However, the Monitor did not permit the U.S. Class Plaintiffs to participate at that time.

24. Subsequently, Canadian Class Counsel entered into separate negotiations and eventually mediation with E&Y. On November 28, 2012, they executed the Minutes of Settlement setting forth the terms of the settlement with E&Y. Several days later U.S. Class Counsel was advised of the settlement and the terms agreed to with E&Y, which included a proposal to resolve all investor claims through the *CCAA* proceeding.

25. Over the next two months, U.S. Class Counsel engaged in extensive negotiations and discussions regarding the terms of the E&Y Settlement. First, U.S. Class Counsel retained U.S. bankruptcy counsel and Canadian counsel, Davies Ward Philips Vineberg LLP (the "Davies Firm"), to advise them of the procedural, substantive, and jurisdictional implications relating to the *CCAA* proceeding resulting from the E&Y Settlement. Among other things, plaintiffs in the U.S. Class Action:

(a) Consulted extensively with the Davies Firm regarding the rights of U.S. class members and course of action in *CCAA* proceeding in light of Sino Forest's Plan of Reorganization and the E&Y Settlement;

(b) Engaged in lengthy and ongoing negotiations and discussions with Canadian Class Counsel regarding the E&Y Settlement and the impact on the U.S. Class Action;

(c) Reviewed documents, conducted interviews and analyzed the adequacy of the E&Y Settlement with respect to the claims of plaintiffs in the U.S. Class Action;

(d) retained and consulted with damages expert to analyze the adequacy of the E&Y Settlement as it pertained to U.S. Class Members and overall damages in the various class actions; and

(e) negotiated agreement with Canadian Class Counsel regarding the participation of U.S. Class Members in the E&Y Settlement, resulting in the U.S. Plaintiffs supporting the E&Y Settlement and the motion to approve the E&Y Settlement in this proceeding.

(c) Recognition of the E&Y Settlement in U.S. Bankruptcy Court

26. On February 4, 2013, the Canadian Monitor filed a Motion and Memorandum of Law in Support of Chapter 15 Petition for Recognition of Foreign Proceeding and Related Relief to petition the U.S. Bankruptcy Court for recognition of the *CCAA* proceedings and E&Y Settlement.

27. Lead Plaintiffs consulted with U.S. bankruptcy counsel, Lowenstein Sandler, regarding the procedural and jurisdictional implications of the Chapter 15 proceedings in the U.S. Bankruptcy Court and the implementation of the E&Y Settlement. Among other things, plaintiffs in the U.S. Class Action:

(a) researched issues pertinent to the effect of any potential U.S. Bankruptcy Court orders on the U.S. Class Action, and engaged in litigation strategy analysis with consulting bankruptcy counsel regarding the claims of plaintiffs in the U.S. Class Action;

(b) coordinated efforts in Chapter 15 proceeding with Canadian Class Counsel and U.S. Bankruptcy Counsel to implement E&Y settlement;

(c) drafted and filed in the U.S. Bankruptcy Court a joinder to the motion of E&Y for recognition of the E&Y Settlement under Chapter 15 and participated in developing the notice program for U.S. investors; and

(d) participated in hearings in U.S. Bankruptcy Court relating to the Chapter 15 proceeding.

(d) Coordination with the Ontario Class Action

28. Beginning in early 2013, U.S. Class Counsel began assisting Canadian Class Counsel in the prosecution of the Ontario Class Action by participating in the ongoing document review in that action. In particular, as part of an ongoing review of over 1.2 million documents produced by Sino-Forest, U.S. Class Counsel provided attorneys to assist in the review and analysis of those documents for the Canadian Class Action. U.S. Class Counsel expects that future litigation efforts among the Class Actions will continue to be coordinated in an effort to reduce duplication and costs to class members.

Factors In Assessing Reasonableness Of Class Counsel Fees

29. The requested fees of U.S. Class Counsel together reflect a percentage of 20% of the notional E&Y Settlement amount as described below.[4] In our view, this amount is fair and reasonable and falls within the range of reasonableness for awards of attorneys' fees in class action securities cases as reflected in decisions both in Canada and the U.S.

30. The prosecution of these claims involved significant risks and the result achieved for claims against E&Y was excellent under the circumstances. The risks to U.S. investors claims were similar to the risks faced by the Canadian Class Actions. In particular,

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[4] *See* Affidavit of Charles Wright sworn to November 21, 2012.

(a) U.S. Class Counsel took on significant litigation risk for claims against E&Y because of the multiple potential impediments to establishing liability against an auditor under both Canadian and U.S. law;

(b) U.S. Class Counsel took on the risk of no success, while at the same time devoting significant time, money and other resources to the prosecution of this action. U.S. Class Counsel has already committed over (U.S.) $1.301 million in billable attorneys' time to this action, plus out-of-pocket disbursements exceeding (U.S.) $151,000; and

(c) the settlement obtained, (CAD) $117 million, is the largest auditor settlement in Canadian history – by a factor of two and provides a substantial recovery to U.S. investors who will participate in the distribution.

(a) Recovery risk was very high from the outset

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

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

33. In contrast, while E&Y may have the means to satisfy a substantial judgment, recovery was still a major challenge. The damages recoverable from E&Y after a trial might have been zero or less than the E&Y Settlement amount. This is because U.S. law provides auditors with many defenses to liability. The result is that investors in a securities class action often fail to establish any liability against the auditor or recover only a tiny fraction of actual damages.

34. Plaintiffs would first have had to establish that E&Y was liable in conducting its audits of Sino-Forest, which may have been particularly difficult because E&Y asserts that Sino-Forest deliberately misled its auditors.

35. Assuming plaintiffs established liability, they would then have to overcome the numerous defenses under U.S. law available for claims against auditors. Had the action proceeded against E&Y, U.S. Plaintiffs would have confronted significant challenges to both liability and damages. In particular, U.S. Plaintiffs faced liability hurdles at the initial pleading stage as well as in ultimately proving, scienter, loss causation, fraud on the market, and damages. Significantly, even if U.S. Plaintiffs prevail on liability and damages, any damage award would be subject to a potentially significant judgment reduction based on E&Y's relative proportionate fault. Given the evidence that E&Y would submit claiming that the Sino-Forest defendants misled it and E&Y was not the principal wrongdoer, the reduction allowed under U.S. law could be substantial.

36. Similar or greater challenges face U.S. Class Counsel in advancing the claims advanced against the remaining solvent defendants with the means to satisfy a large judgment thus reinforcing the high risk nature of this litigation.

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

37. U.S. Class Counsel took on the major risk that there would be little or no recovery from the defendants with the means to satisfy judgment, while at the same time having to commit an incredible amount of time, money and resources to the prosecution of this action. U.S. Class Counsel has already expended over (US) $1.301 million in attorneys time and approximately (US) $151,611 in out-of-pocket expenses.

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

39. First, this is a highly complex action and Sino-Forest is in organizational disarray. This case relates to a multi-billion alleged fraud over the course of more than 4 years and took place in 9 countries. Compounding this complexity is the fact that Sino-Forest has filed for insolvency and its records are in disarray and incomplete.

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

41. Second, even with proper discovery, proving the facts in this case will be unusually difficult. Most of the key witnesses are likely in China. Their voluntary cooperation is doubtful and the enforcement of letters rogatory by the courts of the People's Republic of China seems equally unlikely. Further, the documentary evidence in the Canadian Class Action already exceeds 1 million documents, and continues to grow. To date, Sino-Forest has produced 1.2 million documents to Class Counsel. Approximately 30% of the documents are in Chinese and require translators to assist in going through the documents. Canadian Counsel and U.S. Class Counsel expect that substantially more documents will be produced.

42. Third, the U.S. Class Action faces significant challenges in litigation. Under the U.S. securities laws, auditors are not liable for more than their proportionate share of damages. Thus, as noted above, if E&Y could show that other actors were more culpable for the fraud, E&Y would pay a relatively small amount of damages even where plaintiffs succeeded in otherwise proving their case.[5]

43. Fourth, to prove their claims, plaintiffs for the U.S. Class Action would be required to prove *scienter* (fraudulent intent) – a standard for which, as the United States Supreme Court has stated, they would face "[e]xacting pleading requirements...."[6] Controlling law for the District where the U.S. Class Action is pending, requires that allegations of *scienter* must satisfy the heightened pleading requirements of Rule 9(b) of the Federal Rules of Civil Procedure and the PSLRA, which requires pleading facts with sufficient particularly to prove a state of mind behind knowing or reckless conduct.[7] Where plaintiffs do not meet this standard in their complaint, the PSLRA mandates dismissal under 15 U.S.C. § 78u-4(b)(3)(A). These pleading standards create a distinctly high burden that plaintiffs much reach in order to survive a threshold motion to dismiss – and all *without* the benefit of *any* discovery. Under U.S. securities laws, all discovery and other proceedings are stayed during the pendency of any motion to dismiss, unless the court finds upon the motion of any party

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[5] As held by a U.S. District Court in the Southern District of New York, where the U.S. Class Action is pending, E&Y would have an opportunity, "under the proportionate fault doctrine, to shift responsibility for Exchange Act damages through evidence that others were more responsible for the class' damages." *In re WorldCom, Inc. Sec. Litig.*, 2004 WL 2591402, at *10 (S.D.N.Y. Nov. 12, 2004).

[6] *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 313 (2007).

[7] *Kalnit v. Eichler*, 264 F.3d 131, 138 (2d Cir. 2001).

that particularized discovery is necessary.[8] The E&Y Settlement avoids this significant obstacle whole providing class members with a significant recovery.

44. Finally, this case will require extensive and expensive expert evidence. In advancing this action, U.S. Class Counsel has already retained experts on insolvency issues and damages, as note above in paragraph 12. The prosecution of the case against E&Y and with respect to Sino-Forest's financial statements would further require retention of a costly Canadian forensic accounting and auditing expert as well as experts with knowledge of the forestry industry and related business practices in China.

45. U.S. Class Counsel undertook these challenges at the commencement of this action, knowing this action would be very expensive and resource intensive, all with the real possibility of little or no recovery after trial, and many defendants who might be out of reach or unable to satisfy a large judgment. This risk increased significantly with Sino-Forest's insolvency filing which eliminated a potential source of recovery. Moreover, U.S. Class Counsel has pursued the U.S. Class Action on a contingency fee basis, which requires upfront payment of all costs, including significant fees to our consulting expert for damages and two sets of consulting counsel. U.S. Class Counsel has also supported the Class Counsel in the Ontario Class Action by shouldering significant efforts in assisting in an extensive document review.

(c) Counsel achieved significant success against E&Y

46. Class Counsel negotiated a significant settlement with E&Y that is (i) possibly more than the potential outcome against E&Y at trial; (ii) is the largest securities settlement

[8] This is provided for under U.S. Code as amended by the PSLRA, 15 U.S.C. § 78u-4(b)(3)(B).

involving a Canadian issuer, the shares of which were not listed on a U.S. stock exchange; (iii) the largest settlement paid by a Canadian audit firm in a securities class action; and (iv) the fifth largest paid by any audit firm in a class action worldwide. This is significant success and a significant result for U.S. investors as well. U.S. class members have the opportunity to participate in a large recovery; at a very early stage of the litigation; and without risking potential dismissal at the pleading stage or later. Importantly, U.S. Lead Plaintiffs had the opportunity to fully assess the terms of the E&Y Settlement and substantially assist in the preparation of the Claims and Distribution Protocol that allocates the settlement proceeds among Securities Claimants, including U.S. investors.

The Quantum Of Fees Reflects The Complexity Of This Case

47. The quantum of requested fees by U.S. Class Counsel reflects the unique complexity and challenges of this case. The quantum of professional fees expended by Sino-Forest's IC and in the *CCAA* proceeding demonstrate the complexity and enormous undertaking required in attempting to understand Sino-Forest's business and the complex allegations against it.

48. The IC expended in excess $50 million in conducting their 8-month investigation of the allegations against Sino-Forest. They produced 3 reports, the last of which noted that the IC could not complete its mandate and was terminating its investigation.

49. Similarly, significant professional costs were incurred in Sino-Forest's restructuring. The Canadian Monitor reported cash outflow for professional fees throughout *CCAA* proceeding. From March 31, 2012 to November 2, 2012 (7 months), cash outflow in respect of professional fees totalled $34,175,000.

50. The requested fees of U.S. Class Counsel are far less than either of these amounts and are, in any event, intended to incorporate a premium because of the contingency-fee risk assumed by counsel. U.S. Class Counsel has already expended 2,620 in time docketed and (U.S.) $151,611.15 in disbursements. We will unquestionably commit substantially more resources in the prosecution of this action going forward, but have agreed to coordinate efforts where possible with Canadian Class Counsel in an effort to avoid duplication of effort and excess costs.

The Requested Fees are in Line With the Range of Fees Found Reasonable by U.S. Courts and Is Consistent with Canadian Decisions

51. In U.S. class action securities cases, "courts traditionally award plaintiffs' counsel fees in class actions based on either a reasonable percentage of the settlement fund" known as a percentage of the fund method, "or an assessment by the court of the market value of the work plaintiffs' attorneys performed."[9] Yet, "in complex securities fraud class actions, courts have long observed that the 'the trend in this Circuit has been toward the use of a percentage of recovery as the preferred method of calculating the award for class counsel in common fund cases.'"[10] Courts typically use the lodestar analysis simply to "cross-check" the reasonableness of the requested percentage.[11] This method entails totalling the hours worked by class counsel (the "lodestar") and then dividing the dollar value of the percentage of the fund award by the dollar amount of lodestar charges to obtain a multiplier.

52. In the Southern District of New York, where the U.S. Class Action is pending, have frequently found reasonable and approved fees that are equivalent to more than 20% of the

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[9] *In re Citigroup Inc. Sec. Litig.*, --- F. Supp. 2d ---, 2013 WL 3942951, at *15 (S.D.N.Y. Aug. 1, 2013).

[10] *Id.* (citation omitted).

[11] *Id.*

recovery obtained through settlement, and roughly a multiplier of 2 by the lodestar cross-check.[12] As just a few examples, in the following securities class actions courts have approved settlement fees such as:

(a) 22.5% of recovery or a 2.09 lodestar multiplier in *In re Merrill Lynch Tyco Research Sec. Litig.*, 249 F.R.D. 124 (2008);

(b) 25% of recovery, or a lodestar multiplier of 1.6, in *In re Telik, Inc. Sec. Litig.*, 576 F. Supp. 2d 570 (S.D.N.Y. 2008);

(c) 24% of the total recovery, or a lodestar multiplier of 1.985 in *In re Merril Lynch & CO., Inc. Research Reports Sec. Litig.*, 246 F.R.D. 156 (S.D.N.Y. 2007);

(d) a 19%-18% sliding scale fee of the total recovery, which was a 2.16 lodestar multiplier, in *In re Global Crossing Sec. and ERISA Litig.*, 225 F.R.D. 436 (S.D.N.Y. 2004); and

(e) 33% of the total recovery, or a multiplier of 4.65 in *Maley v. Del Global Tech. Corp.*, 186 F. Supp. 2d 358 (S.D.N.Y. 2002).

53. Here, the percentage requested by Cohen Milstein is 20% of the notional amount of the settlement allocated to U.S. investors and with a lodestar multiple of 1.7.[13]

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[12] The general 20% fee awarded by U.S. courts is consistent with Canadian case law. Justice Strathy (as he then was) in *Baker (Estate) v. Sony BMG Music (Canada) Inc.*, stated that fees in the range of 20% to 30% are "very common" in class proceedings and there have been a number of instances in recent years in which this court has approved fees that fall within that range. *Baker (Estate) v. Sony BMG Music (Canada) Inc.*, 2011 ONSC 7105 at para. 63. Moreover, similar to U.S. courts in the Southern District of New York, the multiplier tends to be reserved for a cross-check. Indeed, Ontario class action judges have warned against an excessive focus on the multiplier: "courts should not be too quick to disallow a fee based on a percentage simply because it is a multiple – sometimes even a large multiple - of the mathematical calculation of hours docketed times the hourly rate." *Osmun v. Cadbury Adams Canada Inc.*, 2010 ONSC 2752 at para. 22; *Baker (Estate) v. Sony BMG Music (Canada) Inc.*, 2011 ONSC 7105 at para. 58; *Cassano v. Toronto-Dominion Bank* (2009), O.R. (3d) 543 at para. 60 (S.C.J.); *Helm v. Toronto Hydro-Electric System Ltd.*, 2012 ONSC 2602 at para. 25.

[13] Based on an exchange rate of 0.93 per Canadian dollar, U.S. Class Counsel's fee request (U.S. $2,176,200) is slightly less than a multiple of approximately 1.7 of Cohen Milstein's lodestar (U.S. $1,301,848).

APPROVAL OF RETAINER AND U.S. CLASS COUNSEL FEES

54. Cohen Milstein Sellers & Toll PLLC are counsel to the Lead Plaintiffs in the U.S. Class Action was designated lead counsel in the U.S. Class Action. Cohen Milstein has assisted Canadian Class Counsel in the Ontario Class Action as well as the proceedings in this action as described above. Counsel have also worked jointly on implementing the E&Y Settlement in the U.S. Bankruptcy Court. Cohen Milstein undertook this case on a contingent fee basis and seeks approval of (CAD) $2,340,000 in respect of legal fees.

55. The approved settlement with E&Y provides for a total payment of (CAD) $117 million. The plaintiffs and class counsel in the Ontario, Québec and U.S. Class Actions have agreed to a notional allocation of that settlement amount between the Canadian and U.S. claims for the purposes of determining class counsel fees. We have agreed that the fees of Canadian Class Counsel will be determined on the basis that 90% of the gross settlement is allocated to the Canadian claims and the fees of Cohen Milstein will be determined on the basis that 10% of the gross settlement is allocated to the U.S. claims. This allocation is based on the risk adjustment factors discussed above and the relative class sizes in the Canadian and U.S. class actions. Accordingly, Canadian Class Counsel request fees based on a recovery of (CAD) $105.3 million (90% of $117 million) and U.S. Class Counsel request fees based on a recovery of (CAD) $11,700,000 million (10% of $117 million).

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

57. The requested fees accord with the Lead Plaintiffs' contingency fee retainer agreement with U.S. Class Counsel and is equivalent to 20% of the notional settlement. A copy of the retainer agreements U.S. Class Counsel has with Lead Plaintiffs is attached as **Exhibit "F"**.

58. Lead Plaintiffs' retainer agreement with U.S. Class Counsel does not specify a particular percentage for fees. Instead, the retainer is based on a customary contingency fee whereby Lead Plaintiffs do not pay any fees or costs throughout the course of the litigation. Instead, the retainer agreement provides for the repayment of disbursements and fees as approved by a U.S. court after review and as consistent with applicable legal precedent. U.S. Lead Plaintiffs have approved the requested fee under the retainer agreements, subject to court approval, as reflected in their affidavits in support of the motion.

59. The detail of the time and expenses incurred by Cohen Milstein in this action is set forth in the chart below:

DOCKETED TIME			
	Hours	Hourly	Time-value
Cohen Milstein Sellers & Toll PLLC			(US$)
Partners			
Joshua S. Devore	1.50	$570	$855.00
Christopher Lometti	.75	$760	$570.00
Daniel S. Sommers	10.00	$735	$7,350.00
Steven J. Toll	169.75	$835	$141,741.25
Of Counsel			
Richard Speirs	534.25	$760	$406,030.00
Associates and Staff Counsel			
Elizabeth A. Aniskevich	35.75	$330	$11,797.50
Genevieve Fontan	54.00	$350	$18,900.00
Matthew B. Kaplan	172.75	$495	$85,511.25
Paul A. Kemnitzer	1247.00	$380	$473,860.00
Joshua Kolsky	.25	$440	$110.00
Stefanie A. Ramirez	205.75	$415	$85,386.25
Kenneth Rehns	59.50	$415	$24,692.50
Paralegals and Law Clerks			
Cameron Clark	105.75	$245	$25,908.75
Tyler Gaffney	14.00	$245	$3,430.00
Shay Lavie	22.00	$240	$5,280.00
Jihoon Lee	26.00	$255	$6,630.00
Shayda Vance	12.50	$240	$3,000.00
Brett D. Watson	3.25	$245	$796.25
Total Docketed Time	**2,674.75**		**$1,301,848.75**
DISBURSEMENTS (US$)			
In-House Duplicating			$76.30
Long Distance Tele. /Long Distance (third party)			$124.80
Postage/Local Courier/ Air Courier			$725.62
Process Server Fee			$1,636.00
Other Court Fees			$704.00
Lexis/Other Computer Services			$4,886.57

Travel (Transportation/Taxis/Meals)	$2,568.41
Experts and Consultants	$140,683.36
Staff Overtime Expenses/ Overtime Transportation/ Overtime meals	$206.19
Total Disbursements	**$151,611.15**

60. The disbursements comprise primarily expert fees for damages experts, and expert insolvency counsel for both the U.S. and Canadian proceedings. The remaining expenses comprise primarily litigation related expenses such as filing fees, computerized legal research, and travel.

61. Cohen Milstein devoted significant attorney time to this litigation which required participation various aspects of both the U.S. and Canadian proceeding. The existence of the U.S. Class Action claims and the threat of continued litigation against E&Y in the U.S. contributed directly to the settlement of the litigation against E&Y as it recognized in the conditions of the settlement. Cohen Milstein's attorneys were required to not only develop the factual allegations which underlie the basis of the U.S. Class Action complaint and pursue that litigation, but were required to keep apprised of multiple proceedings and events in numerous courts both in the U.S. and Canada to protect the interests of U.S. class members, requiring significant coordination of efforts.

Conclusion on Counsel Fees

62. As set out above, the requested fees reflect four key factors: (a) the contingent nature of the fee retainer agreement for this action; (b) the significant risks undertaken by counsel that existed from the outset of this action; (c) the significant undertaking of time, money and resources required to prosecute this action, with a risk of little or no compensation for counsel; and (d) the considerable success achieved for claims against E&Y.

SWORN BEFORE ME at the City of Washington, in the District of Columbia, United States, on December 2nd 2013.

Notary

My Commission Expires: 1/1/2014

DEBORAH VANZEGO NOTARY PUBLIC DISTRICT OF COLUMBIA

STEVEN J. TOLL

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

AFFIDAVIT OF STEVEN J. TOLL

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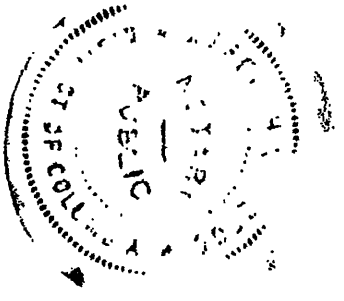
U.S. Class Counsel for the Lead Plaintiffs in the U.S. Class Action

This is Exhibit "A" mentioned and referenced in the Affidavit of Steven J. Toll, sworn before me at the City of Washington, D.C., in the United States, this 2nd day of December 2013.



Notary

My Commission Expires 1/1/2014

Exhibit A

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

DAVID LEAPARD and IMF FINANCE SA, on their own behalf and on behalf of all others similarly situated,

Plaintiffs,

v.

ALLEN T.Y. CHAN, DAVID J. HORSLEY, KAI KIT POON, W. JUDSON MARTIN, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, GARRY J. WEST, ALBERT IP, ALFRED C.T. HUNG, GEORGE HO, SIMON YEUNG, POYRY (BEIJING) CONSULTING COMPANY LIMITED, BANC OF AMERICA SECURITIES LLC, CREDIT SUISSE SECURITIES (USA) LLC, SINO-FOREST CORPORATION, and ERNST & YOUNG LLP,

Defendants.

1:12-cv-01726-VM

U.S. District Judge Victor Marrero

AMENDED CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

TABLE OF CONTENTS

Plaintiffs, David Leapard and IMF Finance SA, on behalf of themselves and all others similarly situated (the "Class" or "Class Members"), allege the following upon personal knowledge as to themselves and their own acts and upon information and belief as to all other matters. Plaintiffs' information and belief is based on the investigation of counsel including, *inter alia*, review and analysis of (i) government and regulatory documents relating to Defendant Sino-Forest Corporation ("Sino-Forest" or the "Company"); (ii) press releases, Company filings and other public statements by Sino-Forest; (iii) investigation related documents released by the Company and the Ontario Securities Commission ("OSC"); (iv) reports of securities analysts; and (v) court records and other publicly available materials. Many of the facts related to Plaintiffs' allegations are known only to Defendants or are exclusively within their custody or control. Plaintiffs believe that substantial additional evidentiary support for the allegations set forth below will be developed after reasonable opportunity for discovery.

I. INTRODUCTION

1. Plaintiffs bring this class action on behalf of (i) all persons or entities who, from March 19, 2007 through August 26, 2011 (the "Class Period") purchased the common stock of Sino-Forest on the Over-the-Counter ("OTC") market and who were damaged thereby; and (ii) all persons or entities who, during the Class Period, purchased debt securities issued by Sino-Forest other than in Canada and who were damaged thereby (the "Class").

2. The Class Period begins on March 19,. 2007 – the date the Company's 2006 Consolidated Financial Statement was filed.

3. Sino-Forest is a Canadian company engaged in the commercial forest plantation business whose principal operations are in the People's Republic of China ("PRC" or "China"). Among Sino-Forest's businesses are the ownership and management of forest plantation trees,

sales of standing timber and wood logs, and the manufacture of related wood products. Substantially all of the Company's sales during the Class Period were supposedly generated in the PRC. The Company maintains offices in Toronto, Hong Kong and the PRC. Its common stock is registered in Canada and traded on the Toronto Stock Exchange and in the United States on the OTC market. Sino-Forest's debt securities are also traded in the open market. As a result of the fraudulent conduct described herein, trading in Sino-Forest common stock was halted on August 26, 2011 and, to date, has not resumed trading.

4. In stark contrast to the investing public's perception of an enormously successful forestry business in the fast growing PRC market, during the Class Period Sino-Forest was, in fact, materially misleading both investors and regulators. Sino-Forest's assets, revenues, and income were all materially overstated in the Company's financial statements, and other disclosures were materially misleading because they failed to disclose that many of Sino-Forest's significant business transactions were with unknown or related parties. Further, Sino-Forest misrepresented and failed to disclose the true terms of certain agreements it entered into in the PRC for the acquisition of plantation acreage, vastly overstating the amount of timber it acquired during the Class Period. In many instances, no documentation or inadequate documentation existed to support Sino-Forest's timber holdings and related assets and the valuations attributed to those properties on Sino-Forest's financial statements. Among other things, Sino-Forest failed to disclose (1) that it engaged in multiple fraudulent transactions which resulted in the overstatement of assets, revenues and income; (2) that the Company lacked adequate internal controls to substantiate its financial performance or verify its assets and contractual relationships; (3) that its operations were permeated by unsubstantiated and undisclosed related party

transactions; and (4) that its financial statements were materially misleading and not prepared in accordance with the applicable accounting standards.

5. The massive fraud perpetrated on investors by Sino-Forest and the Individual Defendants could not have been accomplished without the abject failure of the gatekeepers (Sino-Forest's auditors and underwriters) to perform their duties to investors. Notwithstanding the fact that the fraud permeated virtually every aspect of Sino-Forest's business, and that these gatekeepers were fully aware of both the lack of transparency and lack of internal controls over financial reporting, they ignored or recklessly disregarded numerous "red flags" indicating the existence of fraudulent transactions including the simple fact that the Company did not have sufficient proof of ownership of **"a majority of its standing timber assets"** as described herein. As a result, during the Class Period, Sino-Forest issued years of materially false and misleading financial statements that, among other things, overstated its assets, revenues, and income. These financial statements were purportedly audited by Defendant E&Y and repeatedly published in offering documents used for billions of dollars of securities sold to investors by the Underwriter Defendants and others.

6. Certain information regarding Sino-Forest's questionable financial practices first came to light on June 2, 2011 when Muddy Waters, a firm specializing in the analysis of Chinese companies whose stock trades in the U.S. and Canada, published a detailed report alleging improper and illegal conduct at the Company. Over the ensuing weeks, there was a flurry of articles, investigations, and news reports about the Company's misconduct, as well as the Company's denials of the Muddy Waters allegations. On June 18, 2011, *The Globe and Mail* reported on its own investigation regarding some of the allegations against Sino-Forest, finding that there were "doubts about the company's public statements regarding the value of [its]

assets" and "broader questions about its business practices." The Company denied the allegations in statements issued over the next two months.

7. Ultimately, in late August 2011, the Ontario Stock Commission ("OSC") confirmed that there was evidence of fraud at Sino-Forest and ordered a halt in trading of Sino-Forest's common stock on the Toronto Stock Exchange, effective August 26, 2011. Reportedly, the OSC accused Sino-Forest of "fraudulently inflating its revenues and exaggerating the extent of its timber holdings." The OSC also noted that the Company "engaged in significant non-arms-length transactions." Similarly, trading of Sino-Forest common stock was halted in the U.S. on the OTC Bulletin Board. Two days later it was reported that the Company's CEO, Defendant Chan, resigned; that three of the Company's vice-presidents were placed on leave; and that another senior vice-president was relieved of most of his duties. On November 15, 2011, Sino-Forest announced that it was deferring the release of its interim financial report for the third quarter of 2011.[1] To date, Sino-Forest has not filed any required periodic reports or issued financial statements for the third quarter of 2011 or later.

8. On November 11, 2011, the Company announced that it was also the subject of a criminal investigation by the Royal Canadian Mounted Police ("RCMP") regarding the allegations surrounding its business and finances. Sino-Forest has failed to make payments due on its outstanding debt and belatedly advised the investing public that its historical financial statements and audit reports should not be relied upon.

9. On March 30, 2012, Sino-Forest filed for protection under the Ontario Companies Creditors Arrangement Act ("CCAA"), which is similar to a bankruptcy filing in the United States. Numerous entities have or are conducting investigations regarding Sino-Forest's

[1] The financial year-end of Sino-Forest is December 31.

financial reporting. In addition to the OSC and RCMP, the Company appointed an Independent Committee of the Board of Directors (the "IC") to investigate, and the Hong Kong Securities and Futures Commission ("HKSFC") commenced an investigation. The IC issued three reports (the "IC Reports") describing its investigation (principally into the Muddy Waters allegations) and the OSC issued a Statement of Allegations ("OSC Allegations") setting forth claims of fraud against Sino-Forest and Defendants Chan and Horsley. On April 30, 2012, Defendant Ernst & Young resigned as the Company's independent auditor.

10. The OSC Allegations describe a fraudulent scheme that inflated the assets and revenues of Sino-Forest and resulted in the issuance of materially misleading financial statements and other misleading statements to investors. As described by the OSC, Sino-Forest and the Individual Defendants engaged in fraudulent conduct with respect to (i) the assets and revenues derived from the purchase and sale of standing timber; (ii) the acquisition of Greenheart Limited Group ("Greenheart Acquisition"); (iii) false evidence of ownership of a vast majority of the Company's timber holdings; and (iv) failure to disclose that the Company's internal controls were insufficient to protect against the significant fraudulent transactions and misconduct alleged.

11. Notwithstanding Sino-Forest's and the Individual Defendants' fraudulent conduct, E&Y and the Underwriter Defendants were forewarned about the Company's lack of transparency and internal control weaknesses, yet allowed such misconduct to continue for years, while ignoring the inadequate processes and lack of competent evidentiary material supporting the Company's financial results. Among some of the "red flags" ignored by E&Y and the Underwriter Defendants were the following:

a. Sino-Forest's admitted lack of segregation of duties, which created risk in terms of measurement and completeness of transactions as well as the possibility of non-compliance with existing internal controls, either of which may lead to the possibility of inaccurate financial reporting;

b. The lack of transparency into Sino-Forest's complex corporate structure and opaque business practices and relationships with its Suppliers, AIs, and other nominee companies in the BVI Network. Sino-Forest established a collection of "nominee"/"peripheral" companies that were controlled, on its behalf, by various "caretakers."[2] Sino-Forest conducted a significant level of its business with these companies, the true economic substance of which was misstated in Sino-Forest's financial disclosures;

c. Sino-Forest's lack of proof of ownership for the vast majority of its timber holdings which included backdated Purchase Contracts and Sales Contracts, and missing supporting documentation. Sino-Forest then relied upon these documents to evidence the purported purchase, ownership, and sale of Standing Timber in the BVI Model;

d. The missing documentation from Sino-Forest's BVI timber purchase contracts, in particular failure to have as attachments either (i) Plantation Rights Certificates from either the Counterparty or original owner or (ii) villager resolutions, both of which are contemplated as attachments by the standard form of BVI timber purchase contract employed by Sino-Forest;

[2] These "nominee"/"peripheral" companies and "caretakers" are described in greater detail in paragraphs 93-95.

e. Sino-Forest's BVI Subs failure to obtain certificates of ownership of Standing Timber from the PRC and the fact that purported confirmations from forestry officials were not recognized as evidence of ownership of timber assets in PRC;

f. Sino-Forest's 2010 sale of Standing Timber, despite the fact that these same Standing Timber assets were offered as collateral for a bank loan by Sino-Forest in 2011; so the sale of those assets in 2010 could not have taken place and been recorded as revenue in that year;

g. Circular cash flows and unusual offsetting arrangements by which money flowed between various Sino-Forest controlled companies;

h. The lack of bank records or other adequate documentation confirming cash flows from complex and unusual transactions involving Suppliers and Authorized Intermediaries; and

i. The recognition of revenues from sales of standing timber where sales contracts were not created until the quarter after the date of the alleged sale.

12. Thus, the entities who were in the best position to protect investors from the massive fraud that occurred here (E&Y and the Underwriter Defendants) missed every potential warning sign in their audits and due diligence of Sino-Forest, despite being armed with the knowledge that hundreds of millions of dollars in transactions were ultimately controlled by a handful of individuals, through a murky structure of corporate entities from around the world, while relying on a deeply flawed process for verifying transactions and business relationships. E&Y's and the Underwriter Defendants' reckless disregard for these red flags in the face of the Company's inadequate internal controls and processes constitutes gross recklessness which resulted in the publication of misleading financial statements and audit reports, and the issuance

of inflated securities to investors. Strikingly, it was only after an investigation by an **outside** securities analyst who, unlike Defendant E&Y and the Underwriter Defendants, had no access to internal Company documents or personnel that these fraudulent activities came to light. Indeed, many of the fraudulent activities were unsophisticated and simply disregarded by E&Y and the Underwriter Defendants – *e.g.* the creation of purchase or sales documents after the end of a quarter and backdating of documents to support transactions; missing attachments from significant transaction documents; lack of bank statements or confirmations of off-book financial transactions, and the use of multiple related parties to facilitate fraudulent transactions.

13. The disclosures relating to Defendants' misconduct and the ultimate halt in trading occasioned by the OSC charges of fraud caused the trading prices of the Company's stock and its debt securities to decline dramatically, thereby damaging Class Members. Sino-Forest's common stock, which traded as high as $26.64, last traded at $1.38 before trading was halted in the U.S and is now virtually worthless. Moreover, Sino-Forest's debt securities are now priced at a fraction of their original value.

A. Jurisdiction and Venue

14. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder by the SEC, and Sections 12 and 15 of the Securities Act.

15. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, Section 27 of the Exchange Act, and Section 22 of the Securities Act. This Court also has supplemental jurisdiction under 28 U.S.C. § 1367(a) over all state law claims asserted by Plaintiffs and Class Members because they arise from the same nucleus of operative facts

alleged in this Complaint, and are so related to the Exchange Act claims over which this Court has original jurisdiction that they form part of the same case or controversy.

16. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b), Section 27 of the Exchange Act, and Section 22 of the Securities Act. Many of the acts alleged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in the District.

17. This Court also has jurisdiction, and venue is proper, because, in connection with the sale of $600 million in notes which occurred in October 2010 (the "Note Offering" or "Offering") that will come due in 2017 (the "2017 Notes"), Sino-Forest "... irrevocably and unconditionally submits to the non-exclusive jurisdiction of any New York State or United States Federal court sitting in the Borough of Manhattan, New York City over any suit, action or proceeding arising out of or relating to this Indenture, any Note or any Subsidiary Guarantee." In addition, the Indenture provides that "[a]s long as any of the Notes remain Outstanding, the Company and each of the Subsidiary Guarantors will at all times have an authorized agent in New York City, upon whom process may be served in any legal action or proceeding arising out of or relating to this Indenture, any Note or any Subsidiary Guarantee." Finally, as contemplated by the Indenture, "[e]ach of the Notes, the Subsidiary Guarantees and the Indenture shall be governed by, and construed in accordance with, the laws of the State of New York."

18. In addition, the Underwriter Defendants are located in New York and all Defendants do substantial business in New York. Also, purchases and sales of Sino-Forest common stock occurred on the OTC market in the United States, including New York. Moreover, the trustee for the 2017 Notes is the Law Debenture Trust Company of New York which is located at 400 Madison Avenue, Suite 4D, New York, New York 10017.

19. In connection with the acts alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone and Internet communications, and the facilities of the national securities markets.

II. PARTIES

A. Plaintiffs

20. Plaintiff **David Leapard** is a resident of South Carolina and purchased the common stock of Sino-Forest during the Class Period in the OTC market in the United States as set forth in the attached Certification and suffered damages when the price of those shares declined as a result of Defendants' misconduct.

21. Plaintiff **IMF Finance SA ("IMF")** is an entity with offices in the British Virgin Islands ("BVI") and purchased 2017 Notes from Defendant Credit Suisse pursuant to the October 2010 Note Offering as set forth in the attached Certification and suffered damages when the price of the 2017 Notes declined as a result of Defendants' misconduct. Plaintiff IMF asserts claims on behalf of purchasers of Sino-Forest debt securities, including purchasers of the 2017 Notes.

B. Defendants

22. Defendant **Sino-Forest** purports to be a commercial forest plantation operator, principally based in the PRC but with additional operations in other locations. At all material times, Sino-Forest's registered office was located in Mississauga, Ontario and its common stock traded on the OTC market in the United States using the symbol "SNOFF." As a reporting issuer in Ontario, Canada, Sino-Forest was required to file certain periodic reports (described below) regarding its business and operations, including audited financial statements, which were made

available to investors. Sino-Forest's common stock and various debt instruments were traded in Canada, the United States and elsewhere. Sino-Forest derives substantial revenue from interstate or international commerce.

23. Sino-Forest was required to file Management Discussion and Analysis Reports ("MD&As"), which are a narrative explanations of how the company performed during the period covered by the financial statements, and of the company's financial condition and future prospects. The MD&A must discuss important trends and risks that are reasonably likely to affect the company's business in the future. MD&As are filed quarterly and at fiscal year end.

24. Another required filing, Annual Information Forms ("AIFs"), are annual disclosure documents intended to provide material information about the company and its business at a point in time in the context of its historical and future development. The AIF describes the company, its operations and prospects, risks and other external factors that impact the company specifically.

25. The Company also filed its audited financial statements, which were included in Annual Reports disseminated to investors.

26. As directors, board members, and executives in Sino-Forest during the Class Period, the Individual Defendants controlled the contents of its MD&As, financial statements, AIFs, Annual Reports, and other documents particularized herein and the misrepresentations and omissions made therein were made by the Individual Defendants as well as the Company itself.

27. Defendant **Allen T. Y. Chan** is a co-founder of Sino-Forest and was the Chairman, Chief Executive Officer, and a director of the Company from 1994 until August 28, 2011, when he resigned in the wake of the disclosure of the misconduct described in this Complaint. As Sino-Forest's CEO, Chan certified the accuracy of the Company's securities

filings, including its financial statements, during the Class Period. Chan signed each of the Company's Annual Consolidated Financial Statements issued from 2006 through 2010. Chan is a resident of Hong Kong and, on information and belief, is a citizen of the PRC.

28. Chan certified each of materially false and misleading annual and quarterly MD&As and financial statements issued by Sino-Forest during the Class Period. During the Class Period, Chan signed each of Sino-Forest's materially false and misleading annual financial statements. Chan reviewed and approved the financial statements, public filings, and other statements issued by the Company and caused Sino-Forest to make the misrepresentations particularized below.

29. During the Class Period, Chan received substantial compensation from the Company. For example, for 2008 to 2010, Chan's total compensation was, respectively, $5.0 million, $7.6 million, and $9.3 million. In addition, during the Class Period, while in possession of material adverse information regarding the business and finances of Sino-Forest, Chan sold nearly $3 million worth of Sino-Forest common stock to unsuspecting investors. Chan also received millions in undisclosed compensation through certain hidden related party transactions, including the acquisition of Greenheart, as described below.

30. As of May 1, 1995, shortly after Sino-Forest became a reporting issuer, Chan held 18.3% of Sino-Forest's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011, he held 2.7% of Sino-Forest's common shares.

31. Defendant **Albert Ip** is a former senior executive for Sino-Forest who engaged in a fraudulent scheme to inflate the assets and revenue of Sino-Forest and made materially misleading statements in Sino-Forest's public filings and other statements related to its business and financial results.

32. Defendant **Alfred C.T. Hung** is a former senior executive for Sino-Forest who engaged in a fraudulent scheme to inflate the assets and revenue of Sino-Forest and made materially misleading statements in Sino-Forest's public filings and other statements related to its business and financial results.

33. Defendant **George Ho** is a former senior executive for Sino-Forest who engaged in a fraudulent scheme to inflate the assets and revenue of Sino-Forest and made materially misleading statements in Sino-Forest's public filings and other statements related to its business and financial results .

34. Defendant **Simon Yeung** is a former senior executive for Sino-Forest who engaged in a fraudulent scheme to inflate the assets and revenue of Sino-Forest and made materially misleading statements in Sino-Forest's public filings and other statements related to its business and financial results.

35. Defendant **David J. Horsley,** former Senior Vice President and Chief Financial Officer ("CFO") of Sino-Forest, was responsible for the Company's accounting, internal controls, and financial reporting, including the preparation of the Company's financial statements. Horsley signed and certified the Company's disclosure documents during the Class Period. Horsley resides in Ontario.

36. Horsley certified each of Sino-Forest's Class Period materially false and misleading annual and quarterly MD&As and financial statements. Horsley signed each of Sino-Forest's Class Period materially false and misleading annual financial statements. As an officer, he caused Sino-Forest to make the misrepresentations particularized below.

37. During the Class Period, Horsley received substantial compensation from Sino-Forest. For 2008 to 2010, Horsley's total compensation was, respectively, $1.7 million, $2.5

million, and $3.1 million. During the Class Period, while in possession of material adverse information concerning the business and finances of Sino-Forest, Horsley sold almost $11 million worth of shares of Sino-Forest common stock.

38. Defendant **Kai Kit Poon** is a co-founder of Sino-Forest, a member of its Board of Directors and has been President of the Company since 1994. Poon resides in Hong Kong and, on information and belief, is a citizen of the PRC. During the Class Period, while in possession of material adverse information concerning the business and finances of Sino-Forest, Poon sold over $30 million worth of shares of Sino-Forest common stock.

39. While Poon was a board member, he caused Sino-Forest to make the misrepresentations or omit material facts particularized below.

40. Poon rarely attended board meetings while he was on Sino's board. From the beginning of 2006 until his resignation from the Board in 2009, he attended 5 of the 39 board meeting, or less than 13% of all board meetings held during that period.

41. Defendant **W. Judson Martin** has been a director of Sino-Forest since 2006, and was appointed vice-chairman in 2010. On or about August 25, 2011, Martin replaced Chan as Chief Executive Officer of Sino-Forest. Martin was a member of Sino-Forest's audit committee prior to early 2011 and, as a member of the audit committee, was responsible for reviewing and approving the Company's audited and unaudited financial statements. Martin has made in excess of $474,000 through the sale of Sino-Forest shares. He resides in Hong Kong. As a board member, he reviewed and approved the financial statements, public filings and other statements issued by the Company and caused Sino-Forest to make the misrepresentations or omit material facts particularized herein.

42. Defendant **Edmund Mak** is a director of Sino-Forest and has held this position since 1994. Mak was a member of Sino-Forest's audit committee prior to early 2011 and, as a member of the audit committee, was responsible for reviewing and approving the Company's audited and unaudited financial statements. Mak and persons connected with Mak have made in excess of $6.4 million through sales of Sino-Forest shares. Mak resides in British Columbia. As a board member, he reviewed and approved the financial statements, public filings and other statements issued by the Company and caused Sino-Forest to make the misrepresentations or omit material facts particularized below.

43. Defendant **James M. E. Hyde** is a director of Sino-Forest, and has held this position since 2004. Hyde was previously a partner of E&Y. Hyde is the chairman of Sino-Forest's Audit Committee and, as a member of the Audit Committee, was responsible for reviewing and approving the Company's audited and unaudited financial statements. Hyde is also a member of the Compensation and Nominating Committee. Hyde has made in excess of $2.4 million through the sale of Sino-Forest's shares. Hyde resides in Ontario. As a board member, he reviewed and approved the financial statements, public filings and other statements issued by the Company and caused Sino-Forest to make the misrepresentations or omit material facts particularized below.

44. Defendant **William E. Ardell** is a director of Sino-Forest, and has held this position since January 2010. Ardell is a member of Sino-Forest's audit committee and, as a member of the Audit Committee, was responsible for reviewing and approving the Company's audited and unaudited financial statements. Ardell resides in Ontario. As a board member, he reviewed and approved the financial statements, public filings and other statements issued by the

Company and caused Sino-Forest to make the misrepresentations or omit material facts particularized below.

45. Defendant **James P. Bowland** was a director of Sino-Forest from February 2011 until his resignation from the Board of Sino-Forest in November 2011. While on Sino-Forest's board, Bowland was a member of Sino-Forest's Audit Committee and, as a member of the Audit Committee, was responsible for reviewing and approving the Company's audited and unaudited financial statements. Bowland resides in Ontario. As a board member, he reviewed and approved the financial statements, public filings and other statements issued by the Company and caused Sino-Forest to make the misrepresentations or omit material facts particularized below.

46. Defendant **Garry J. West** is a director of Sino-Forest, and has held this position since February 2011. West was previously a partner at E&Y. West is a member of Sino-Forest's Audit Committee 2011 and, as a member of the Audit Committee, was responsible for reviewing and approving the Company's audited and unaudited financial statements. West resides in Ontario. As a board member, he reviewed and approved the financial statements, public filings and other statements issued by the Company and caused Sino-Forest to make the misrepresentations or omit material facts particularized below.

47. Defendants Martin, Mak, Hyde, Ardell, Bowland, and West are referred to herein as the **Audit Committee Defendants**. Defendants Chan, Ip, Hung, Ho, and Yeung are referred to herein as Overseas **Management Defendants.** The Overseas Management Defendants together with Defendant Horsley are referred to herein as the **Officer Defendants**. The Officer Defendants and Sino-Forest are collectively referred to as **the Sino-Forest Defendants.** Defendants Martin, Mak, Hyde, Ardell, Bowland, West, Chan, Ip, Hung, Ho, Yeung, and Horsley are herein referred to as the **Individual Defendants**.

48. As officer and/or directors of Sino-Forest, the Individual Defendants were fiduciaries of Sino-Forest, and they made the misrepresentations or omitted material facts alleged herein, and/or caused Sino-Forest to make such misrepresentations and omissions. In addition, Defendants Chan, Poon, Horsley, Martin, Mak, and Murray were unjustly enriched in the manner and to the extent particularized below.

49. Defendant **Poyry (Beijing) Consulting Company Limited ("Poyry")** is an international forestry consulting firm which purported to provide certain forestry consultation services to Sino-Forest.

50. Poyry, in providing what it purported to be "forestry consulting" services to Sino-Forest, made statements that it knowingly intended to be, and which were, disseminated to Sino-Forest's current and prospective security holders. At all material times, Poyry was aware of that class of persons, intended to and did communicate with them, and intended that prospective investors and the market, among others, would rely on Poyry's statements relating to Sino-Forest, which they did to their detriment.

51. Poyry consented to the inclusion in the June 2007, June 2009, and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009, and October 2010 Offering Memoranda, of its various reports, as detailed below in paragraph 207.

52. Defendant **Banc of America Securities LLC ("BOA")** is a financial services company which, using the name "BofA Merrill Lynch" or "Merrill Lynch Canada", acted as one of two "Joint Global Coordinators and Lead Bookrunning Managers" for the October 2010 Offering. BOA's affiliate, Merrill Lynch, Canada, acted as an underwriter for the June 2007, July 2008, June 2009, and December 2009 Offerings. In this capacity, BOA acted as an underwriter in one or more of the Offerings. BOA operates in and has its principal place of

business in New York County, New York. This Complaint seeks damages on behalf of the purchasers of the 2017 Notes against any and all Bank of America entities that may be liable for the misconduct described herein.

53. Defendant **Credit Suisse Securities (USA) LLC ("Credit Suisse")** is a financial services company which acted as one of two "Joint Global Coordinators and Lead Bookrunning Managers" for the following Note Offerings: July 2008 and October 2010. Credit Suisse's affiliate, Credit Suisse, Canada, acted as an underwriter for the June 2007, June 2009, and December 2009 Offerings. In this capacity, Credit Suisse acted as an underwriter for this and additional Offerings. Credit Suisse operates in and has offices in New York County, New York. This Complaint seeks damages on behalf of the purchasers of the 2017 Notes against any and all Credit Suisse entities that may be liable for the misconduct described herein.

54. BOA and Credit Suisse are collectively referred to as the **Underwriter Defendants**. The Underwriter Defendants who are located in New York, NY, offered and sold the 2017 Notes pursuant to a materially false and misleading Offering Memorandum dated October 14, 2010 (the "Offering Memorandum") to certain Class Members in the United States who purportedly satisfied the requirements to be considered a "qualified institutional buyer" pursuant to Rule 144 of the U.S. Securities and Exchange Commission ("SEC"). The Underwriter Defendants also sold certain notes in the Offering to foreign investors relying on the exemption set forth in SEC Regulation S.

55. In connection with the Offerings made pursuant to the June 2007, June 2009, and December 2009 Prospectuses, the Underwriters who underwrote these Offerings were paid, respectively, an aggregate of approximately $7.5 million, $14.0 million, and $14.4 million in underwriting commissions. In connection with the offerings of Sino-Forest's notes in July 2008,

December 2009, and October 2010, BOA and Credit Suisse were paid, respectively, an aggregate of approximately $2.2 million, $8.5 million, and $6 million. Those commissions were paid in substantial part as consideration for the Underwriters' purported due diligence examination of Sino-Forest's business and financial condition.

56. None of the Underwriters conducted a reasonable due diligence into Sino-Forest in connection with any of the Offerings. None of the Underwriters had reasonable grounds to believe that there was no material misrepresentation or material omissions in any of the representations made to investors. The Underwriter Defendants ignored the existence of multiple warning signs regarding the misconduct described herein, and permitted Sino-Forest to go forward with the sale of securities inflated to investors based on materially false and misleading offering documents which the Underwriter Defendants assisted in preparing and provided to investors.

57. In the circumstances of this case, including the facts that Sino-Forest operated in an emerging economy, Sino-Forest entered Canada's capital markets by means of a reverse merger, and Sino-Forest reported extraordinary results over an extended period of time that far surpassed those reported by Sino-Forest's peers, the Underwriter Defendants all ought to have exercised heightened vigilance and caution in the course of discharging their duties to investors, which they did not do. Had they done so, they would have uncovered Sino-Forest's true financial results and performance, and the Class Members to whom they owed their duties would not have sustained the losses that they sustained on their Sino-Forest investments.

58. Defendant **Ernst & Young LLP,** a part of Ernst & Young Global Limited, has offices in Toronto, Canada. Ernst & Young LLP has been Sino-Forest's auditor since August 13, 2007 and was also Sino-Forest's auditor from 2000 to 2004. Sino-Forest's shareholders,

including numerous Class Members, appointed E&Y as auditors of Sino-Forest by shareholder resolutions passed on various dates, including on June 21, 2004, May 26, 2008, May 25, 2009, May 31, 2010, and May 30, 2011. This Complaint seeks damages against any and all Ernst & Young entities that may be liable for the misconduct described herein.

59. Ernst & Young LLP Chartered Accountants is referred to as "**E&Y**". For Sino-Forest's 2007 through 2010 fiscal years, E&Y provided an "Auditor's Report" addressed directly to Sino-Forest's shareholders, which gave the Company a "clean" audit report on its financial statements. At all material times, E&Y knew that its audit report was directed to Sino-Forest's shareholders, prospective shareholders and prospective purchasers of Sino-Forest's securities, and that investors would and did rely on E&Y's statements relating to Sino-Forest in making their investment decisions. Each of E&Y's audit reports informed the Company's investors and the purchasers of its securities that, based on its audits, Sino-Forest's financial statements were presented in accordance with Canadian GAAP and that it had performed its audits in accordance with applicable Canadian auditing standards. E&Y's audit report was materially false and misleading and omitted material facts as described herein.

60. The Individual Defendants earned millions of dollars in compensation because of Sino-Forest's artificially inflated stock price. Moreover, their misleading portrayal of the Company's finances allowed Sino-Forest to raise billions of dollars by issuing debt and equity securities to investors. This was critical to the Company's survival since the Company had a negative cash flow -- it was spending more money than it was taking in -- yet was spending enormous sums purportedly to purchase new assets. Sino-Forest's inflated stock price also allowed it to use its shares as currency to acquire other companies and assets.

61. It was only because of Defendants' concealment of Sino-Forest's true financial condition that the Company was able to complete the $600 million Note Offering in October 2010. Investors would not have purchased these Notes or would not have purchased them at the prices they did, if the truth about Sino-Forest had been known.

62. Thus, during the Class Period, Defendants, acting in concert with others, made materially false statements and misleading statements and omitted material facts about the true financial condition and business operations of Sino-Forest, causing the prices of Sino-Forest's common stock and Debt Securities to be artificially inflated during the Class Period. Despite the obviously false and misleading nature of these statements, E&Y and the Underwriter Defendants facilitated the improper conduct of Sino-Forest and the Individual Defendants – E&Y by repeatedly ignoring red flags which would have led to the discovery of the Sino Forest Defendants' misconduct, and repeatedly certifying that the Company's financial statements were prepared in compliance with applicable accounting standards; and the Underwriter Defendants by failing to perform adequate due diligence on multiple occasions and disseminating the misleading Offering Memorandum to investors.

II. BACKGROUND

63. During the Class Period, Sino-Forest conducted its business through a network of approximately 137 related entities: 67 PRC incorporated entities (with 12 branch companies), 58 BVI incorporated entities, 7 Hong Kong incorporated entities, 2 Canadian entities, and 3 entities incorporated in other jurisdictions.

64. Sino-Forest portrayed itself as one of the world's largest and most successful forestry companies. According to the Company's Annual Information Form for the year ended December 31, 2010 (the "2010 Annual Form") Sino-Forest "had approximately 788,700 hectares

of forest plantations under management which are located primarily in southern and eastern China." Between 2006 and 2010, Sino-Forest's assets (primarily plantation acreage) purportedly grew nearly five-fold from approximately $1.2 billion to over $5.7 billion, while revenues grew from $555 million to $1.9 billion and net income more than tripled from $113 million to $395 million, as reflected in the Company's financial statements[3]

65. In addition, from June 30, 2006 to March 31, 2011, Sino-Forest's share price rose from $5.04 (US) to $26.08 (US). By March 31, 2011 Sino-Forest's market capitalization was well over $6 billion dollars.[4]

66. From 2007 through 2010, the Company's annual financial statements were audited by Defendant E&Y which certified that they had been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") and that the audit had been conducted in conformance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

67. Sino-Forest's tremendous growth was ostensibly fueled by increasingly large acquisitions of valuable tree plantations and revenues generated from operations relating to that business. In addition, the Company's escalating growth allowed it to raise enormous sums of capital from investors around the world through the sale of debt securities and common stock, including the sale of $600 million in notes which occurred in October 2010 (the "Offering") that will come due in 2017 (the "2017 Notes"). The Note Offering was underwritten by Defendants Banc of America Securities LLC and Credit Suisse Securities (USA) LLC. In total, the Company issued ***over $1.8 billion*** in debt instruments during the Class Period.

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[3] Except where otherwise indicated, all amounts in this Complaint are in U.S. dollars.
[4] This figure is an extrapolation from 12/31/10 number.

68. Moreover, Defendant E&Y annually audited Sino-Forest's financial statements and reviewed its interim financial information for compliance with Canadian GAAP. For fiscal years 2007 through 2010 E&Y gave Sino-Forest a "clean" audit opinion.

A. SINO-FOREST'S OPAQUE BUSINESS MODEL

69. Although ostensibly a forestry company, Sino-Forest's purported business was, in many respects, more that of a trader or financial intermediary than of a traditional forestry company. The Company seldom sold wood products directly to end-user customers. Instead, it claimed that most of its earnings came from buying logs and the right to harvest trees and then reselling these logs and harvesting rights at higher prices.

70. Sino-Forest's corporate structure is a complex web of dozens of interconnected Canadian, Chinese, Hong Kong, Cayman Islands and British Virgin Islands subsidiaries, most of which are wholly-owned or in which the Company has a majority interest. A total of 137 entities make up the Sino-Forest Companies: 67 PRC incorporated entities (with 12 branch companies), 58 BVI incorporated entities, 7 Hong Kong incorporated entities, 2 Canadian entities, and 3 entities incorporated in other jurisdictions.[5] .

71. Sino-Forest is the sole shareholder of Sino-Panel Holdings Limited (incorporated in the BVI), Sino-Global Holdings, Inc. (incorporated in the BVI), Sino-Panel Corporation (incorporated in Canada), Sino-Wood Partners Limited (incorporated in Hong Kong), Sino-Capital Global Inc. (incorporated in the BVI), and Sino-Forest International (Barbados) Corporation (incorporated in Barbados). Sino-Forest also holds all of the preference shares of

[5] Sino-Forest's recently released corporate organizational chart, attached as Exhibit A, illustrates in part, the complexity

Sino-Forest Resources, Inc. (incorporated in the BVI). Some of these subsidiaries have further direct and indirect subsidiaries.

72. Sino-Forest's business model is further complicated by the fact that much of its business is done through "Authorized Intermediaries" ("AIs"), supposedly independent companies that are largely responsible for the actual sale of forestry products to the users of these products. Despite the critical role that these Authorized Intermediaries play in its business, little is known of the financial relationships with these AIs and Sino-Forest has, with one exception, refused to disclose the identity of these companies. As Defendant Martin acknowledged in Sino-Forest's creditors proceedings, "there has always been very little insight into the business of the AIs including their books and records, cash collections and disbursements." Martin further noted that there continue to be "on-going issues with respect to many of the business transactions between Sino-Forest and the AIs, including the nature of many of these relationships."

73. Because Sino-Forest principally operates in China, Sino-Forest's convoluted structure and business practices did not initially arouse investor suspicions. Because of the unusual aspects of doing business in China, where foreign investments are tightly regulated, a number of legitimate foreign companies operating in that country have unusually complex structures. But, unbeknownst to investors, there was little or no business justification for the way Sino-Forest structured itself and its operations. Sino-Forest's structure was not meant to facilitate compliance with Chinese law, but rather to make it easier for Defendants to materially mislead investors about the Company's operations, revenue, earnings, and assets.

74. One specific example of this complex organization is Sino-Forest's relationship with one of its most important subsidiaries, Greenheart Group Ltd. ("Greenheart"), a public company listed on the Hong Kong Stock Exchange. In 2010, following a complex series of

transactions, Sino-Forest completed the purchase of a controlling interest in Greenheart. Sino-Forest's 64% interest in Greenheart was acquired using cash and shares of Company stock. Greenheart holds natural forest concessions, mostly in Suriname.

75. Greenheart controls most of Sino-Forest's supposedly substantial forestry assets outside of China. But, Sino-Forest also holds a 39.6% stake in Greenheart Resources Holdings Ltd. ("GRH"), a subsidiary of Greenheart. GRH, in turn, indirectly owns 100% of Greenheart's forest assets and operations in the western part of Suriname, supposedly one of Sino-Forest's principal timber holdings.

76. In its Annual Information Form ("AIF") for 2010, Sino-Forest stated that its operations were comprised of two core business segments which it titled "Wood Fibre Operations" and "Manufacturing and Other Operations." Wood Fibre Operations had two subcomponents entitled "Plantation Fibre" and "Trading of Wood Logs."

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

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

	2007	2008	2009	2010	TOTAL

Plantation Fibre (defined as Standing Timber herein)	$521.5m	$685.4m	$954.2m	$1,401.2m	$3,562.3m
Trading of Wood Logs	$154.0 m	$153.5m	$237.9m	$454.0m	$999.4m
TOTAL Wood Fibre Operations	$675.5m	$838.9m	$1,192.1m	$1,855.2m	$4,561.7m
***	***	***	***	***	***
Manufacturing and Other Operations	$38.4m	$57.1m	$46.1m	$68.3m	$209.9 m
TOTAL REVENUE	$713.9m	$896.0m	$1,238.2m	$1,923.5m	$4,771.6m

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

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

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

B. SINO-FOREST'S UNDISCLOSED FRAUDULENT TRANSACTIONS

1. The Standing Timber Fraud

82. During the Class Period, Sino-Forest and the Individual Defendants engaged in numerous deceitful and dishonest courses of conduct (the "Standing Timber Fraud") that ultimately caused the assets and revenue derived from the purchase and sale of Standing Timber (which constituted the majority of Sino-Forest's business) to be fraudulently overstated, thereby misleading Plaintiffs and Class Members.

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

a. Sino-Forest concealed its control over Suppliers, AIs, and other nominee companies and misstated the true economic substance of the relationships in Sino-Forest's financial disclosures;

b. Sino-Forest falsified the evidence of ownership for the vast majority of its timber holdings by engaging in a deceitful documentation process; and

c. Sino-Forest concealed internal control weaknesses/failures that obscured the true nature of transactions conducted within the BVI Network.

84. Placed on notice of Sino-Forest's internal control weaknesses/failures and its inadequate processes E&Y (which had access to both company personnel and documents, *inter alia*) should have scrutinized the related parties or the transactions at issue during the course of its audit – particularly the incomplete documentation process by which the purchase, sale, and ownership of Standing Timber were supposedly evidenced. Had E&Y fulfilled its obligations as an auditor in certifying the accuracy of Sino-Forest's purchase, sale, and ownership records and in determining the nature of the related parties involved in the transactions, this fraudulent scheme would likely have been detected sooner. Similarly, the Underwriter Defendants, having known of Sino Forest's internal control weaknesses, should have examined the related party transactions during the course of their due diligence.

85. As set out in paragraph 93, the vast majority of Sino-Forest's Standing Timber assets were held in the BVI Model. However, the available underlying documentation for these Standing Timber assets does not provide sufficient evidence of legal ownership of those assets. As of this date, the OSC has found that Sino-Forest has not been able to confirm full legal ownership of the Standing Timber assets that it claims to hold in the BVI.

86. The following examples detail the fraudulent course of conduct that Sino-Forest and the Individual Defendants perpetrated with respect to financial transactions involving its timber assets, resulting in the issuance of materially false and misleading financial statements to investors.

a. "off-book" transactions and undocumented set-offs;

b. the Dacheng Fraud;

c. the 450,000 Fraud;

d. Gengma Fraud #1; and

e. Gengma Fraud #2.

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

2. Off-Book Transactions and Undocumented Set-Offs

88. The cash-flows associated with the purchase and sale of Standing Timber executed in the BVI Model took place "off-book" pursuant to a payables/receivables arrangement (the "Offsetting Arrangement"), whereby the BVI Subs would not directly receive the proceeds on the sale of Standing Timber from the purchasing AI. Rather, Sino-Forest would direct the AI that purchased the timber to pay the sales proceeds to a new Supplier in order to buy additional Standing Timber. Consequently, Sino-Forest also did not make payment directly to Suppliers for purchases of Standing Timber.

89. According to the OSC, Sino-Forest did not possess the appropriate records to confirm that these "off-book" cash-flows in the Offsetting Arrangement actually took place. Set-off documentation was inadequate as it did not relate to a particular sales transaction and was not a record of a BVI sales transaction. Nor did Sino-Forest have any other documentation besides the set-off to evidencing payment and sale of the earlier timber sales This lack of transparency within the BVI Model meant that independent confirmation of these "off-book" cash-flows was reliant on the good faith and independence of Suppliers and AIs.

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

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

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

	2007	**2008**	**2009**	**2010**	**TOTAL**
BVI Model Revenue	$501.4m	$644.9m	$882.1m	$1,326m	$3,354.4m
WFOE Model Revenue	$20.1m	$40.5m	$72.1m	$75.2m	$207.9m
Standing Timber Revenue	$521.5m	$685.4m	$954.2m	$1,401.2m	$3,562.3m
TOTAL REVENUE	$713.9m	$896m	$1,238.2m	$1,923.5m	$4,771.6m
BVI Model as % of Total Revenue	70%	72%	71%	69%	70%

3. Undisclosed Control Over Parties within the BVI Network

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

94. For the purpose of this Amended Complaint, the BVI Subs, Suppliers, AIs, "nominee" companies, and "peripheral" companies involved in the buying and selling of Standing Timber in the BVI Model are collectively referred to as the "BVI Network." Some of

the companies within the BVI Network were also involved in the buying and selling of Standing Timber within the WFOE Model.

95. One Sino-Forest document (the "Caretaker Company List") lists more than 120 "peripheral" (nominee) companies that are controlled by 10 "caretakers" on behalf of Sino-Forest. The "caretakers" include Huang Ran (legal representative of Huaihua City Yuda Wood Ltd. ("Yuda Wood"), described in greater detail in paragraphs 99 to 108 below), a relative of Chan, a former Sino-Forest employee, the sole director/shareholder of Montsford Ltd. (an acquaintance of Chan and Chan's nominee in the Greenheart Transaction as outlined in paragraphs 169 to 173 below), a former shareholder of Greenheart Resources Holdings Limited ("GRHL") and a shareholder of Greenheart, and an individual associated with some of Sino-Forest's Suppliers.

96. The control and influence that Sino-Forest exerted over certain Suppliers, AIs, and peripheral companies within the BVI Network bring the bona fides of numerous contracts entered into in the BVI Model into question. Sino-Forest wielded this control and influence through the Overseas Management Defendants and these caretakers. Sino-Forest's control of, or influence over, certain parties within the BVI Network was not disclosed to Plaintiffs and Class Members.

97. Some of the counterparties to the transactions described below (Dacheng Fund, the 450,000 Fraud, Gengma Fraud #1, and Gengma Fraud #2) are companies that are included in the Caretaker Company List, as outlined in more detail in paragraphs 135 to 166 below.

98. Among other undisclosed relationships, Sino-Forest did not disclose the true nature of its relationship with the following two key companies in the BVI Network: Yuda Wood and Dongkou Shuanglian Wood Company Limited ("Dongkou").

i. Sino-Forest Controlled Yuda Wood, a Major Supplier

99. Huaihua City Yuda Wood Co. Ltd., based in Huaihua City, Hunan Province ("Yuda Wood"), was a major supplier of Sino during the Class Period. Yuda Wood was founded in April 2006 and, from 2007 until 2010, its business with Sino totaled approximately 152,164 Ha.

100. Yuda Wood was a Supplier that was controlled by Sino-Forest during the Class Period. In the Second Interim Report, the Independent Committee of the Board of Directors of Sino-Forest Corporation ("IC") acknowledged that ***"there is evidence suggesting close cooperation [between Sino and Yuda Wood] (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood's RMB bank accounts and the numerous emails indicating coordination of funding and other business activities)"*** [emphasis added].

101. The fact that Yuda Wood was a related party of Sino-Forest during the Class Period was a material fact and was required to be disclosed under Canadian GAAP, but, during the Class Period, that fact was not disclosed by Sino-Forest in any of the Financial Statements, MD&As, Prospectuses, Offering Memoranda, or otherwise.

102. From 2007 to 2010, Yuda Wood was purportedly Sino-Forest's largest Supplier, accounting for 18% of all purchases in the BVI Model. Sino-Forest claimed to have paid Yuda Wood approximately $650 million during that time. Because Yuda Wood was Sino-Forest's largest Supplier, both E&Y (during the course of its audits)_ and the Underwriter Defendants (as part of their due diligence) should have closely scrutinized the relationship between the Yuda Wood and Sino-Forest and the transactions between the companies.

103. Yuda Wood was registered and capitalized by certain Individual Defendants, including Defendants Yeung, Ip, Ho, Hung, who also controlled bank accounts of Yuda Wood and key elements of its business.

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

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

106. During the Class Period, Sino-Forest had at least thirteen (13) Suppliers for which former Sino-Forest employees, consultants, or others are or were directors, officers and/or shareholders. Due to these and other connections between these Suppliers and Sino-Forest, some or all of these Suppliers were, in fact, undisclosed related parties of Sino-Forest. These facts suggest that these relationships resulted in improper control over these related parties.

107. Including Yuda Wood, the thirteen (13) Suppliers referenced above accounted for 43% of Sino-Forest's purported plantation purchases during the Class Period.

108. Sino-Forest failed to disclose, in Financial Statements, Offering Memoranda, MD&As, AIFs, or other documents, that any of these Suppliers were related parties, nor did it disclose sufficient information regarding its relationship with such Suppliers as would have enabled investors to ascertain that those Suppliers were related parties and that the transactions

with these entities should have been identified in Sino Forest's financial statements and other disclosures as related party transactions.

ii. Sino-Forest Controlled Dongkou, a Major AI

109. Dongkou was an AI that was controlled by Sino-Forest during the Class Period.

110. In 2008, Dongkou was Sino-Forest's most significant AI, purportedly purchasing approximately $125 million in Standing Timber from Sino-Forest, constituting about 18% of Sino-Forest's Standing Timber revenue for that year. Because Dongkou was a significant AI, both E&Y and the Underwriter Defendants should have closely scrutinized the relationship between Dongkou and Sino-Forest and the transactions between the companies.

111. Sino-Forest controlled Dongkou through one of its WFOE subsidiaries, Shaoyang Jiading Wood Products Co. Ltd. ("Shaoyang Jiading"). Correspondence indicates that, according to an agreement dated November 18, 2006, Shaoyang Jiading purchased Dongkou for approximately $200,000.

112. By November 2006, the six original shareholders of Dongkou had been replaced with two Sino-Forest employees. These two people became the sole Dongkou shareholders with Shareholder #1 holding 47.5% and Shareholder #2 holding 52.5%.

113. Also, in 2007, at the direction of Defendant Ip and others, employees of Sino-Forest drafted purchase contracts to be entered into by Dongkou and its suppliers (other than Sino-Forest). Essentially, Sino-Forest, through Individual Defendants, controlled Dongkou's business with certain counterparties and these transactions should have been identified in Sino Forest's financial statements and other disclosures as related party transactions.

D. Creation and Backdating of Sales Contracts and Other Documents

i. Purchase Contracts in the BVI Model

114. As set out in paragraph 87, approximately 80% (by value) of Sino-Forest's timber assets were held in the BVI Model as of December 31, 2010.

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

a. Plantation Rights Certificates ("Certificates") or other ownership documents;

b. Farmers' Authorization Letters ("Farmers' Authorizations"); and

c. Timber Survey Reports ("Survey Reports").

116. The Purchase Contracts and their attachments were fundamentally flawed in at least four respects, thereby making those transactions suspect and unverifiable.

117. First, Sino-Forest did not hold Certificates evidencing ownership of the Standing Timber allegedly purchased by the BVI Subs. Instead, Sino-Forest claimed that, since the BVI Subs could not obtain Certificates from the PRC government to evidence ownership, it purported to rely on confirmations issued by the forestry bureaus in the PRC as such evidence ("Confirmations"). However, Confirmations are not legally recognized documents evidencing ownership of timber assets in the PRC. These Confirmations were purportedly granted to Sino-Forest as favors by the PRC forestry business. According to Sino-Forest, the PRC forestry bureaus did not intend that these Confirmations would be disclosed to third parties. Also, certain PRC forestry bureau employees obtained gifts and cash payments from Suppliers of Sino-Forest, further undermining the value of the Confirmations as evidence of ownership.

118. If E&Y had conducted a proper audit of Sino-Forest, the inadequacy of the Confirmations as proof of ownership and the questionable circumstances by which these Confirmations were issued likely would have been discovered sooner.

119. Second, during the Class Period, Sino-Forest employed a systematic quarterly documentation process in the BVI Model whereby the purported Purchase Contracts were not drafted and executed until the quarter **after** the date in which the purchase allegedly occurred, although the transaction was accounted for in the preceding fiscal quarter. This was in violation of both the Company's accounting policies and relevant accounting principles.

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

121. Third, the Purchase Contracts referred to Farmers' Authorizations as additional proof of Sino Forest's ownership of the assets. However, none were attached. In the absence of Farmers' Authorizations, there is no evidence that ownership to the Standing Timber was properly transferred to Sino-Forest or to the Supplier prior to the purported transfer of ownership to Sino-Forest. Ownership of the Standing Timber would have remained with the original Certificate holder and the related transaction should not have been booked.

122. Fourth, the Survey Reports, which purported to identify the general location of the purchased timber, were all prepared by a single firm during the Class Period. A 10% shareholder of this survey firm was also an employee of Sino-Forest. Drafts of certain Survey Reports purportedly prepared by this independent survey company were located on the computer of

another employee of Sino-Forest. Like the Purchase Contracts and Confirmations, these drafts of the Survey Reports were backdated to the quarter **prior** to their creation.

123. In the absence of both Certificates and Farmers' Authorizations, Sino-Forest relied on the validity of the Purchase Contracts and the Confirmations as proof of ownership of the Standing Timber it held in the BVI Model. However, the Purchase Contracts and available attachments, including Confirmations, were prepared after the close of the quarter as outlined above, and do not constitute proof of ownership of the trees purported to have been bought by Sino-Forest in the BVI Model.

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

ii. Sales Contracts in the BVI Model

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

126. In fact, in its 2010 Annual Report, the Company expressed the following revenue recognition policy: "The timing of recognition of revenue from plantation fibre sales is dependent on the terms and conditions of the Company's contractual arrangements with its customers. To date, substantially all of the Company's plantation fibre revenue has been recognized when the Company and the buyer enter into a binding sales agreement. In situations where the Company is harvesting the plantation fibre and is responsible for all such related harvesting costs, revenue is recognized at the point in time when the logs are delivered to the

buyer." This revenue recognition policy is consistent with those reported in other Annual Reports.[6]

127. Accordingly, the revenue from the Sales Contracts in the BVI Model was improperly recognized in the quarter prior to the creation of the Sales Contracts. Therefore, the Financial Statements and public statements of Sino-Forest regarding its revenue from Standing Timber were materially false and misleading as revenue was improperly recognized in violation of applicable Company policies and accounting principles.

E. Undisclosed Internal Control Weaknesses/Failures

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

> The success of the Company's vision and strategy of acquiring and selling forestry plantations and access to a long-term supply of wood fibre in the PRC is dependent on senior management. **As such, senior management plays a significant role in maintaining customer relationships, negotiating and finalizing the purchase and sale of plantation fibre contracts and the settlement of accounts receivable and accounts payable associated with plantation fibre contracts.** This concentration of authority, or lack of segregation of duties, creates risk in terms of measurement and completeness of transactions as well as the possibility of non-compliance with existing controls, either of which may lead to the possibility of inaccurate financial reporting. By taking additional steps in 2011 to address this deficiency, management will continue to monitor and work on mitigating this weakness. **[Emphasis added]**

129. Sino-Forest made similar disclosure in its annual MD&A from 2006 to 2009 regarding this concentration of authority or lack of segregation and the risk resulting from these

[6] See Sino-Forest Corporation Condensed Interim Consolidated Financial Statements For the Six Months Ended June 30, 2011; 2007 MD&A; 2008 Annual Report; 2009 Annual Report.

weaknesses. These material weaknesses were not remedied during the Class Period by Sino-Forest, Overseas Management, the Audit Committee Defendants or Defendant Horsley.

130. Sino-Forest failed to disclose the extent of the concentration of duties in Overseas Management. It did not disclose that Overseas Management and their nominees had complete control over the operation of the BVI Model, including control over related parties, described in paragraphs 93 to 113, the creation and execution of the Purchase Contracts and Sales Contracts, described in paragraphs 114 to 127 and the extent of the "off-book" cash flow, set out in paragraphs 88 to 92. This concentration of control in the hands of Overseas Management facilitated the fraudulent course of conduct perpetrated in the BVI Model.

131. Although Sino-Forest did state that the concentration of authority in Overseas Management, their improper control over significant transactions and related entities, and lack of segregation of duties created a risk in terms of "measurement and completeness of transactions," and of "non-compliance with existing controls," Defendants omitted the fact that these were not simply risks but were, in fact, actually causing the issuance of materially false and misleading financial statements in violation of Canadian GAAP.

F. Four Examples of Fraudulent Transactions within the Standing Timber Fraud

132. During the Class Period, the Sino-Forest Defendants engaged in significant fraudulent transactions related to their purchase and sale of Standing Timber. These fraudulent transactions overstated Sino-Forest's assets, revenue, and income during the Class Period.

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

134. In these transactions, Sino-Forest used certain Suppliers, AIs, and other nominee companies that it controlled to falsify the financial disclosure of Sino-Forest, including the value of its Standing Timber assets, revenue, and income.[7]

i. The Dacheng Fraud

135. Sino-Forest and the Individual Defendants committed fraud (the "Dacheng Fraud") in a series of purported transactions commencing in 2008, related to purchases of timber plantations (the "Dacheng Plantations") from a Supplier called Guangxi Dacheng Timber Co. Ltd. ("Dacheng"). Companies controlled by Sino-Forest through Huang Ran were used in the Dacheng Fraud.

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

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

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

139. As a result of the Dacheng Fraud, in 2008, Sino-Forest overstated the value of certain Standing Timber assets by approximately $30 million and, in 2009, Sino-Forest

[7] These fraudulent transactions have been identified by the OSC.

overstated its revenue by approximately $48 million. The effect of this revenue overstatement in Q3 of 2009 is set out in the table below:

Approximately Effect of the Dacheng Fraud on Q3 of 2009 ($ millions)

Quarterly Reported Revenue	367.0
Overstated Revenue	47.7
Overstated Revenue as a % of Quarterly Reported Revenue	13.0%

140. Sino-Forest improperly reported this revenue for Q3 of 2009 on page 20 of its annual MD&A for 2009 (dated March 16, 2010) and page 87 of its 2009 Annual Report, summarizing the "2009 Quarterly Highlights." Accordingly, Sino-Forest's Financial Statements for 2009 were also materially false and misleading.

ii. The 450,000 Fraud

141. Sino-Forest and Individual Defendants committed fraud (the "450,000 Fraud") in a complex series of transactions involving the purchase and sale of 450,000 cubic meters of timber in Q4 of 2009, again utilizing companies controlled by Sino-Forest through Huang Ran. In an email, Defendant Yeung described this purchase and sale of timber as "a pure accounting arrangement."

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

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

a. Gaoyao City Xinqi Forestry Development Co., Ltd. ("Xinqi");

b. Guangxi Rongshui Meishan Wood Products Factory ("Meishan"); and

c. Guangxi Pingle Haosen Forestry Development Co., Ltd. ("Haosen").

144. The sales price for this Standing Timber was approximately $33 million for an apparent profit of approximately $7.1 million.

145. The purported supplier (Yuangao) and the purported customers (Xinqi, Meishan, and Haosen) are all so-called "peripheral" companies of Sino-Forest, *i.e.*, they are nominee companies controlled by Huang Ran on behalf of Sino-Forest. Xinqi, Meishan, and Haosen are also companies included in the Caretaker Company List, and Haung Ran is identified as the "caretaker" of each company. *See* ¶ 93 herein.

146. This $33 million sale of Standing Timber was recorded in Sino-Forest's WFOE Model, as opposed to its BVI Model. As noted in paragraph 88, the BVI Model employs the Offsetting Arrangement whereby payables and receivables are made and collected "off-book." However, in the WFOE Model, Sino-Forest takes receipt of the sales proceeds directly or "on-book."

147. By July 2010, none of the sales proceeds had been collected and the receivable was long overdue. In order to evidence the "collection" of the $33 million in sales proceeds, Sino-Forest devised two separate "on-book" payables/receivables offsetting arrangements, one in 2010 and one in 2011, whereby Sino-Forest made payments to various companies, including Yuangao and at least two other Sino-Forest nominee companies.[8]

148. To account for the purported profit of $7.1 million, Sino-Forest had to "collect" more than just the purchase price ($26 million). Consequently, Sino-Forest created additional "payables" to complete the circular flow of funds needed to collect the sales proceeds of $33

[8] Dao County Juncheng Forestry Development Co., Ltd. And Guangxi Rongshui Taiyuan Wood Co., Ltd.

million. These "on-book" offsetting arrangements, therefore, included the purported settlement of various accounts payable, not just the Yuangao payable arising from the 450,000 Fraud.

149. The companies funneled the money to Xinqi, Meishan and Haosen who, in turn, repaid the money to the Sino-Panel Companies to achieve the purported collection of the $33 million in revenue.

150. The "on-book" offsetting arrangements required that Suppliers and customers have bank accounts through which the funds could flow. In July and August 2010, Sino-Forest set up bank accounts for the suppliers and customers associated with the 450,000 Fraud to facilitate the circular cash flows. These bank accounts were overseen by Defendants Ip and Ho, as well as a former Sino-Forest employee and his associate.

151. Had the E&Y properly conducted its audit properly, utilizing procedures designed to obtain competent evidence of these transactions, the true substance of these transactions would have been revealed.

152. These circular cash-flows commenced in July 2010 and continued until February 2011. The circular flow of funds underlying the 450,000 Fraud demonstrates that the sales contracts purportedly entered into between the Sino-Panel Companies and Xinqi, Meishan, and Haosen are fraudulent and have no true economic substance. As a result of the 450,000 Fraud, Sino-Forest overstated the value of its revenue by approximately $30 million for Q4 of 2009. The effect of this revenue overstatement on the financial statements of Sino-Forest for Q4 of 2009 is set out in this table:

Approximately Effect of the 450,000 Fraud on Q4 of 2009 ($ millions)

Quarterly Reported Revenue	469.6
Fraudulently Overstated Revenue	30.1
Fraudulently Overstated Revenue as a % of	6.4%

Quarterly Reported Revenue	

153. Sino-Forest reported its revenue for Q4 of 2009 at page 20 of its annual MD&A for 2009 (dated March 16, 2010) and page 87 of its 2009 Annual Report, summarizing the "2009 Quarterly Highlights." Accordingly, Sino-Forest's Financial Statements for 2009 were also materially false and misleading as they overstated revenue, income and assets.

iii. Gengma Fraud #1

154. Sino-Forest entered into a fraudulent transaction in 2007 related to Standing Timber assets purchased from Gengma Dai and Wa Tribe Autonomous Region Forestry Co., Ltd. ("Gengma Forestry") by Sino-Panel (Gengma) Co., Ltd. ("Sino-Panel Gengma"), a Sino-Forest subsidiary ("Gengma Fraud #1").

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

156. These fraudulent transactions resulted in an overstatement of Sino-Forest's timber holdings for 2007, 2008, and 2009.

157. In 2010, this Standing Timber was purportedly sold for approximately $231 million. However, these same Standing Timber assets were offered as collateral for a bank loan

by Sino-Forest in 2011, so the sale of those assets in 2010 could not have taken place and been recorded as revenue in that year.

158. Sino-Forest included these revenues in its reports for Q1 and Q2 at page 20 of its annual MD&A for 2010 (dated March 15, 2011) and page 88 of its 2010 Annual Report, summarizing the "2010 Quarterly Highlights."

The Gengma Fraud #1's Effect on the Reported Revenue of Sino-Forest

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

	Q1 2010	Q2 2010
Quarterly Reported Revenue	251.0	305.8
Amount Overstated Revenue	73.5	157.8
Fraudulently Overstated Revenue as a % of Quarterly Reported Revenue	29.3%	51.6%

160. This income fraudulently inflated Sino-Forest's revenue, income, and assets for Q1 and Q2 of 2010, misleading Class Members.

iv. Gengma Fraud #2

161. In 2007, Sino-Forest and the Individual Defendants committed fraud in another series of transactions to artificially inflate its assets and revenue from the purchase and sale of Standing Timber.

162. In September 2007, Sino-Forest recorded the acquisition of Standing Timber from Yuda Wood at a cost of approximately $21.5 million related to Standing Timber in Yunnan

Province (the "Yunnan Plantation"). However, Yuda Wood did not actually acquire these assets in the Yunnan Plantation until in September 2008 – one year later. ("Gengma Fraud #2")

163. In 2007, Sino-Forest also purportedly purchased the land use rights to the Yunnan Plantation from Yuda Wood at a cost of approximately $7 million, about 99% of which was paid to Yuda Wood during the period from January 2009 to April 2009. Sino-Forest then fabricated the sale of the land use rights to Guangxi Hezhou City Kun'an Forestry Co., Ltd. ("Kun'an") pursuant to a contract dated November 23, 2009. Kun'an was controlled by Sino-Forest through Person #1 and is a company included in the Caretaker Company list referred to in paragraph 93 above.

164. Sino-Forest then purported to sell the Standing Timber in the Yunnan Plantation in a series of transactions between March 2008 and November 2009 for approximately $49 million. As Yuda Wood did not own this Standing Timber asset until September 2008, Sino-Forest could not have recorded sales of this Standing Timber prior to that time. Accordingly, Sino-Forest's Financial Statements for 2007 through 2009 were materially false and misleading as they overstated revenues, income, and assets.

The Gengma Fraud #2's Effect on the Reported Revenue of Sino-Forest

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

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

	Q1 2008	Q2 2008	Q3 2008	Q4 2009
Quarterly Reported Revenue	136.1	187.1	295.5	469.6
Fraudulently	5.7	4.9	5..9	32.6

Overstated Revenue				
Fraudulently Overstated Revenue as a % of Quarterly Reported Revenue	4.2%	2.6%	2.0%	6.9%

166. Sino-Forest reported its revenue for Q1, Q2, and Q3 of 2008 at page 19 of its annual MD&A for 2008 (dated March 16, 2009) and page 73 of its 2008 Annual Report summarizing the "2008 Quarterly Highlights." Revenue for Q4 of 2009 was reported as set out above in paragraph 141. Accordingly, Sino-Forest's Financial Statements for 2008 and 2009 were also materially false and misleading as they overstated revenues, income, and assets.

G. The Greenheart Transaction

167. In 2010, following a complex series of transactions, Sino-Forest completed the purchase of a controlling interest in Greenheart Group Ltd. ("Greenheart"), a public company listed on the Hong Kong Stock Exchange. Sino-Forest's 64% interest in Greenheart was acquired for approximately $120 million in cash and Company stock. Greenheart holds natural forest concessions, mostly in Suriname. Greenheart controls most of Sino-Forest's supposedly substantial forestry assets outside of China. Sino-Forest also holds a 39.6% stake in Greenheart Resources Holdings Ltd. ("GRH"), a subsidiary of Greenheart. GRH, in turn, indirectly owns 100%of Greenheart's forest assets and operations in the western part of Suriname, supposedly one of Sino-Forest's principal timber holdings.

168. The Sino-Forest Defendants made materially misleading statements in Sino-Forest's AIFs for 2008, 2009, and 2010 by not disclosing Chan's interest in the Greenheart Transaction. These misleading statements were also contained in Sino-Forest's short form

prospectuses filed in 2009 (which incorporated by reference the relevant AIFs and MD&A as required by Ontario securities law).[9]

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

170. As a result of the Greenheart Transaction, Fortune Universe and Montsford received over $22.1 million, comprised of approximately $3.7 million in cash and approximately $18.4 million in securities of Sino-Forest. The Sino-Forest securities received by Fortune Universe and Montsford appreciated in value and were subsequently sold for a total of approximately $35 million. With the help of Chan's assistant, these securities were sold through brokerage accounts of Fortune Universe and Montsford, which were opened at her direction on the instructions of Chan. However, Chan arranged for the sole director/shareholder of Fortune Universe and the sole director/shareholder of Montsford to act as Chan's nominees. Chan was the true beneficial owner of Fortune Universe and Montsford.

171. The sole director/shareholder of Fortune Universe was the legal representative and director of one of Sino-Forest's largest Suppliers during the Class Period. The sole director/shareholder of Montsford was an acquaintance of Chan based in the PRC.

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

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[9] *See also* the Company's short form prospectuses filed in 2008 and 2010.

173. Chan failed to disclose his substantial personal interest in the Greenheart Transaction and the over $22 million received by entities under his control. Chan and Sino-Forest misled the investing public in Sino-Forest's filings and public statements. Chan falsely certified the accuracy of Sino-Forest's AIFs for 2008, 2009, and 2010, as these documents failed to disclose his interest in the Greenheart Transaction. Accordingly, Sino-Forest's Financial Statements for these years were also materially false and misleading for improperly reporting related party transactions.

IV. SINO-FOREST'S MATERIALLY FALSE AND MISLEADING STATEMENTS

174. During the Class Period, Sino-Forest made numerous statements that were materially false and misleading and which had the effect of artificially inflating the value of Sino-Forest's securities. These false statements were contained in the Company's public filings, press releases, reports and other statements to the investing public. As described above, during the Class Period, the Company reported steadily increasing holdings of timber assets (mostly in the PRC) achieved through acquisitions and purchases, and increasing revenues and earnings, all of which contributed to the Company's rising stock price and its ability to issue additional debt and equity securities to investors.

175. By omitting material facts and failing to disclose the improper recognition of revenues, overstatement of assets, and other misconduct described above, the Sino-Forest Defendants made materially misleading statements or omitted material facts in its filings to the Ontario Securities Commission during the Class Period. The materially false and misleading statements or omitted facts related to Sino-Forest's business and financial results were contained in (or absent from) the Company's public filings, including its audited annual financial

statements, AIFs, prospectuses, and MD&As filed with the Ontario Securities Commission during the Class Period as required by Canadian securities law.

176. Besides the issuance of false and misleading financial statements, examples of other materially false and misleading statements include:

a. Sino-Forest's statement in its 2010 AIF that the Company applied for Plantation Rights Certificates and obtained confirmation of ownership from the forestry bureaus: "For our purchased plantations, we have applied for the corresponding Plantation Rights Certificates with the relevant local forestry bureaus. As the relevant locations where we purchased our purchased plantations have not fully implemented the new form of Plantation Rights Certificate, we are not able to obtain all the corresponding Plantation Rights Certificates for our purchased plantations. Instead, we obtained confirmation of our ownership of our purchased plantations from the relevant forestry bureaus. Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations."

b. Sino-Forest's statement in its 2010 AIF that "The PRC government is in the process of gradually implementing the issuance of the new form of certificates on a nationwide scale. However, the registration and issuance of the new form plantation rights certificates by the PRC State Forestry Administration have not been fully implemented in a timely manner in certain parts of the PRC. We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management, and we are in the process of applying for

the plantation rights certificates for those plantations for which we have not obtained such certificates."[10]

177. Thus, beginning at least as early as March 19, 2007, the Company's MD&A and annual filings were materially false and misleading with respect to the Company's operations and financial performance because they described the Company as a fast-growing, legitimate business that followed good corporate governance practices, while failing to disclose: (1) that the Company engaged in multiple fraudulent transactions which resulted in the overstatement of assets, revenues and income; (2) that the Company lacked adequate internal controls to substantiate its financial performance or verify its assets and contractual relationships; (3) that its operations were permeated by unsubstantiated and undisclosed related party transactions; and (4) that its financial statements were materially misleading and not prepared in accordance with the applicable accounting standards These material facts were omitted from the Company's filings and reports listed in Paragraphs 190 and 192 herein.

178. These misleading statements and omissions, including the assets, revenue, and income recorded as a result of the Standing Timber Fraud, among other things, were material as they related to Sino-Forest's primary business in the BVI Model and the WFOE Model, representing approximately 90% of Sino-Forest's stated timber assets as of December 31, 2010 and 75% of its stated revenue from 2007 to 2010.

179. In addition, Sino-Forest's statements in its public disclosures, including its AIFs and its MD&As filed with the Ontario Securities Commission during the Class Period, regarding the extent of its internal control weaknesses and deficiencies were wholly inadequate and

[10] *See also* the Company's 2007, 2008, and 2009 AIFs wherein the Company gives conflicting responses as to the issuance of plantation rights certificates.

misleading in light of the pervasive control management had over the transactions and entities Sino-Forest conducted business with and their ability to circumvent the Company's accounting practices and policies.

C. **Misrepresentations and Omissions With Respect to Sino-Forest's Financial Statements**

180. Sino-Forest's financial statements, which were disseminated on a quarterly and annual basis via press releases and public filings, consistently portrayed Sino-Forest as a profitable and rapidly expanding company. As set forth in Sino-Forest's 2006 Annual Consolidated Financial Statements, dated March 19, 2007; its 2007 Annual Consolidated Financial Statements, dated March 18, 2008; its 2008 Annual Consolidated Financial Statements, dated March 16, 2009; its 2009 Annual Consolidated Financial Statements, dated March 16, 2010; and its 2010 Annual Consolidated Financial Statements, dated March 15, 2011, the Company's revenue, earnings, and assets supposedly grew during the Class Period as follows:

	2006	**2007**	**2008**	**2009**	**2010**
Assets	$1,207,255,000	$1,837,497,000	$2,603,924,000	$3,963,899,000	$5,729,033,000
Revenue	$555,480,000	$713,866,000	$896,045,000	$1,238,185,000	$1,923,536,000
Net Income	$113,480,000	$152,273,000	$228,593,000	$286,370,000	$395,426,000

181. Each of the annual financial statements, except for the 2006 statements, were accompanied by an audit opinion from E&Y stating that E&Y had conducted annual audits in accordance with Canadian GAAS and that these financial statements were presented in accordance with Canadian GAAP. Defendant Chan signed each annual financial statement.

182. E&Y consented to the inclusion in the June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009, and October 2010 Offering

Memoranda, of its audit reports on Sino's Annual Financial Statements issued during the Class Period.

183. Defendants Hyde and West are former E&Y partners and employees. They served on Sino-Forest's Audit Committee but purported to exercise oversight of their former E&Y colleagues. In addition, Sino-Forest's Vice-President, Finance (Corporate), Thomas M. Maradin, is a former E&Y employee. Also, during the Class Period, at least 3 other former E&Y staff members were employed by Sino-Forest.

184. The charter of Sino-Forest's Audit Committee required that Ardell, Bowland, Hyde, and West review and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the Auditor. Sino-Forest's practice of hiring numerous former E&Y staff and appointing former E&Y partners to its board and the audit committee – and paying them handsomely (for example, Hyde was paid $163,623 by Sino-Forest in 2010, $115,962 in 2009, $57,000 in 2008, and $55,875 in 2007, plus stock options and other compensation) – undermined the Audit Committee's oversight of E&Y.

185. E&Y's independence was further impaired by the significant non-audit fees it was paid during 2008-2010, which total $712,000 in 2008, $1,225,000 in 2009, and $992,000 in 2010.

186. As described above, the Sino-Forest Defendants created and executed the Purchase Contracts in the BVI Model in the quarters after the assets acquired in those transactions were recognized. This made Sino-Forest's audited annual financial statements, AIFs, and MD&A for the years 2006, 2007, 2008, 2009, and 2010 materially false and misleading as revenues, income, and assets were all overstated. *See* paragraphs 114 to 124 above.

187. Further, given that Sino-Forest did not have sufficient proof of ownership of the majority of its Standing Timber assets due to the conduct described above, the information regarding Sino-Forest's timber holdings in its audited annual financial statements, AIFs, and MD&As for the years 2006, 2007, 2008, 2009, and 2010 were materially false and misleading. For the same reasons, the information regarding Sino-Forest's timber holdings in its short form prospectuses filed in 2007 and 2009 (which incorporated by reference the relevant audited annual financial statements, AIFs, and MD&As as required by Ontario securities law) was materially false and misleading as revenues, income, and assets were all overstated.

188. In addition, the creation and execution of sales contracts in the BVI model following the close of a quarter where the revenue related to those transactions was recognized, was contrary to the revenue recognition process set out in Sino-Forest's public filings including its MD&A and the notes to its audited annual financial statements – making those representations therefore, materially false and misleading as revenues, income, and assets were all overstated. *See* paragraphs 126 to 127 above.

189. The Company also issued materially false and misleading unaudited "Interim Financial Statements" during the Class Period, which incorporated prior period audited financial statements and similarly overstated the Company's revenue, earnings, and assets. The Company's materially false and misleading quarterly financial statements (through 2010) which, like the annual financial statements, showed increasing revenue, earnings, and assets, were released on the following dates:

Document	**Date of Filing**
2007 Q-1 Interim Financial Statements	5/14/2007
2007 Q-2 Interim Financial Statements	8/13/2007
2007 Q-3 Interim Financial Statements	11/12/2007

Document	Date of Filing
2008 Q-1 Interim Financial Statements	5/13/2008
2008 Q-2 Interim Financial Statements	8/12/2008
2008 Q-3 Interim Financial Statements	11/13/2008
2009 Q-1 Interim Financial Statements	5/11/2009
2009 Q-2 Interim Financial Statements	8/10/2009
2009 Q-3 Interim Financial Statements	11/12/2009
2010 Q-1 Interim Financial Statements	5/12/2010
2010 Q-2 Interim Financial Statements	8/10/2010
2010 Q-3 Interim Financial Statements	11/10/2010

Each of the financial statements listed above, as well as the reports listed in Paragraph 192, contained materially false and misleading financial statements and statements regarding the Company's financial results that omitted material facts described in Paragraph 191.

190. Sino-Forest's quarterly and annual financial statements (through December 31, 2010) were materially false and misleading because they failed to comply with Canadian GAAP. Specifically, at the time each of these financial statements was issued, it overstated the Company's assets, inflated the reported revenue and earnings, and misled investors regarding the Company's then-current financial situation and future prospects. Defendants failed to disclose to investors that: (1) the Company engaged in multiple fraudulent transactions which resulted in the overstatement of assets, revenues, and income; (2) the Company lacked adequate internal controls to substantiate its financial performance or verify its assets and contractual relationships; (3) the Company's operations were permeated by unsubstantiated and undisclosed related party transactions; and (4) the Company's financial statements were materially misleading and not prepared in accordance with the applicable accounting standards. Sino-Forest's quarterly financial statements for the first two quarters of fiscal year 2011 also overstated the Company's

assets, revenues, and net earnings at the time they were issued and were not presented in accordance with the applicable Canadian accounting standards.

D. Other Misrepresentations and Omissions In Annual And Quarterly Filings

191. In addition to filing false and misleading financial statements, the Company made numerous other false and misleading statements to investors in other periodic securities filings made pursuant to Canadian disclosure regulations. During the Class Period, the Sino-Forest Defendants repeatedly made statements in Sino-Forest's periodic filings that falsely and misleadingly described the Company as a fast-growing, legitimate business that followed good corporate governance practices.

192. The Company's periodic reports to investors included (in addition to the separately filed financial statements) a "Management Discussion and Analysis" ("MD&A") that Sino-Forest filed each quarter during the Class Period, "Annual Information Forms" ("AIFs") and annual reports. These documents provided to investors and others gave narrative explanations of the Company's business, operations and financial performance for the specific period, and of the Company's financial condition and future prospects. Canadian law specifically requires that the MD&A discuss important trends and risks that have affected the Company and that are reasonably likely to affect it in future. The dates of these false and misleading statements are set out in the table below:

Document	Date of Filing
2006 MD&A	3/19/2007
2006 AIF	3/30/2007
2006 Annual Report	5/4/2007
2007 Q-1 MD&A	5/14/2007
2007 Q-2 MD&A	8/13/2007

Document	Date of Filing
2007 Q-3 MD&A	11/12/2007
2007 MD&A	3/18/2008
2007 AIF	3/28/2008
2007 Annual Report	5/6/2008
2008 Q-1 MD&A	5/13/2008
2008 Q-2 MD&A	8/12/2008
2008 Q-3 MD&A	11/13/2008
2008 MD&A	3/16/2009
2008 AIF	3/31/2009
2008 Annual Report	5/4/2009
2009 Q-1 MD&A	5/11/2009
2009 Q-2 MD&A	8/10/2009
2009 Q-3 MD&A	11/12/2009
2009 MD&A	3/16/2010
2009 AIF	3/31/2010
2009 Annual Report	5/11/2010
2010 Q-1 MD&A	5/12/2010
2010 Q-2 MD&A	8/10/2010
2010 Q-3 MD&A	11/10/2010
2010 MD&A	3/15/2011
2010 AIF	3/31/2011
2010 Annual Report	5/10/2011

Each of the reports listed above contained materially false and misleading financial statements and contained statements regarding the Company's financial results that omitted material facts described in Paragraph 176.

E. False Certifications

193. Each annual financial statement, AIF, and MD&A filing was accompanied by separate certifications signed by Defendants Chan and Horsley, which asserted the following:

> 1. Review: I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of Sino-Forest Corporation (the "issuer") for the financial year ended December 31…
>
> 2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
>
> 3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

194. Similarly, each of the quarterly interim financial statements and quarterly MD&As were accompanied by separate certifications signed by Defendants Chan and Horsley, which also asserted the following:

> 1. Review: I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Sino-Forest Corporation (the "issuer") for the interim period ended….
>
> 2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
>
> 3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

195. However, these publicly filed certifications were materially false and misleading because the Company's quarterly and annual financial statements overstated its assets, revenues and earnings, and the narrative statements were materially false and misleading. These statements failed to disclose (1) that the Company engaged in multiple fraudulent transactions which resulted in the overstatement of assets, revenues and income; (2) that the Company lacked adequate internal controls to substantiate its financial performance or verify its assets and contractual relationships; (3) that its operations were permeated by unsubstantiated and undisclosed related party transactions; and (4) that its financial statements were materially misleading and not prepared in accordance with the applicable accounting standards.

F. Misrepresentations and Omissions Relating To Yunnan Forestry Assets

196. On March 23, 2007, Sino-Forest issued a press release announcing that it had entered into an agreement to sell 26 million shares to several institutional investors for gross proceeds of $200 million and that the proceeds would be used for the acquisition of standing timber including, pursuant to a new agreement, the purchase of standing timber in China's Yunnan Province. The press release further stated that Sino-Forest-Panel (Asia) Inc. ("Sino-Forest-Panel"), a wholly-owned subsidiary of Sino-Forest, entered into (on that same day) an agreement with Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd., ("Gengma Forestry") in Lincang City, Yunnan Province in the PRC. Under that Agreement, Sino-Forest-Panel would acquire approximately 200,000 hectares of non-state owned commercial standing timber in Lincang City and surrounding cities in Yunnan for $700 million to $1.4 billion over a 10-year period.

197. Similar representations regarding the acquisition of these assets were also made in Sino-Forest's Q1 2007 MD&A. Moreover, throughout the Class Period, Sino-Forest discussed

its purported Yunnan acquisitions in other filings and public statements. In the Company's 2010 AIF, filed on March 31, 2010, the Company asserted that "[a]s of December 31, 2010, we have acquired approximately 190,300 hectares of plantation trees for US $925.9 million under the terms of the master agreement" which was entered into in March 2007. It made a similar statement in its 2010 annual report, which was filed on May 10, 2011.

198. However, as discussed above in paragraphs above 196 to 198 , Sino-Forest's and Defendants' statements concerning the acquisition of assets in Yunnan Province were materially false and misleading because, among other reasons, Sino-Forest acquired the rights to far less timber than the Company claimed and/or the value attributed to the timber assets purportedly owned by Sino-Forest was materially overstated. As a result, the Company's representations relating to its financial results and business were materially misleading as Defendants failed to disclose the true amount of timber acquired from Gengma Forestry, thereby overstating the assets carried on the balance sheet.

G. Misrepresentations and Omissions Relating to the Offering of 2017 Notes

199. On October 14, 2010, Sino-Forest, through the Underwriter Defendants, offered and sold the 2017 Notes. The Underwriter Defendants served as Joint Global Coordinators and Lead Bookrunning Managers. The 2017 Notes were purportedly exempt from registration requirements under the U.S. Securities Act because they were offered, pursuant to SEC Rule 144A, to qualified institutional buyers (including those in the U.S.), and in offshore transactions to investors other than U.S. persons under SEC Regulation S.

200. The 2017 Notes were sold pursuant to the Offering Memorandum, which was materially false and misleading as described below, and which was prepared by the Sino-Forest Defendants and the Underwriter Defendants. The Offering Memorandum specifically

incorporates by reference Sino-Forest's misleading 2007, 2008, and 2009 annual financial statements, its misleading unaudited interim financial statements for the six months ended June 30, 2009 and June 30, 2010, and Defendant E&Y's audit reports dated March 13, 2009 and March 16, 2010 (with E&Y's consent). The Offering Memorandum states that the documents incorporated by reference "form [an] integral part of [the] Offering Memorandum."

201. As underwriters of the Note Offering, the Underwriter Defendants had a duty to investors to conduct an adequate due diligence with respect to the representations in the Offering Memorandum. The Underwriter Defendants were reckless or negligent in performing due diligence on the Note Offering by failing, among other things, to determine the legitimacy of the Company's revenues, earnings and income, its lack of internal controls, the existence of multiple related party transactions or to ascertain the true value of the assets, properties and business of Sino-Forest, resulting in the issuance of a materially false and misleading Offering Memorandum.

202. The Offering Document was signed by the Underwriter Defendants and contained both Sino-Forest's misleading financial statements and the misleading narrative description of the Company' results and its future prospects, including the portrayal of the Company as a fast-growing, legitimate business which followed good corporate governance practices with positive future prospects for growth. In particular, the Offering Memorandum cited the Company's competitive strengths including, among others, the following: (i) "Leading commercial forest plantation operator in the PRC with established track record;" (ii) "First mover advantage with strong track record of obtaining and developing commercial tree plantations and ability to leverage our industry foresight;" (iii) "Future growth supported by long-term master agreements

at agreed capped prices;" (iv) "Strong research and development capability, with extensive forestry management expertise in the PRC;" and (v) "Diversified revenue and asset base."

203. As described above, each of these additional statements in the Offering Document were materially false and misleading because, contrary to the financial results reported in its financial statements, and contrary to the description of Company with major strengths as a forest plantation operator, the Company was engaged in fraudulent practices, resulting in the overstatement of assets, revenues and earnings, and misleading statements about its contractual relationships with certain parties in the PRC related to the purchase of timber acreage. Thus, at the time of the Note Offering, investors were misled because the Company's actual financial condition, results of operation, and future business prospects were much worse than these public statements indicated.

H. Misrepresentations and Omissions Relating to Code of Business Conduct

204. At all material times, Sino-Forest maintained it had in place a Code of Business Conduct (the "Code"), which governed its employees, officers and directors. The full text of the code was posted on the Company's Internet site and available to investors. It stated that the members of senior management "are expected to lead according to high standards of ethical conduct, in both words and actions." The Code further required that Sino-Forest representatives act in the best interests of shareholders, that corporate opportunities not be used for personal gain, that insiders not trade in Sino-Forest securities based on undisclosed knowledge stemming from their position or employment with Sino-Forest, that the Company's books and records be honest and accurate, that conflicts of interest be avoided, and that any violations or suspected violations of the Code, and any concerns regarding accounting, financial statement disclosure, internal accounting or disclosure controls or auditing matters, be reported.

205. Nonetheless, as explained in this Complaint, the publicly disclosed Code contained materially false and misleading statements because, as described herein in paragraphs 204-205 Sino-Forest's top executives placed their own interests ahead of the Company's and did not actually follow the provisions of the Code in that they sold Sino-Forest stock while in possession of material, non-public information and profited from transactions entered into with related parties.

G. Misrepresentations and Omissions Relating to Poyry's Valuation of Sino-Forest's Forestry Assets

206. As particularized above, Sino-Forest overstated its forestry assets in Yunnan and Jiangxi Provinces in the PRC and in Suriname. Accordingly, Sino-Forest's total assets are overstated to a material degree in all of the Financial Statements, Annual Reports, MD&As, AIFs, and other investor documents, in violation of Canadian GAAP, and each such statement of Sino's total assets constitutes a misrepresentation or omission of material fact.

207. In addition, during the Class Period, Poyry and entities affiliated with it made statements that are misrepresented Sino-Forest's Yunnan Province "assets," namely:

a. In a report dated March 14, 2008, filed on SEDAR (the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators) on March 31, 2008, (the "2008 Valuations"), Poyry: (a) stated that it determined the valuation of the Sino-Forest assets to be $3.2 billion as of December 31, 2007; (b) provided tables and figures regarding Yunnan; (c) stated that "Stands in Yunnan range from 20 ha to 1000 ha," that "In 2007 Sino-Forest purchased an area of mixed broadleaf forest in Yunnan Province," that "Broadleaf forests already acquired in Yunnan are

all mature," and that "Sino-Forest is embarking on a series of forest acquisitions/expansion efforts in Hunan, Yunnan, and Guangxi;" and (d) provided a detailed discussion of Sino-Forest's Yunnan "holdings" at Appendices 3 and 5. Poyry's 2008 Valuations were incorporated in Sino-Forest's 2007 Annual MD&A, amended 2007 annual MD&A, 2007 AIF, each of the Q1, QW2, and Q3 2008 MD&As, Annual 2008 MD&A, amended Annual 2008 MD&A, each of the Q1, Q2, and Q3 2009, annual 2009 MD&A, and July 2008 and December 2009 Offering Memoranda;

b. In a report dated April 1, 2009 and filed on SEDAR on April 2, 2009 (the "2009 Valuations"), Poyry stated that "[t]he area of forest owned in Yunnan has quadrupled from around 10,000 ha to almost 40,000 ha over the past year," provided figures and tables regarding Yunnan, and stated that "Sino-Forest has increased its holding of broadleaf crops in Yunnan during 2008, with this province containing nearly 99% of its broadleaf resource." Poyry's 2009 Valuations were incorporated in Sino-Forest's 2008 AIF, each of the Q1, Q2, and Q3 2009 MD&As, Annual 2009 MD&A, June 2009 Offering Memorandum, and June 2009 and December 2009 Prospectuses;

c. In a "Final Report" dated April 23, 2010, filed on SEDAR on April 30, 2010 (the "2010 Valuations"), Poyry stated that "Guangxi, Hunan, and Yunnan are the three largest provinces in terms of Sino-Forest's holdings. The largest change in area by province, both in absolute and relative terms [sic] has been Yunnan, where the area of forest owned has almost tripled,

from around 39,000 ha to almost 106,000 ha over the past year," provided figures and tables regarding Yunnan, stated that "Yunnan contains 106,000 ha, including 85,000 ha or 99% of the total broadleaf forest," stated that "the three provinces of Guangxi, Hunan, and Yunnan together contain 391,000 ha or about 80% of the total forest area of 491,000 ha" and that "[a]lmost 97% of the broadleaf forest is in Yunnan," and provided a detailed discussion of Sino-Forest's Yunnan "holdings" at Appendices 3 and 4. Poyry's 2010 Valuations were incorporated in Sino-Forest's 2009 AIF, the annual 2009 MD&A, each of the Q1, Q2, and Q3 2010 MD&As, and the October 2010 Offering Memorandum;

d. In a "Summary Valuation Report" regarding "Valuation of Purchased Forest Crops as at 31 December 2010" and dated May 27, 2011, Poyry provided tables and figures regarding Yunnan, stated that "[t]he major changes in area by species from December 2009 to 2010 has been in Yunnan pine, with acquisitions in Yunnan and Sichuan provinces" and that "[a]nalysis of [Sino's] inventory data for broadleaf forest in Yunnan, and comparisons with an inventory that Poyry undertook there in 2008 supported the upwards revision of prices applied to the Yunnan broadleaf large size log," and stated that "[t]he yield table for Yunnan pine in Yunnan and Sichuan provinces was derived from data collected in this species in these provinces by Poyry during other work;" and

e. In a press release titled "Summary of Sino-Forest's China Forest Asset 2010 Valuation Reports" and which was "jointly prepared by Sino-Forest

> and Poyry to highlight key findings and outcomes from the 2010 valuation reports," Poyry reported on Sino's "holdings" and estimated the market value of Sino's forest assets on the 754,816 ha to be approximately $3.1 billion as of December 31, 2010.

208. These Poyry reports were materially false and misleading based on the lack of evidence that Sino-Forest owned the assets described therein..

V. INITIAL DISCLOSURE OF FRAUD AT SINO-FOREST

209. A report published on June 2, 2011 by Muddy Waters (the "Report"), a research firm that specializes in analyzing Chinese companies traded in the United States and Canada, reported that Sino-Forest and its financial statements were permeated by fraud.

210. The Report detailed the extensive investigative effort and resources that Muddy Waters had undertaken to discover the truth about the Company:

> In order to conduct our research, we utilized a team of 10 persons who dedicated most to all of their time over two months to analyzing [Sino-Forest]. The team included professionals who focus on China from the disciplines of accounting, law, finance, and manufacturing. Our team read over 10,000 pages of documents in Chinese pertaining to the company. We deployed professional investigators to five cities. We retained four law firms as outside counsel to assist with our analysis.

211. The Muddy Waters report concluded that the Company was extensively involved in business practices that were "blatantly illegal" and that the Company's financial statements and other reports to investors were permeated by fraud. According to the Report, Sino-Forest's remarkably consistent growth during the Class Period was illusory – simply the result of "a Ponzi scheme," rather than a real expansion in Sino-Forest's business. According to Muddy Waters, the Company used its supposed growth and profitability to raise money from private

lenders and the financial markets. This money, in turn, was used to bolster an appearance of further growth and increased profitability, which in turn opened the door to additional funding from private lenders and the capital markets. According to the Report, however, the capital raised by Sino-Forest was not used to expand the Company's business, but was instead largely siphoned off by insiders in undisclosed related party transactions.

212. At the heart of the misconduct at Sino-Forest, according to Muddy Waters, is the Company's use of AIs. The Report noted that AIs apparently act as both buyers and sellers in Sino-Forest transactions. For example, in one case uncovered by Muddy Waters, an AI purchased logs from Sino-Forest and delivered them to a chipping facility. Once the logs reached the facility they were sold back to Sino-Forest. Sino-Forest then turned around and sold the logs back to the AI who then proceeded to turn the logs into wood chips. The purpose of these transactions, which were pointless from a business perspective, was to create the appearance of additional revenue for Sino-Forest. This type of "circular" transaction was also found by the Ontario Securities Commission during its investigation of the Company.

213. The Report also disclosed that Sino-Forest vastly overstated its forestry assets. In China's Yunnan Province alone, the overstatement is potentially hundreds of millions of dollars. As noted above, in March 2007 Sino-Forest publicly announced that it had entered into an agreement to purchase up to 200,000 hectares of trees in Lincang City in Yunnan for $700 million to $1.4 billion, but a review of relevant government documents by Muddy Waters indicated that the actual size of this purchase was about 40,000 hectares.

214. Furthermore, although Sino-Forest generally does not identify the companies from which it purchases forestry assets, Muddy Waters was able to identify many of these companies by means that included careful review of government records. Muddy Waters visited

many of these entities, finding that they "generally operated out of apartments while purportedly each doing annual revenue in the hundreds of millions from TRE [Sino-Forest] alone." This discovery supports Muddy Waters' conclusion that a substantial portion of the Company's reported purchases of forestry assets were greatly exaggerated or never occurred at all.

215. The Report also noted that Sino-Forest had engaged in substantial transactions with undisclosed related parties, transactions which are in violation of the applicable accounting rules and which require disclosure of related party transactions. An example is Jiangxi Zhonggan Industrial Development Company Ltd., which was incorporated just months before it entered into an approximately $700 million contract with Sino-Forest in June 2009. The legal representative and President of this company is Sino-Forest Executive Vice President, Lam Hong Chiu. According to Muddy Waters, Zhonggan's 2008 and 2009 audit report shows "numerous large transactions between the Company, TRE, and other parties." Separately, Muddy Waters identified Huaihua Yuda Wood Company Ltd., as "an undisclosed TRE subsidiary that has been receiving massive amounts of money from TRE's subsidiaries."

216. On publication of the Muddy Waters Report, the price of Sino-Forest's securities dropped dramatically. On June 2, 2011, the Company's shares, which ended trading at $18.64 on June 1, ended trading on the OTC market at $7.33 and then fell further, to $5.41 on June 3, a price drop of 71% over two days on substantially larger volume than normal. The prices of the Company's debt securities also declined significantly.

VI. SINO-FOREST'S DENIALS AND FURTHER MISLEADING STATEMENTS

217. Soon after publication of the Muddy Waters Report, Defendants began an organized campaign to further mislead investors by falsely claiming that there was no

misconduct at the Company. These denials and misleading statements (¶¶ 174-179) continued to prop up the prices of Sino-Forest securities until trading was halted on August 26, 2011.

218. In a June 3, 2011 press release, the Company asserted that "[t]he Board of Directors and management of Sino-Forest wish to state clearly that there is no material change in its business or inaccuracy contained in its corporate reports and filings that needs to be brought to the attention of the market. Further we recommend shareholders take extreme caution in responding to the Muddy Waters report." The release also quoted Defendant Chan as saying the following: "let me say clearly that the allegations contained in this report [by Muddy Waters] are inaccurate and unfounded." The release quoted Defendant Horsley as saying "I am confident that the [Sino-Forest Board of Directors'] independent committee's examination will find these allegations to be demonstrably wrong."

219. In a June 6, 2011 press release, Sino-Forest further stated that "The Company believes Muddy Waters' report to be inaccurate, spurious and defamatory." The press release quoted Defendant Chan as saying the following: "I stand by our audited financial statements, including the revenue and assets shown therein. All material related party transactions are appropriately disclosed in our financial statements. We do business with the parties identified in the report at arm's length. Those parties are not related or connected to the Company or any of its management."

220. During a June 14 conference call with investors, Defendant Chan suggested that the Muddy Waters allegations were entirely inaccurate, accusing Muddy Waters of a "pattern of sloppy diligence and gross inaccuracy."

221. Moreover, even after the release of the Muddy Waters Report, the Sino-Forest Defendants continued their practice of making false and misleading statements about Sino-

Forest's financial condition and future prospects. On both June 14, 2011 and August 15, 2011, Sino-Forest filed, respectively, its Interim Financial Statements and its MD&A covering the first quarter which were materially false and misleading.

222. The August 15, 2011 MD&A also made the following false statement: "[u]nder the master agreement entered in March 2007 to acquire 200,000 hectares of plantation trees over a 10-year period in Yunnan, the Company has actually acquired 230,200 hectares of plantation trees for $1,193,459,000 as at March 31, 2011." In fact, as the Muddy Waters Report disclosed, the Company vastly overstated the value of its holdings in Yunnan under the March 2007 agreement. The statements set forth in paragraphs 196 to 198 and the financial statements and results in the June 14th and August 15th filings (which investors were later told they should not rely upon) contained material misrepresentations and omissions similar to those made in filings earlier in the Class Period: they falsely portrayed the Company as a fast-growing, legitimate business that followed good corporate governance practices with positive future prospects for growth and they materially overstated the Company's revenue, earnings, and assets.

VII. CONFIRMATION OF THE FRAUD

223. After publication of the Muddy Waters Report, additional investigations and disclosures evidence that numerous statements by Sino-Forest during the Class Period were materially false and misleading or omitted material information.

A. *The Globe and Mail* Investigation

224. A June 18, 2011 article in the highly respected *Globe and Mail*, Canada's largest-circulation national newspaper, confirmed that Sino-Forest provided materially inaccurate information about the Company's holdings in Yunnan, which comprised a substantial portion of the Company's supposed forestry assets. The article stated, in part:

> The Globe's investigation raises particularly hard questions about a key agreement in March, 2007, that Sino-Forest says gave it the right to buy timber rights for up to 200,000 hectares of forest in Yunnan over a 10-year period for between $700-million (U.S.) and $1.4-billion. The trees were to be bought through a series of agreements with an entity called Gengma Dai and Wa Tribes Autonomous Region Forestry Co. Ltd., also known as Gengma Forestry.
>
> The company says it has fulfilled virtually all of the agreement with Gengma and now owns more than 200,000 hectares in Yunnan.
>
> But officials with Gengma Forestry, including the chairman, dispute the company's account of the deal, telling *The Globe and Mail* that the actual numbers are much smaller.

225. *The Globe and Mail* article reported that an interview with officials involved in the Sino-Forest transactions indicated that the Company acquired less than 14,000 hectares. The article went on to say:

> Mr. Xie's account corroborates the assertions of senior forestry officials in the province. Speaking on condition of anonymity, these officials challenged the company's statements that it controls more than 200,000 hectares of Yunnan trees, and said they are now investigating.

226. *The Globe and Mail* further reported:

> In a written response to questions from The Globe, Sino-Forest said it stands by its public statements regarding its Yunnan holdings. The company said it has purchased about 13,300 hectares of 'forestry assets and leased land' directly from Gengma Forestry, and another 180,000 hectares of 'forestry assets only' from other sellers, using Gengma as a purchasing agent.
>
> **'The agreement has not been yet fulfilled as we have not completed the purchase of 200,000 hectares,' the company said.**[11]
>
> **That statement from Sino-Forest appears to contradict its own publicly filed financial reports. In its first quarter 2011 report,**

[11] Unless otherwise indicated, all emphasis in quotations is added.

the company said that 'under the master agreement entered in March 2007 to acquire 200,000 hectares of plantation trees over a 10-year period in Yunnan, the Company has actually acquired 230,200 hectares of plantation trees for $1,193,459,000 as at March 31, 2011.'

The company's 2010 annual information form filed with regulators earlier this year said that as of December 31, 2010, Sino-Forest had 'acquired approximately 190,300 hectares of plantation trees for $925.9-million (U.S.) under the terms of the master agreement.'

The Globe's investigation of the company's dealings and holdings in Yunnan points to inconsistencies in the company's accounting of its timber rights and raises broader questions about its business practices.

227. In addition, it was reported that:

As of the end of 2010, the company claimed control of about 800,000 hectares of trees in nine Chinese provinces plus New Zealand. Its operation in Yunnan province, in addition to being its largest, is also the one for which it has made additional disclosures recently in an attempt to defuse the allegations made in the Muddy Waters report.

So far, however, it has disclosed purchase agreements as well as forest and woodland rights certificates for about 7,000 hectares of forest in Yunnan. **The company has not disclosed significant documentation regarding its forestry holdings in other provinces.**

To find Gengma Forestry, Sino-Forest's local partner in the so-called 'Yunnan master agreement' – the 2007 deal said to be worth as much as $1.4-billion – you have to duck down an alleyway behind the drugstore on the main street of this nondescript trading city, then up a dusty cement staircase.

On the landing is the litter-strewn office with an open door and a window protected by metal bars. Despite signing a deal with Sino-Forest that should guarantee a windfall, the company has clearly fallen on hard times. 'Our relations with [Sino-Forest] were not totally good. They talked about a lot of things, but in the end it was hard to get money from them,' said Zhang Ling, Gengma Forestry's office manager.

228. Statements of local officials in Yunnan province also contradict the reported size of Sino-Forest's holdings:

> Senior forestry officials in the province challenged the company's assertion that it controls about 200,000 hectares of forest in the region. Speaking on condition they not be identified, they said their records showed Sino-Forest manages far less than that and said the Yunnan Forestry Bureau would begin an investigation aimed at determining the company's true holdings.

229. Not only have the size of the holdings been questioned, but so has the value as reported in *The Globe and Mail*:

> In addition to the questions about Sino-Forest's disclosures on the size of its holdings, forestry officials, as well as local timber brokers who spoke to The Globe raised questions regarding the value Sino-Forest attributes to its Yunnan assets.
>
> 'It's very hard for anyone to say what the value of their property is,' said one forestry official, adding that forested land in Yunnan needed to be evaluated by a special body jointly appointed by the Forestry Bureau and the Ministry of Finance. Sino-Forest has not requested such an official valuation of its land, he said. '(The valuation) must have two chops (official seals) and two forestry resource evaluation experts and two licensed evaluators.... Even I can't just go there and give it a value.'

230. Subsequently, in early September 2011, *The Globe and Mail* reported that "A Globe investigation, based on interviews with people associated with Sino-Forest and an examination of legal and regulatory documents in Hong Kong and mainland China, has uncovered a pattern of questionable deals and disclosures from the company that date back to its earliest days."

B. **Investigations and Regulatory Actions**

231. On August 26, 2011 the Ontario Stock Commission issued a "Temporary Order" stating: "Sino-Forest and certain of its officers and directors including Chan appear to be engaging or participating in acts, practices or a course of conduct related to its securities which it

and/or they know or reasonably ought to know perpetuate a fraud on any person or company contrary to section 126.1 of the [Ontario Securities] Act and contrary to the public interest."

232. The Commission halted trading in Sino-Forest's stock on the Toronto Stock Exchange effective August 26, 2011 and demanded that several of Sino-Forest's executives resign. Trading was halted in the U.S. on the OTC Bulletin Board at 5:30 p.m. on August 26, 2011.

233. On August 28, 2011, *The Globe and Mail* reported that CEO Chan had resigned. The newspaper also reported that "[t]hree Sino-Forest-Forest vice-presidents – Alfred Hung, George Ho and Simon Yeung – have been placed on administrative leave. Senior vice-president Albert Ip has been relieved of most of his duties but remains with the Company to assist the internal probe." The newspaper also explained why Chan's departure occurred: "According to people familiar with the case, Mr. Chan was confronted by company officials in Hong Kong last week after a review of e-mail accounts outside the company's network revealed questionable transactions and money transfers." Despite this evidence of misconduct, Chan remains with the Company, having been granted the title "Founding Chairman Emeritus."

234. In late August 2011, Standard & Poor's Ratings Services announced that it was withdrawing its ratings on the Company's debt because "[r]ecent developments point towards a higher likelihood that allegations of fraud at the company will be substantiated."

235. As a result of the suspension in the trading of Sino-Forest's common stock and disclosure of the suspected fraud by the OSC, the shares are now virtually worthless and the value of its securities, notes, bonds, etc. that were issued by the Company and outstanding during the Class Period ("Debt Securities"), including the 2017 Notes, have declined substantially. On

November 11, 2011, it was announced that the Royal Canadian Mounted Police had commenced a criminal investigation.

236. Subsequently, on January 10, 2012, Sino-Forest announced that investors should no longer rely upon its historical financial statements and related audit reports. The Company stated that there was "no assurance" that it would be able to release third quarter financial results or audited financial statements for its 2011 fiscal year. The Company further disclosed in the January 10, 2012 announcement that it was still unable to explain or resolve outstanding issues, relating to its financial results and business relationships, including matters raised by documents identified by its auditor E&Y and the OSC.

237. Sino-Forest was required to file its 2011 audited annual financial statements with the Ontario Securities Commission by March 30, 2012. That same day, Sino-Forest initiated proceedings in front of the Superior Court of Justice (Ontario) requesting protection from its creditors. Sino-Forest has never filed its 2011 audited annual financial statements with the Commission.

238. On April 4, 2012, the auditors of Sino-Forest, Defendant E&Y, resigned.

239. On May 9, 2012, the Toronto Stock Exchange delisted the shares of Sino-Forest.

240. On May 22, 2012, the Ontario Securities Commission filed its Statement of Allegations in the Matter of Sino-Forest Corporation, Allen Chan, Albert Ip, Alfred C.T. Hung, George Ho, Simon Yeung, and David Horsley.

VIII. ADDITIONAL SCIENTER ALLEGATIONS

241. As alleged herein, the Sino-Forest Defendants and E&Y acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company or in their own names were materially false and misleading or were extremely

reckless in not so knowing; knew that such statements or documents would be issued or disseminated to the investing public or were extremely reckless in not so knowing; and knowingly, or acting with extreme recklessness, substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, the Sino-Forest Defendants and E&Y knew or were deliberately reckless in not knowing the true facts regarding Sino-Forest that were concealed as a result of the fraud alleged herein.

242. Given the scale of the fraud alleged herein, and the degree to which it affected Sino-Forest's central business operations, there is a strong inference that the Sino-Forest Defendants and E&Y knew of the misconduct alleged herein, or, at a minimum, were deliberately reckless in not so knowing.

A. Individual Defendants Scienter Allegations

243. As alleged herein, each of the Individual Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company or in their own names were materially false and misleading or were extremely reckless in not so knowing; knew that such statements or documents would be issued or disseminated to the investing public or were extremely reckless in not so knowing; and knowingly, or acting with extreme recklessness, substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws.

244. Based on the facts specified above, the Sino-Forest Defendants participated directly in the scheme to falsify the Company's financial statements and financial results, and orchestrated the use of related parties to accomplish that scheme, which resulted in overstatement of revenues, earnings, and assets. Among other things:

a. The Sino-Forest Defendants established a collection of "nominee"/"peripheral" companies that were controlled, on its behalf, by various "caretakers" which they utilized to engage in improper transactions. Sino-Forest conducted a significant level of its business with these companies, the true economic substance of which was misstated in Sino-Forest's financial disclosures;

b. The Sino-Forest Defendants falsified purchase, sale, and ownership documents related to the vast majority of Sino-Forest's timber holdings, which included the creation of backdated Purchase Contracts and Sales Contracts and related documentation. The Sino-Forest Defendants then relied upon these documents to evidence the purported purchase, ownership, and sale of Standing Timber in the BVI Model;

c. The Sino-Forest Defendants bypassed or ignored internal controls and accounting processes in order to complete improper transactions;

d. The Sino-Forest Defendants failed to properly document the BVI timber purchases, in particular by failing to obtain required proof of ownership documents including (i) Plantation Rights Certificates from either the Counterparty or original owner or (ii) villager resolutions;

e. In 2010, Sino-Forest improperly recognized revenues from the purported sale of Standing Timber, despite the fact that these same Standing Timber assets were offered as collateral for a bank loan by Sino-Forest in 2011; so the sale of those assets in 2010 could not have taken place and been recorded as revenue in that year; and

f. The Sino-Forest Defendants engaged in and structured "circular" cash flows and unusual offsetting arrangements by which money flowed between various Sino-Forest controlled companies.

245. In addition, the Audit Committee Defendants knew or were extremely reckless in not knowing of the financial misconduct occurring at the highest levels of Company management. Among other duties, members of the Audit Committee are required to oversee (i) "the accounting and financial reporting processes of the Corporation.....and their appropriateness in view of the Corporation's operations and current GAAP"; (ii) "the adequacy and effectiveness of management's system of internal controls and procedures"; (iii) "the quality and integrity of the Corporation's...financial reporting and disclosure"; (iv) "the relationship with the external auditor..."; and (v) "compliance with laws, regulations and guidelines affecting the Corporation which relate to the duties and functions of the Audit Committee." In addition, the Audit Committee is "primarily responsible for satisfying itself and on behalf of the Board, that the Corporation (including its subsidiaries) fulfill all of its audit and financial reporting obligations...."

246. As reflected in Paragraphs 183 to 184, above, each of the Audit Committee Defendants knew of the multitude of red flags, questionable transactions, and murky corporate relationships, all of which indicated the potential for management to commit fraud and issue misleading financial statements. As directors of the Company, they had direct access to senior management and as members of the Audit Committee they had the ability and duty to investigate the "quality and integrity" of the Company's financial reporting and disclosure which, in the face of obvious red flags, they failed to do.

B. E&Y Scienter Allegations

247. In April 2012, E&Y resigned as Sino-Forest's independent auditor and took the highly unusual step of disassociating itself from Sino-Forest's financial statements, which E&Y had previously audited and given a clean opinion.

248. As articulated by the staff of the OSC in a report issued on March 12, 2012 related to a review of public companies in Ontario, the "[i]ntegrity of public disclosure is the bedrock of investor protection." In that regard, the "external auditor has a unique role in the reporting process for annual financial statements which are relied upon by the board, audit committee and **most importantly, investors to provide an independent assessment of whether the information presented in the issuer's annual financial statements has been fairly presented."** [Emphasis added].

249. In February 2012, the Canadian Public Accountability Board ("CPAB") issued a "Special Report" regarding auditing in foreign jurisdictions, which consisted of a "review of audit files for Canadian public companies with their primary operations in China." Audits of twenty-four higher risk issuers were reviewed. The Special Report noted that it viewed its results as "a wake-up call for Canada's auditing profession." The Special Report stated: "CPAB is disappointed by the results of its review. In too many instances, auditors did not properly apply procedures that would be considered fundamental in Canada, such as maintaining control over the confirmation process. CPAB's findings indicate that auditors often did not appropriately identify and assess the risks of material misstatement in the financial statements, through a sufficient understanding of the entity and its environment. CPAB also found a lack of professional skepticism when auditors were confronted with evidence that should have raised red flags regarding potential fraud risk."

250. Among the significant findings, which reads like a textbook of the audit deficiencies in this case, the CPAB found the following: (i) failure to control the confirmation process; (ii) reliance on confirmations with questionable reliability; (iii) insufficient evidence to support the ownership or existence of significant assets; (iv) inadequate procedures to identify

related party transactions; (v) insufficient evidence to support the recognition of revenue; and (vi) insufficient evidence to support the appropriateness of the income tax rate used. The Special Report outlines specific audit procedures that should be used in foreign jurisdictions like China to combat fraud.[12]

251. As set forth above, the fraudulent practices at Sino-Forest were so widespread and material that numerous red flags should have alerted E&Y to the materially misleading financial statements issued by Sino-Forest. That E&Y certified Sino-Forest's Financial Statements year after year and never once alerted investors or regulators to these fraudulent transactions shows that their audits were extremely reckless.

252. Although financial reporting requirements may vary from country to country, basic audit principles remain constant. These fundamental auditing principles require that:

(a) financial statements reflect the true financial condition of the company;

(b) financial statements are informative and complete;

(c) financial statements do not mischaracterize an item or omit any information if that would result in a misleading statement;

(d) related-party transactions are disclosed and subjected to scrutiny because the terms cannot be assumed to be the result of arms-length dealings; and

(e) in performing an audit, the auditor must obtain sufficient information to support a reasonable basis for an opinion regarding the truth, accuracy, and integrity of the financial statements.

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[12] On February 21, 2012, *The Globe and Mail* reported that when asked, CPAB's Chief Executive Officer, Brian Hunt, would not comment on whether Sino-Forest was one of the audits scrutinized and E&Y would not comment on the Special Report.

253. E&Y ignored and/or violated applicable auditing and accounting standards including the basic auditing principles enumerated above in the face of warning signs and numerous red flags described herein. If E&Y had complied with these standards and principles, the auditors would certainly have detected and reported the multitude of improper and fraudulent and related party transactions (which involved both large transactions and important business partners). Such transactions should have received extraordinary scrutiny particularly in light of the well-known deficiencies in the Company's internal controls. A proper audit of either Sino-Forest related party transactions or its most significant transactions, would have revealed this fraud.

254. Despite these serious audit deficiencies, E&Y misrepresented to the investing public and regulators that it had audited Sino-Forest's Financial Statements in compliance with applicable auditing standards and that the Company's financial statements were presented in accordance with Canadian GAAP.

E&Y's Materially Misleading Auditors' Reports

255. On March 11, 2011 E&Y issued an Auditor's Report for Sino-Forest's 2010 fiscal year, addressed "To The Shareholders of Sino-Forest Corporation (the "2010 Auditors Report"). In the 2010 Auditors Report, E&Y stated:

> Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
>
> An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to

> fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
>
> We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.
>
> In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sino-Forest Corporation as at December 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

256. On March 15, 2010, E&Y issued an Auditor's Report for Sino-Forest's 2009 fiscal year, addressed "To the Shareholders of Sino-Forest Corporation" (the "2009 Auditors Report"). In the 2009 Audit Report, E&Y stated:

> We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
>
> In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

257. On March 13, 2009, E&Y issued an Auditor's Report for Sino-Forest's 2008 fiscal year, addressed "To the Shareholders of Sino-Forest Corporation" (the "2008 Auditors Report"). In the 2008 Audit Report, E&Y stated:

> We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material

> misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
>
> In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

258. On March 12, 2008, E&Y issued an Auditor's Report for Sino-Forest's 2007 fiscal year, addressed "To the Shareholders of Sino-Forest Corporation" (the "2007 Auditors Report"). In the 2007 Audit Report, E&Y stated:

> We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
>
> In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

259. These statements were materially false and misleading when made because E&Y knew, or recklessly disregarded the facts that: a) it failed to conduct its audit in compliance with Canadian GAAS; and b) Sino-Forest's financial statements were not presented in accordance with Canadian GAAP as they were materially false and misleading with respect to revenues, assets, earnings, and related party transactions.

260. The fact that the Company alerted its auditors to the material weaknesses in its internal controls (*i.e.* "This concentration of authority, or lack of segregation of duties, creates risk in terms of measurement and completeness of transactions as well as the possibility of non-

compliance with existing controls, either of which may lead to the possibility of inaccurate financial reporting.") was a clear red flag to E&Y, which had a duty to expand its audit procedures to inquire further into the nature of transactions and compliance with existing controls. Similarly, Sino-Forest's declaration that these risks "may lead to the possibility of inaccurate financial reporting" should have served as an additional red flag requiring E&Y to scrutinize Sino-Forest's financial statements. All of these facts, including the red flags described in Paragraph 10, required E&Y to conduct an even more rigorous audit to confirm the accuracy Sino-Forest's financial statements and the evidentiary material supporting the Company's presentation. Defendant E&Y was extremely reckless in either failing to modify its audit procedures in light of the Company's known internal control problems and lack of transparency or recklessly disregarded the red flags existing at the time of the audit.

261. Given the nature of Sino-Forest's business and lack of transparency, E&Y was required to exercise due professional care in performing its audit; to adequately plan its audit; to obtain a sufficient understanding of Sino-Forest's internal controls; and to obtain sufficient, competent evidence in auditing Sino-Forest's revenues, assets, and related party transactions. E&Y failed to conduct its audits in compliance with these fundamental Canadian GAAS provisions. Had E&Y performed its audits in compliance with Canadian GAAS, it would have uncovered Sino-Forest's overstatements of revenues, assets, income, and improper related party transactions.

IX. MOTIVATION FOR FRAUD

262. The Sino-Forest Defendants had ample motive to commit fraud: the exaggerated revenue, earnings, and assets allowed the Company to continue to raise substantial funds from

lenders and investors, inflated the Company's stock price and provided a personal financial windfall to the Individual Defendants who sold highly inflated stock to unsuspecting investors.

263. The purported steady and impressive growth of Sino-Forest helped fuel a series of capital raising activities by the Company. By making the Company appear to be on a much more economically sound footing than was actually the case, Sino-Forest was able to raise the funds it needed to finance its rapid expansion. Because the Company's cash flow did not cover its operating expenses, the Company would not have been able to continue to operate absent cash infusions from debt and equity investors.

264. During the Class Period, Sino-Forest conducted numerous debt and equity offerings, issuing over $1.8 billion in debt securities to investors and also selling investors hundreds of millions of dollars of common stock. Specifically, the following securities were issued to investors:

- On July 17, 2008, the Company closed an offering of convertible guaranteed senior notes (the "2013 Convertible Notes") for gross proceeds of $300,000,000. On August 6, 2008, the Company issued an additional $45,000,000 of 2013 Convertible Notes pursuant to the exercise of an over-allotment option granted to the underwriters in connection with the offering, increasing the gross proceeds to $345,000,000.
- On June 24, 2009, the Company offered to eligible holders of outstanding Senior Notes due in 2011 (the "2011 Senior Notes") to exchange these notes for up to $300,000,000 of new guaranteed senior notes due 2014 (the "2014 Senior Notes"). On July 27, 2009, the Company completed this exchange offer, issuing an aggregate principal amount of $212,330,000 of 2014 Senior Notes,

representing approximately 70.8% of the aggregate principal amount of the 2011 Senior Notes.

- In June 2009, the Company completed a public offering and international private placement of 34,500,000 common shares (including 4,500,000 common shares issued upon the exercise of the underwriters' over-allotment option) for gross proceeds of approximately $339,810,000.
- On December 17, 2009, the Company closed an offering of convertible guaranteed senior notes (the "2016 Convertible Notes") for gross proceeds of $460,000,000.
- In December 2009, the Company completed a public offering of 21,850,000 common shares (including an overallotment exercise) for gross proceeds of approximately $345,318,000.
- In May 2010, Sino-Forest issued 1,990,566 shares of common stock as a $33.3 million payment to acquire 34% of Greenheart Resources.
- In August 2010, the Company issued $2.3 million shares of common stock in partial payment of its acquisition of Mandra Forestry Holdings Limited, a company which supposedly owned the rights to technology relevant to the Company's business. In connection with this acquisition of Mandra, the Company also exchanged nearly $195 million of Mandra notes for Sino-Forest notes—the Sino-Forest notes had a longer duration and lower interest rate than the Mandra notes for which they were exchanged.
- On October 21, 2010, the Company completed the $600,000,000 Note Offering of the 2017 Notes.

265. Thus, during the Class Period, while Defendants were issuing materially false and misleading financial statements and other reports to investors, Sino-Forest was taking advantage of the illusory growth portrayed to investors through these large debt and equity offerings, which in less than three years, cumulatively totaled over $2.5 billion.

266. In addition to the billions of dollars raised by Sino-Forest during the Class Period (described above), Company insiders also benefited directly by the inflated value of Sino-Forest's stock because of their substantial stock holdings and because part of their compensation was in the form of stock options. Documents filed by the Company revealed that the Individual Defendants have sold over $44 million of Company stock since 2006.

Defendants' Sales Of Shares During Class Period

Defendant	**Net Shares Sold**	**Value $Can**	**Value $U.S.** (on 11/15/11 $Can 1 =$US 0.98494)
Chan	182,000.00	$3,003,200.20	$2,957,970
Horsley	531,431.00	$11,157,962.93	$10,989,900
Poon	3,037,900	$30,054,387.32	$29,601,800
TOTAL	**3,751,331**	**$44,215,550.45**	**$43,549,670**

X. CLASS ALLEGATIONS

267. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons or entities who purchased (i) Sino-Forest's common stock during the Class Period on the OTC market who were damaged thereby; and (ii) all persons or entities who, during the Class Period, purchased Debt Securities issued by Sino-Forest other than in Canada and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of Sino-Forest during any portion of the Class Period, members of the immediate families of the foregoing persons and the legal representatives, heirs, successors or assigns of such persons and any entity in which any

Defendant has or had a controlling interest. The Class specifically excludes any investor who purchased Sino-Forest securities on the Toronto Stock Exchange or in Canada.

268. The claims of Plaintiffs and the members of the Class have a common origin and share a common basis. The claims of all Class Members originate from the same improper conduct and arise from securities purchases entered into on the basis of the same materially misleading statements and omissions by Defendants during the Class Period. If brought and prosecuted individually, each Class Member would necessarily be required to prove his respective claims upon the same facts, upon the same legal theories and would be seeking the same or similar relief, resulting in duplication and waste of judicial resources.

269. The members of the Class are so numerous that joinder of all members is impracticable. Although all Class Members cannot be identified without discovery, Plaintiffs believe that there are many thousands of class members. Sino-Forest has over 246 million shares outstanding which actively traded on the OTC market (as well as in Canada on the Toronto Stock Exchange) and there are approximately $1.8 billion in Debt Securities outstanding including, approximately, $600 million in 2017 Notes.

270. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

a. Whether Defendants made materially false and misleading statements or omissions regarding Sino-Forest's financial statements and operations;

b. Whether Defendants engaged in any acts that operated as a fraud or deceit, or negligently misrepresented the Company's financial condition to the Class;

c. Whether the Company issued materially false and misleading financial statements and Defendant E&Y issued materially false audit opinions regarding Sino-Forest's financial statements;

d. Whether Defendants' acts proximately caused injury to the Class or irreparably harmed the Class, and if so, the appropriate relief to which the Class is entitled; and,

e. Whether Defendants' acts constitute violations of law for which the Class is entitled to recover damages or other relief.

271. The prosecution of separate actions by individual members of the Class would also create a risk of inconsistent or varying adjudications with respect to individual members of the Class which would establish incompatible rights and standards of conduct for the parties involved in this case. The prosecution of separate actions by individual members of the Class would also create a risk of adjudications with respect to individual members of the Class which would, as a practical matter, be dispositive of the interests of other members of the Class or substantially impair or impede their ability to protect their interests.

272. Plaintiffs have engaged counsel experienced in complex class litigation and will fairly and adequately represent the interests of the Class. Plaintiffs' interests are co-extensive with and not antagonistic to those of the absent members of the Class.

273. The members of the Class cannot reasonably be expected to litigate this matter individually. Whether litigated individually or as a class, the causes of action asserted in this Complaint involve complex issues of law and will likely require extensive and costly factual discovery, especially if this case proceeds to trial. The costs of successfully prosecuting such litigation will likely be beyond the resources of most members of the Class.

XI. APPLICATION OF THE FRAUD ON THE MARKET PRESUMPTION

274. During the Class Period, Sino-Forest was a high profile Company which regularly provided purportedly accurate information to investors about the Company's operations. The Company was followed by numerous securities analysts including Dundee Capital Markets,

RBC, and JP Morgan. The securities at issue, Sino-Forest common stock and debt securities, were actively traded on efficient markets and publicly disclosed information about the Company was incorporated in the price of these securities within a reasonable amount of time.

A. **Common Stock**

275. During the Class Period, Sino-Forest common stock was traded on the OTC market in the United States, which is an open, well-developed and efficient market. Sino-Forest common stock was simultaneously traded on the Toronto Stock Exchange, an open, well developed and efficient market. There was a substantial volume of trading in both the United States and Canada and the price of the shares traded in the United States was affected in the same way as the price of shares traded in Canada. During the Class Period over 146 million shares of Sino-Forest common stock traded in the OTC market.

276. The OTC market has no fixed location, but investors throughout the United States, including in New York County, New York, can purchase OTC securities through registered brokers. The principal regulator of the OTC market is the Financial Industry Regulatory Authority, which has its principal offices in New York, NY and Washington, DC.

B. **2017 Notes and Other Debt Securities**

277. According to the Company, the 2017 Notes "offering was made on a private placement basis in Canada, the United States and internationally pursuant to available exemptions, through a syndicate of initial purchasers." The indenture agreement, which governs the 2017 Notes, provided that the notes are governed by New York law.

278. The 2017 Notes were initially purchased by the Underwriter Defendants and then sold to Plaintiff and other investors on the initial Offering. In the purchase agreement between the Underwriter Defendants and Sino-Forest, Banc of America Securities LLC listed its address

as One Bryant Park, New York, NY 10036 and Credit Suisse Securities (USA) LLC listed its address as Eleven Madison Avenue New York, NY 10010. During the Class Period and after their issuance, there was an efficient market for the 2017 Notes.

279. The 2017 Notes could only be legally sold to non-U.S. persons and to U.S. persons who were qualified institutional buyers. There is an open and well developed market for such securities, which are issued by large and well known issuers such as Sino-Forest and, specifically, there was an active and well-developed market for the 2017 Notes and Sino-Forest's other Debt Securities during the Class Period. Class Members were able to purchase 2017 Notes and other Debt Securities in the OTC market.

280. Accordingly, Class Members who purchased Sino-Forest common stock or 2017 Notes, and other Debt Securities in the secondary market are entitled to a presumption of reliance on the accuracy of the prices paid.

XII. LOSS CAUSATION

281. During the Class Period, as detailed herein, Sino-Forest and the Individual Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of Sino-Forest stock by failing to disclose and misrepresenting the adverse facts detailed herein. When their misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the price that purchasers were willing to pay for Sino-Forest stock fell precipitously as the prior artificial inflation came out of the stock's price. Moreover, as a direct and foreseeable result of their fraud, trading in Sino-Forest stock was halted and eventually de-listed, making the stock virtually worthless and impossible to sell. Consequently, Plaintiffs and the other Class Members suffered economic loss as a result of their conduct.

282. By failing to disclose to investors the adverse facts detailed herein, Sino-Forest, the Individual Defendants, E&Y, Poyry, and the Underwriter Defendants presented a misleading picture of Sino-Forest's business and prospects. Their false and misleading statements had the intended effect and caused Sino-Forest common stock to trade at artificially inflated levels throughout the Class Period, reaching as high as $26.08 per share on March 31, 2011.

283. The decline in the price of Sino-Forest shares, and the suspension in trading of these shares, was a direct result of the nature and extent of Sino-Forest and the Individual Defendants' fraud. The timing and magnitude of the price decline in Sino-Forest stock negates any inference that the loss suffered by Plaintiffs and the other Class Members was caused by changed market conditions, macroeconomic or industry features or Company-specific facts unrelated to Sino-Forest and the Individual Defendants' fraudulent conduct. The economic loss suffered by Plaintiffs and the other Class Members was a direct result of Sino-Forest and the Individual Defendants' scheme to artificially inflate the prices of Sino-Forest stock and the subsequent significant decline in the value of Sino-Forest stock when Sino-Forest and the Individual Defendants' prior misrepresentations and other fraudulent conduct were revealed and when regulators de-listed Sino-Forest stock as a result of the fraud.

XIII. CAUSES OF ACTION

COUNT ONE
AGAINST SINO-FOREST, THE INDIVIDUAL DEFENDANTS, AND E&Y FOR VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5

284. Plaintiffs repeat and reallege each of the allegations set forth above. This claim is asserted against Sino-Forest, the Individual Defendants, and E&Y for violation of Section 10(b) of the Exchange Act and Rule 10b-5.

285. Sino-Forest, the Individual Defendants, and E&Y:

a. Knew or recklessly disregarded the material, adverse non-public information about Sino-Forest's financial results and then-existing business conditions, which was not disclosed; and

b. Participated in drafting, reviewing, and/or approving the misleading financial statements, releases, reports and other public representations of and about Sino-Forest.

286. During the Class Period, with knowledge of or reckless disregard for the truth, Sino-Forest, the Individual Defendants, and/or E&Y disseminated or approved the false statements specified above, which were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

287. As described herein, Sino-Forest, the Individual Defendants, and/or E&Y made or caused to be made a series of false statements and failed to disclose various material information concerning Sino-Forest. Those material misrepresentations and omissions created a false assessment of Sino-Forest, its business, and its prospects in the market, and caused the Company's securities to be overvalued and artificially inflated at all relevant times.

288. Sino-Forest's, the Individual Defendants', and/or E&Y's false portrayal of Sino-Forest's financial results, business operations, and prospects during the Class Period resulted in Plaintiffs and other members of the Class purchasing Sino-Forest securities at market prices in excess of the actual value of those securities.

289. Plaintiffs and other members of the Class would not have purchased Sino-Forest common stock and other securities at the prices they paid, if at all, had they been aware of the true facts concerning the Company's financial statements, business operations, and prospects, as well as the true facts concerning Sino-Forest's misleading audit reports.

290. When the market determined that Sino-Forest's financial results reported during the Class Period were falsely reported by the Company and/or Individual Defendants, and that E&Y issued materially false and misleading audit reports, the Company's stock price decreased substantially in value and thereby caused injury to Plaintiffs and members of the Class.

291. Sino-Forest, the Individual Defendants, and E&Y have violated § 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder in that they:

a. Employed devices, schemes and artifices to defraud;

b. Made untrue statements of material facts or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or

c. Engaged in acts, practices and a course of business that operated as a fraud or deceit upon the purchasers of Sino-Forest stock during the Class Period.

292. At all relevant times, the material financial statement misstatements, misrepresentations, and omissions particularized herein, directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiffs and other members of the Class.

293. Plaintiffs and the Class have suffered damage because, in reliance on the integrity of the market, they paid artificially inflated prices for Sino-Forest stock.

COUNT TWO
AGAINST SINO-FOREST AND THE INDIVIDUAL DEFENDANTS FOR FRAUD

294. Plaintiffs repeat and reallege each of the allegations set forth in above. This claim is asserted against Sino-Forest and the Individual Defendants for common law fraud.

295. As set forth herein, Sino-Forest and the Individual Defendants knowingly or recklessly engaged and participated in a continuous course and scheme of fraudulent conduct to disseminate materially false information about Sino-Forest's financial condition or failed to

disclose material information with the purpose of inflating the prices of Sino-Forest's common stock, the 2017 Notes and Sino-Forest's other debt securities. As intended by the Sino-Forest Defendants, Plaintiffs and Class Members reasonably relied on these false and misleading statements and failures to disclose and suffered substantial damages as a result.

296. As a direct and proximate result of Sino-Forest's and the Individual Defendants' fraud, Plaintiffs and the Class have suffered economic losses in an amount to be determined at trial. Sino-Forest and the Individual Defendants are jointly and severally liable to the Class for common law fraud.

COUNT THREE
AGAINST SINO-FOREST AND THE INDIVIDUAL DEFENDANTS FOR CIVIL CONSPIRACY TO DEFRAUD

297. Plaintiffs repeat and reallege each of the allegations set above. This claim is asserted against Sino-Forest and the Individual Defendants for civil conspiracy to commit fraud.

298. In furtherance of a scheme to defraud investors, the Sino-Forest Defendants corruptly agreed to combine their respective skills, expertise, resources, and reputations, thereby causing injury to Plaintiffs and the Class.

299. As set forth in detail above, one or more of the conspirators made false representations of material facts, with scienter, and Plaintiffs and Class Members justifiably relied upon these misrepresentations and were injured as a result.

300. As a direct and proximate consequence of the foregoing, Plaintiffs and the Class have suffered economic losses in an amount to be determined at trial. Because Sino-Forest and the Individual Defendants conspired amongst themselves and with others to carry out this fraudulent scheme, the Sino-Forest Defendants are jointly and severally liable both for their own

knowledge and conduct and for the knowledge and conduct of their co-conspirators in furtherance of the fraud.

COUNT FOUR
AGAINST E&Y AND POYRY FOR AIDING AND ABETTING FRAUD

301. Plaintiffs repeat and reallege each of the allegations set forth above. This claim is asserted against E&Y and Poyry for aiding and abetting common law fraud committed by Sino-Forest and the Individual Defendants. E&Y and Poyry were aware of the fraudulent scheme that is the subject of this Complaint and each of these Defendants provided substantial assistance to the perpetrators of this scheme.

302. As a direct and proximate result of E&Y's and Poyry's aiding and abetting of the fraud, Plaintiffs and the Class have suffered economic losses in an amount to be determined at trial. E&Y and Poyry are jointly and severally liable to the Class for aiding and abetting common law fraud.

COUNT FIVE
AGAINST THE INDIVIDUAL DEFENDANTS FOR VIOLATION OF SECTION 20(a) OF THE EXCHANGE ACT

303. Plaintiffs repeat and reallege each of the allegations set forth above. This claim is asserted against the Individual Defendants for violation of Section 20(a) of the Exchange Act.

304. The Individual Defendants acted as controlling persons of Sino-Forest within the meaning of Section 20(a) of the Exchange Act, as alleged herein. By reason of their positions as officers or directors of Sino-Forest, and their ownership of Sino-Forest stock, the Individual Defendants had the power and authority to cause Sino-Forest to engage in the wrongful conduct complained of herein.

305. At the time they obtained their shares, Plaintiffs and members of the Class did so without knowledge of the facts concerning the materially false and misleading statements alleged herein.

306. By reason of the foregoing, the Individual Defendants are jointly and severally liable pursuant to Section 20(a) of the Exchange Act.

COUNT SIX
AGAINST SINO-FOREST FOR UNJUST ENRICHMENT

307. Plaintiffs repeat and reallege each of the allegations set forth above. This claim is asserted against Sino-Forest for unjust enrichment.

308. In connection with the fraudulent scheme set out in this Complaint, Defendant Sino-Forest received payment for the sale of the 2017 Notes. Defendant Sino-Forest would not have been able to sell the 2017 Notes or would only have been able to sell these notes at a lower price had the true facts about Sino-Forest's business and financial condition been known. Consequently, Sino-Forest unjustly received money from the Offering of its securities and it would be unjust to allow Sino-Forest to keep this improperly earned money and should be required to repay it.

COUNT SEVEN
AGAINST THE UNDERWRITER DEFENDANTS FOR VIOLATION OF SECTION 12(a)(2) OF THE SECURITIES ACT

309. Plaintiff IMF repeats and realleges each and every allegation contained in this Complaint as if fully set forth herein only to the extent, however, that such allegations do not allege fraud, scienter, or the intent of the Underwriter Defendants to defraud Plaintiffs or members of the Class with respect to this claim.

310. This Claim is brought against the Underwriter Defendants and is based on the Offering of 2017 Notes.

311. This Claim is brought pursuant to Section 12(a)(2) of the Securities Act and is predicated upon Underwriter Defendants' liability for material misstatements and omissions in the Offering Documents.

312. This Count is not based on and does not sound in fraud. Any allegations of fraud or fraudulent conduct and/or motive are specifically excluded from this Count. For purposes of asserting this claim under the Securities Act, Plaintiffs do not allege that Underwriter Defendants acted with scienter or fraudulent intent. Plaintiffs expressly exclude and disclaim any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as this Count is based solely on claims of strict liability under the Securities Act.

313. As provided for in Section 12(a)(2) of the Securities Act, the Underwriter Defendants named in this claim are responsible for the materially false and misleading statements in the Offering Documents and failed to make a reasonable and diligent investigation of the statements contained in the Offering Documents to ensure that such statements were true and correct and that there was no omission of material facts required to be stated in order to make the statements contained therein not misleading.

314. Plaintiffs and Class Members suffered significant losses and are entitled to rescission or rescissionary damages under Section 12. Plaintiff and Class Members who continue to hold the 2017 notes hereby tender their shares to the Underwriter Defendants.

315. At the time they obtained their shares, Plaintiffs and members of the Class did so without knowledge of the facts concerning the misstatements or omissions alleged herein.

316. By reason of the foregoing, each of the Defendants named in this claim are jointly and severally liable for violation of Section 12(a)(2) of the Securities Act.

COUNT EIGHT
AGAINST SINO FOREST AND THE INDIVIDUAL DEFENDANTS FOR VIOLATION OF SECTION 15(a) OF THE SECURITIES ACT

317. Plaintiff IMF repeats and realleges each and every allegation contained in this Complaint as if fully set forth herein.

318. This Count is asserted against Sino-Forest and the Individual Defendants and is based upon Section 15 of the Securities Act.

319. Sino-Forest and the Individual Defendants acted as controlling persons of the Underwriter Defendants with respect to the Offering and within the meaning of Section 15 of the Securities Act, as alleged herein. By reason of their positions as directors and members of the board, Sino-Forest and those Individual Defendants had the power and authority to cause the Underwriter Defendants to engage in the wrongful conduct complained of herein.

320. The Individual Defendants at all relevant times participated directly and indirectly in the conduct of Sino-Forest's business affairs. As directors and board members of a publicly owned company, the Individuals Defendants had a duty to disseminate accurate and truthful information with respect to Sino-Forest's financial condition and results of operations. Because of their positions of control and authority as directors and board members of Sino-Forest, the Individual Defendants were able to, and did, control the contents of the Offering Documents, which contained materially false and misleading statements and omissions of material facts. The Individual Defendants' control and positions made them privy to and provided them with knowledge of the material facts concealed from Plaintiffs and members of the Class.

321. Plaintiff and members of the Class suffered significant losses as a result of these Defendants' materially false and misleading statements and omissions of material fact in the Offering Documents.

322. By reason of the foregoing, Sino-Forest and each of the Individual Defendant is jointly and severally liable pursuant to Section 15 of the Securities Act.

XIV. PRAYER FOR RELIEF AND JURY DEMAND

WHEREFORE, Plaintiffs and the Class hereby demands a trial by jury, and seek a judgment:

A. Awarding Plaintiffs and the Class all compensatory damages they suffered, including lost profits and consequential and incidental damages, as a result of the wrongful conduct of the Defendants, in an amount to be determined at trial;

B. Awarding Plaintiffs and the Class damages arising from Defendants' unjust enrichment;

C. Awarding Plaintiffs and the Class punitive damages in an amount to be determined at trial;

D. Awarding Plaintiffs and the Class pre-judgment and post-judgment interest;

E. Awarding Plaintiffs and the Class their costs, expert fees, expenses and attorneys' fees incurred in connection with this action to the maximum extent permitted by law;

F. Awarding Plaintiffs and the Class such other and further relief as the Court finds just and proper.

Dated: September 28, 2012

Respectfully submitted,

COHEN MILSTEIN SELLERS & TOLL PLLC

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-and-

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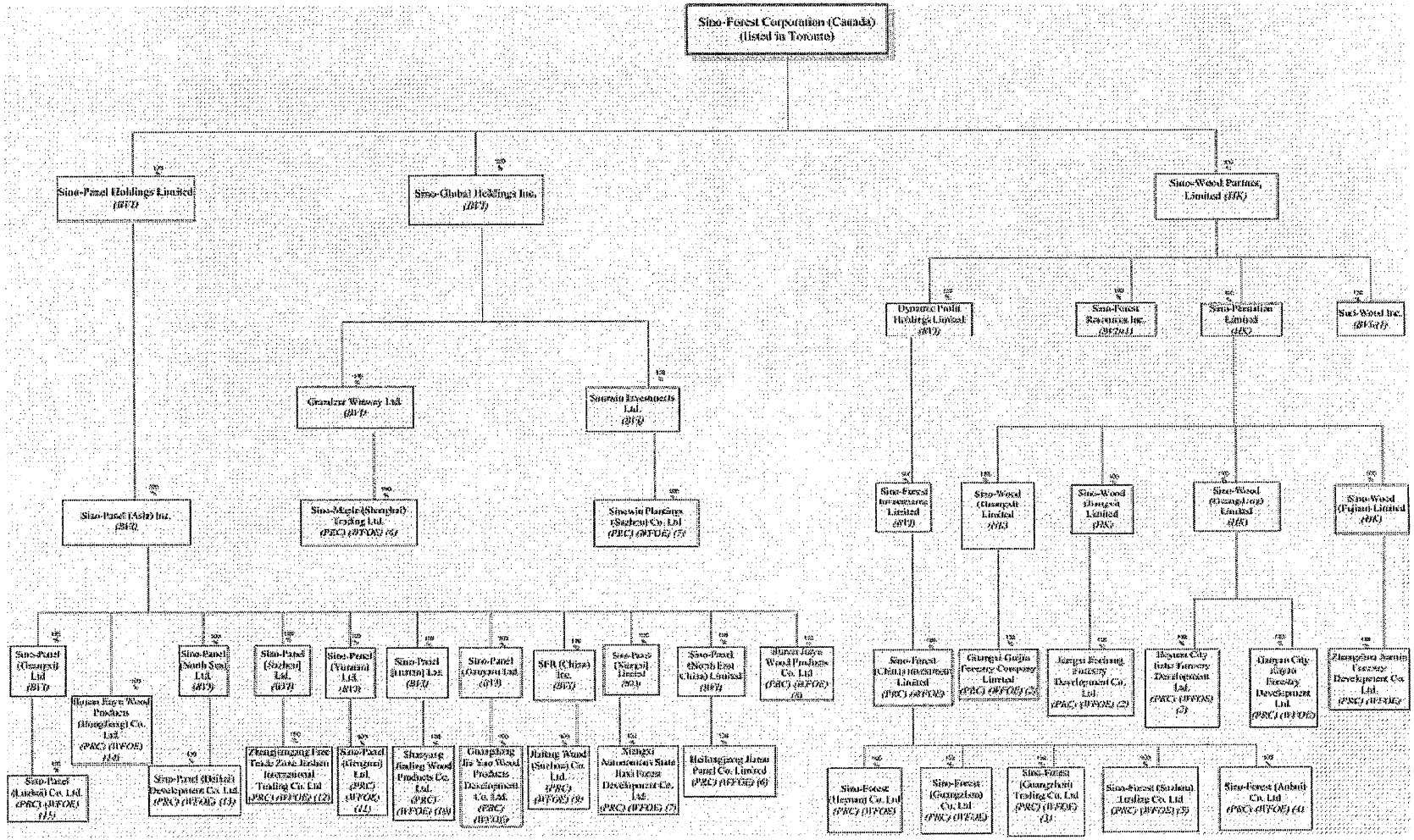
Attorneys for Plaintiff and the Proposed Class

Exhibit A (Sino-Forest Organizational Chart)



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CERTIFICATION OF PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS

I, DAVID W. LEAPARD, ("Plaintiff") declare, as to the claims asserted under the federal securities laws, that:

1. I have reviewed a class action complaint asserting securities claims against Sino-Forest Corp. ("Sino-Forest" or the "Company") (OTC: SNOFF), and wish to join as a plaintiff retaining Cohen Milstein Sellers & Toll PLLC as my counsel.

2. Plaintiff did not purchase the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action.

3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. My transactions in against Sino-Forest Corp. ("Sino-Forest" or the "Company") (OTC: SNOFF) during the Class Period of March 31, 2009 through August 26, 2011 were as follows:

DATE	TRANSACTION (buy/sell)	NO. OF SHARES	PRICE PER SHARE
8-5-2011	BUY	200	5.87

5. During the three years prior to the date of this Certificate, Plaintiff has not sought to serve or served as a representative party for a class in any action under the federal securities laws except as follows:

6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing true and correct.

Executed this 26Th Day of SEPT., 2011.

David W. Leapard

CERTIFICATION OF PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS

I, IMAD M FATHALLAH, on behalf of IMF FINANCE SA, ("Plaintiff") declares, as to the claims asserted under the federal securities laws, that:

1. I have reviewed a class action complaint asserting securities claims against Sino Forest Corp. ("Sino-Forest" or the "Company") OTC: SNOFF, and wish to join as a plaintiff retaining Cohen Milstein Sellers & Toll PLLC as my counsel.

2. Plaintiff did not purchase the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action.

3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. My transactions in Sino Forest Corp. securities during the Class Period of March 19, 2007 through August 26, 2011.

DATE	TRANSACTION (buy/sell)	NO. OF SHARES	PRICE PER SHARE
15 Oct 2010	Purchase	500,000 6.25% Notes due Oct 2017	G101.45 = $507,250

5. During the three years prior to the date of this Certificate, Plaintiff has not sought to serve or served as a representative party for a class in any action under the federal securities laws except as follows:

6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing true and correct.

Executed this 24th Day of September, 2012.

IMAD M FATHALLAH,
on behalf of IMF FINANCE SA

This is Exhibit "B" mentioned and referenced in the Affidavit of Steven J. Toll, sworn before me at the City of Washington, D.C., in the United States, this 2nd day of December 2013.

Notary

My Commission Expires 1/1/2014

Exhibit B

CITATION: Labourers' Pension Fund of Central and Eastern Canada v. Sino-Forest Corporation, 2013 ONSC 1078
COURT FILE NO.: CV-12-9667-00CL
CV-11-431153-00CP
DATE: 20130320

SUPERIOR COURT OF JUSTICE – ONTARIO
(COMMERCIAL LIST)

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

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

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

AND:

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (FORMERLY KNOWN AS BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST, PŐYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES (CANADA) IN., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL LUNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC AND MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (SUCCESSOR BY MERGER TO BANC OF AMERICA SECURITIES LLC), Defendants

BEFORE: MORAWETZ J.

COUNSEL: Kenneth Rosenberg, Max Starnino, A. Dimitri Lascaris, Daniel Bach, Charles M. Wright, and Jonathan Ptak, for the Ad Hoc Committee of Purchasers including the Class Action Plaintiffs

Peter Griffin, Peter Osborne, and Shara Roy, for Ernst & Young LLP

John Pirie and David Gadsden, for Pöyry (Beijing) Consulting Company Ltd.

Robert W. Staley, for Sino-Forest Corporation

Won J. Kim, Michael C. Spencer, and Megan B. McPhee, for the Objectors, Invesco Canada Ltd., Northwest & Ethical Investments LP and Comité Syndical National de Retraite Bâtirente Inc.

John Fabello and Rebecca Wise for the Underwriters

Ken Dekker and Peter Greene, for BDO Limited

Emily Cole and Joseph Marin, for Allen Chan

James Doris, for the U.S. Class Action

Brandon Barnes, for Kai Kit Poon

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

Derrick Tay and Cliff Prophet for the Monitor, FTI Consulting Canada Inc.

Simon Bieber, for David Horsley

James Grout, for the Ontario Securities Commission

Miles D. O'Reilly, Q.C., for the Junior Objectors, Daniel Lam and Senthilvel Kanagaratnam

HEARD: **FEBRUARY 4, 2013**

ENDORSEMENT

INTRODUCTION

[1] The Ad Hoc Committee of Purchasers of the Applicant's Securities (the "Ad Hoc Securities Purchasers' Committee" or the "Applicant"), including the representative plaintiffs in the Ontario class action (collectively, the "Ontario Plaintiffs"), bring this motion for approval of a settlement and release of claims against Ernst & Young LLP [the "Ernst & Young Settlement", the "Ernst & Young Release", the "Ernst & Young Claims" and "Ernst & Young", as further defined in the Plan of Compromise and Reorganization of Sino-Forest Corporation ("SFC") dated December 3, 2012 (the "Plan")].

[2] Approval of the Ernst & Young Settlement is opposed by Invesco Canada Limited ("Invesco"), Northwest and Ethical Investments L.P. ("Northwest"), Comité Syndical National de Retraite Bâtirente Inc. ("Bâtirente"), Matrix Asset Management Inc. ("Matrix"), Gestion

Férique and Montrusco Bolton Investments Inc. ("Montrusco") (collectively, the "Objectors"). The Objectors particularly oppose the no-opt-out and full third-party release features of the Ernst & Young Settlement. The Objectors also oppose the motion for a representation order sought by the Ontario Plaintiffs, and move instead for appointment of the Objectors to represent the interests of all objectors to the Ernst & Young Settlement.

[3] For the following reasons, I have determined that the Ernst & Young Settlement, together with the Ernst & Young Release, should be approved.

FACTS

Class Action Proceedings

[4] SFC is an integrated forest plantation operator and forest productions company, with most of its assets and the majority of its business operations located in the southern and eastern regions of the People's Republic of China. SFC's registered office is in Toronto, and its principal business office is in Hong Kong.

[5] SFC's shares were publicly traded over the Toronto Stock Exchange. During the period from March 19, 2007 through June 2, 2011, SFC made three prospectus offerings of common shares. SFC also issued and had various notes (debt instruments) outstanding, which were offered to investors, by way of offering memoranda, between March 19, 2007 and June 2, 2011.

[6] All of SFC's debt or equity public offerings have been underwritten. A total of 11 firms (the "Underwriters") acted as SFC's underwriters, and are named as defendants in the Ontario class action.

[7] Since 2000, SFC has had two auditors: Ernst & Young, who acted as auditor from 2000 to 2004 and 2007 to 2012, and BDO Limited ("BDO"), who acted as auditor from 2005 to 2006. Ernst & Young and BDO are named as defendants in the Ontario class action.

[8] Following a June 2, 2011 report issued by short-seller Muddy Waters LLC ("Muddy Waters"), SFC, and others, became embroiled in investigations and regulatory proceedings (with the Ontario Securities Commission (the "OSC"), the Hong Kong Securities and Futures Commission and the Royal Canadian Mounted Police) for allegedly engaging in a "complex fraudulent scheme". SFC concurrently became embroiled in multiple class action proceedings across Canada, including Ontario, Quebec and Saskatchewan (collectively, the "Canadian Actions"), and in New York (collectively with the Canadian Actions, the "Class Action Proceedings"), facing allegations that SFC, and others, misstated its financial results, misrepresented its timber rights, overstated the value of its assets and concealed material information about its business operations from investors, causing the collapse of an artificially inflated share price.

[9] The Canadian Actions are comprised of two components: first, there is a shareholder claim, brought on behalf of SFC's current and former shareholders, seeking damages in the amount of $6.5 billion for general damages, $174.8 million in connection with a prospectus issued in June 2007, $330 million in relation to a prospectus issued in June 2009, and $319.2 million in relation to a prospectus issued in December 2009; and second, there is a noteholder

claim, brought on behalf of former holders of SFC's notes (the "Noteholders"), in the amount of approximately $1.8 billion. The noteholder claim asserts, among other things, damages for loss of value in the notes.

[10] Two other class proceedings relating to SFC were subsequently commenced in Ontario: *Smith et al. v. Sino-Forest Corporation et al.*, which commenced on June 8, 2011; and *Northwest and Ethical Investments L.P. et al. v. Sino-Forest Corporation et al.*, which commenced on September 26, 2011.

[11] In December 2011, there was a motion to determine which of the three actions in Ontario should be permitted to proceed and which should be stayed (the "Carriage Motion"). On January 6, 2012, Perell J. granted carriage to the Ontario Plaintiffs, appointed Siskinds LLP and Koskie Minsky LLP to prosecute the Ontario class action, and stayed the other class proceedings.

CCAA Proceedings

[12] SFC obtained an initial order under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 ("CCAA") on March 30, 2012 (the "Initial Order"), pursuant to which a stay of proceedings was granted in respect of SFC and certain of its subsidiaries. Pursuant to an order on May 8, 2012, the stay was extended to all defendants in the class actions, including Ernst & Young. Due to the stay, the certification and leave motions have yet to be heard.

[13] Throughout the CCAA proceedings, SFC asserted that there could be no effective restructuring of SFC's business, and separation from the Canadian parent, if the claims asserted against SFC's subsidiaries arising out of, or connected to, claims against SFC remained outstanding.

[14] In addition, SFC and FTI Consulting Canada Inc. (the "Monitor") continually advised that timing and delay were critical elements that would impact on maximization of the value of SFC's assets and stakeholder recovery.

[15] On May 14, 2012, an order (the "Claims Procedure Order") was issued that approved a claims process developed by SFC, in consultation with the Monitor. In order to identify the nature and extent of the claims asserted against SFC's subsidiaries, the Claims Procedure Order required any claimant that had or intended to assert a right or claim against one or more of the subsidiaries, relating to a purported claim made against SFC, to so indicate on their proof of claim.

[16] The Ad Hoc Securities Purchasers' Committee filed a proof of claim (encapsulating the approximately $7.3 billion shareholder claim and $1.8 billion noteholder claim) in the CCAA proceedings on behalf of all putative class members in the Ontario class action. The plaintiffs in the New York class action filed a proof of claim, but did not specify quantum of damages. Ernst & Young filed a proof of claim for damages and indemnification. The plaintiffs in the Saskatchewan class action did not file a proof of claim. A few shareholders filed proofs of claim separately. No proof of claim was filed by Kim Orr Barristers P.C. ("Kim Orr"), who represent the Objectors.

[17] Prior to the commencement of the CCAA proceedings, the plaintiffs in the Canadian Actions settled with Pöyry (Beijing) Consulting Company Limited ("Pöyry") (the "Pöyry Settlement"), a forestry valuator that provided services to SFC. The class was defined as all persons and entities who acquired SFC's securities in Canada between March 19, 2007 to June 2, 2011, and all Canadian residents who acquired SFC securities outside of Canada during that same period (the "Pöyry Settlement Class").

[18] The notice of hearing to approve the Pöyry Settlement advised the Pöyry Settlement Class that they may object to the proposed settlement. No objections were filed.

[19] Perell J. and Émond J. approved the settlement and certified the Pöyry Settlement Class for settlement purposes. January 15, 2013 was fixed as the date by which members of the Pöyry Settlement Class, who wished to opt-out of either of the Canadian Actions, would have to file an opt-out form for the claims administrator, and they approved the form by which the right to opt-out was required to be exercised.

[20] Notice of the certification and settlement was given in accordance with the certification orders of Perell J. and Émond J. The notice of certification states, in part, that:

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

[21] The opt-out made no provision for an opt-out on a conditional basis.

[22] On June 26, 2012, SFC brought a motion for an order directing that claims against SFC that arose in connection with the ownership, purchase or sale of an equity interest in SFC, and related indemnity claims, were "equity claims" as defined in section 2 of the CCAA, including the claims by or on behalf of shareholders asserted in the Class Action Proceedings. The equity claims motion did not purport to deal with the component of the Class Action Proceedings relating to SFC's notes.

[23] In reasons released July 27, 2012 [*Re Sino-Forest Corp.*, 2012 ONSC 4377], I granted the relief sought by SFC (the "Equity Claims Decision"), finding that "the claims advanced in the shareholder claims are clearly equity claims". The Ad Hoc Securities Purchasers' Committee did not oppose the motion, and no issue was taken by any party with the court's determination that the shareholder claims against SFC were "equity claims". The Equity Claims Decision was subsequently affirmed by the Court of Appeal for Ontario on November 23, 2012 [*Re Sino-Forest Corp.*, 2012 ONCA 816].

Ernst & Young Settlement

[24] The Ernst & Young Settlement, and third party releases, was not mentioned in the early versions of the Plan. The initial creditors' meeting and vote on the Plan was scheduled to occur on November 29, 2012; when the Plan was amended on November 28, 2012, the creditors' meeting was adjourned to November 30, 2012.

[25] On November 29, 2012, Ernst & Young's counsel and class counsel concluded the proposed Ernst & Young Settlement. The creditors' meeting was again adjourned, to December 3, 2012; on that date, a new Plan revision was released and the Ernst & Young Settlement was publicly announced. The Plan revision featured a new Article 11, reflecting the "framework" for the proposed Ernst & Young Settlement and for third-party releases for named third-party defendants as identified at that time as the Underwriters or in the future.

[26] On December 3, 2012, a large majority of creditors approved the Plan. The Objectors note, however, that proxy materials were distributed weeks earlier and proxies were required to be submitted three days prior to the meeting and it is evident that creditors submitting proxies only had a pre-Article 11 version of the Plan. Further, no equity claimants, such as the Objectors, were entitled to vote on the Plan. On December 6, 2012, the Plan was further amended, adding Ernst & Young and BDO to Schedule A, thereby defining them as named third-party defendants.

[27] Ultimately, the Ernst & Young Settlement provided for the payment by Ernst & Young of $117 million as a settlement fund, being the full monetary contribution by Ernst & Young to settle the Ernst & Young Claims; however, it remains subject to court approval in Ontario, and recognition in Quebec and the United States, and conditional, pursuant to Article 11.1 of the Plan, upon the following steps:

(a) the granting of the sanction order sanctioning the Plan including the terms of the Ernst & Young Settlement and the Ernst & Young Release (which preclude any right to contribution or indemnity against Ernst & Young);

(b) the issuance of the Settlement Trust Order;

(c) the issuance of any other orders necessary to give effect to the Ernst & Young Settlement and the Ernst & Young Release, including the Chapter 15 Recognition Order;

(d) the fulfillment of all conditions precedent in the Ernst & Young Settlement; and

(e) all orders being final orders not subject to further appeal or challenge.

[28] On December 6, 2012, Kim Orr filed a notice of appearance in the CCAA proceedings on behalf of three Objectors: Invesco, Northwest and Bâtirente. These Objectors opposed the sanctioning of the Plan, insofar as it included Article 11, during the Plan sanction hearing on December 7, 2012.

[29] At the Plan sanction hearing, SFC's counsel made it clear that the Plan itself did not embody the Ernst & Young Settlement, and that the parties' request that the Plan be sanctioned did not also cover approval of the Ernst & Young Settlement. Moreover, according to the Plan and minutes of settlement, the Ernst & Young Settlement would not be consummated (*i.e.* money paid and releases effective) unless and until several conditions had been satisfied in the future.

[30] The Plan was sanctioned on December 10, 2012 with Article 11. The Objectors take the position that the Funds' opposition was dismissed as premature and on the basis that nothing in the sanction order affected their rights.

[31] On December 13, 2012, the court directed that its hearing on the Ernst & Young Settlement would take place on January 4, 2013, under both the CCAA and the *Class Proceedings Act, 1992*, S.O. 1992, c. 6 ("CPA"). Subsequently, the hearing was adjourned to February 4, 2013.

[32] On January 15, 2013, the last day of the opt-out period established by orders of Perell J. and Émond J., six institutional investors represented by Kim Orr filed opt-out forms. These institutional investors are Northwest and Bâtirente, who were two of the three institutions represented by Kim Orr in the Carriage Motion, as well as Invesco, Matrix, Montrusco and Gestion Ferique (all of which are members of the Pöyry Settlement Class).

[33] According to the opt-out forms, the Objectors held approximately 1.6% of SFC shares outstanding on June 30, 2011 (the day the Muddy Waters report was released). By way of contrast, Davis Selected Advisors and Paulson and Co., two of many institutional investors who support the Ernst & Young Settlement, controlled more than 25% of SFC's shares at this time. In addition, the total number of outstanding objectors constitutes approximately 0.24% of the 34,177 SFC beneficial shareholders as of April 29, 2011.

LAW AND ANALYSIS

Court's Jurisdiction to Grant Requested Approval

[34] The Claims Procedure Order of May 14, 2012, at paragraph 17, provides that any person that does not file a proof of claim in accordance with the order is barred from making or enforcing such claim as against any other person who could claim contribution or indemnity from the Applicant. This includes claims by the Objectors against Ernst & Young for which Ernst & Young could claim indemnity from SFC.

[35] The Claims Procedure Order also provides that the Ontario Plaintiffs are authorized to file one proof of claim in respect of the substance of the matters set out in the Ontario class action, and that the Quebec Plaintiffs are similarly authorized to file one proof of claim in respect of the substance of the matters set out in the Quebec class action. The Objectors did not object to, or oppose, the Claims Procedure Order, either when it was sought or at any time thereafter. The Objectors did not file an independent proof of claim and, accordingly, the Canadian Claimants were authorized to and did file a proof of claim in the representative capacity in respect of the Objectors' claims.

[36] The Ernst & Young Settlement is part of a CCAA plan process. Claims, including contingent claims, are regularly compromised and settled within CCAA proceedings. This includes outstanding litigation claims against the debtor and third parties. Such compromises fully and finally dispose of such claims, and it follows that there are no continuing procedural or other rights in such proceedings. Simply put, there are no "opt-outs" in the CCAA.

[37] It is well established that class proceedings can be settled in a CCAA proceeding. See *Robertson v. ProQuest Information and Learning Co.*, 2011 ONSC 1647 [*Robertson*].

[38] As noted by Pepall J. (as she then was) in *Robertson*, para. 8:

> When dealing with the consensual resolution of a CCAA claim filed in a claims process that arises out of ongoing litigation, typically no court approval is required. In contrast, class proceedings settlements must be approved by the court. The notice and process for dissemination of the settlement agreement must also be approved by the court.

[39] In this case, the notice and process for dissemination have been approved.

[40] The Objectors take the position that approval of the Ernst & Young Settlement would render their opt-out rights illusory; the inherent flaw with this argument is that it is not possible to ignore the CCAA proceedings.

[41] In this case, claims arising out of the class proceedings are claims in the CCAA process. CCAA claims can be, by definition, subject to compromise. The Claims Procedure Order establishes that claims as against Ernst & Young fall within the CCAA proceedings. Thus, these claims can also be the subject of settlement and, if settled, the claims of all creditors in the class can also be settled.

[42] In my view, these proceedings are the appropriate time and place to consider approval of the Ernst & Young Settlement. This court has the jurisdiction in respect of both the CCAA and the CPA.

Should the Court Exercise Its Discretion to Approve the Settlement

[43] Having established the jurisdictional basis to consider the motion, the central inquiry is whether the court should exercise its discretion to approve the Ernst & Young Settlement.

CCAA Interpretation

[44] The CCAA is a "flexible statute", and the court has "jurisdiction to approve major transactions, including settlement agreements, during the stay period defined in the Initial Order". The CCAA affords courts broad jurisdiction to make orders and "fill in the gaps in legislation so as to give effect to the objects of the CCAA." [*Re Nortel Networks Corp.*, 2010 ONSC 1708, paras. 66-70 ("*Re Nortel*"); *Re Canadian Red Cross Society* (1998), 5 C.B.R. (4th) 299, 72 O.T.C. 99, para. 43 (Ont. C.J.)]

[45] Further, as the Supreme Court of Canada explained in *Re Ted Leroy Trucking Ltd. [Century Services]*, 2010 SCC 60, para. 58:

> CCAA decisions are often based on discretionary grants of jurisdiction. The incremental exercise of judicial discretion in commercial courts under conditions one practitioner aptly described as "the hothouse of real time litigation" has been the primary method by which the CCAA has been adapted and has evolved to meet contemporary business and social needs (internal citations omitted). ...When large companies encounter difficulty, reorganizations become increasingly complex. CCAA courts have been called upon to innovate accordingly in exercising their jurisdiction beyond merely staying proceedings against the

> Debtor to allow breathing room for reorganization. They have been asked to sanction measures for which there is no explicit authority in the CCAA.

[46] It is also established that third-party releases are not an uncommon feature of complex restructurings under the CCAA [*ATB Financial v. Metcalf and Mansfield Alternative Investments II Corp.*, 2008 ONCA 587 ("*ATB Financial*"); *Re Nortel, supra*; *Robertson, supra*; *Re Muscle Tech Research and Development Inc.* (2007), 30 C.B.R. (5th) 59, 156 A.C.W.S. (3d) 22 (Ontario S.C.J.) ("*Muscle Tech*"); *Re Grace Canada Inc.* (2008), 50 C.B.R. (5th) 25 (Ont. S.C.J.); *Re Allen-Vanguard Corporation*, 2011 ONSC 5017].

[47] The Court of Appeal for Ontario has specifically confirmed that a third-party release is justified where the release forms part of a comprehensive compromise. As Blair J. A. stated in *ATB Financial, supra*:

> 69. In keeping with this scheme and purpose, I do not suggest that any and all releases between creditors of the debtor company seeking to restructure and third parties may be made the subject of a compromise or arrangement between the debtor and its creditors. Nor do I think the fact that the releases may be "necessary" in the sense that the third parties or the debtor may refuse to proceed without them, of itself, advances the argument in favour of finding jurisdiction (although it may well be relevant in terms of the fairness and reasonableness analysis).
>
> 70. The release of the claim in question must be justified as part of the compromise or arrangement between the debtor and its creditors. In short, there must be a reasonable connection between the third party claim being compromised in the plan and the restructuring achieved by the plan to warrant inclusion of the third party release in the plan ...
>
> 71. In the course of his reasons, the application judge made the following findings, all of which are amply supported on the record:
>
> a) The parties to be released are necessary and essential to the restructuring of the debtor;
>
> b) The claims to be released are rationally related to the purpose of the Plan and necessary for it;
>
> c) The Plan cannot succeed without the releases;
>
> d) The parties who are to have claims against them released are contributing in a tangible and realistic way to the Plan; and
>
> e) The Plan will benefit not only the debtor companies but creditor Noteholders generally.
>
> 72. Here, then – as was the case in T&N – there is a close connection between the claims being released and the restructuring proposal. The tort claims arise out of

the sale and distribution of the ABCP Notes and their collapse in value, just as do the contractual claims of the creditors against the debtor companies. The purpose of the restructuring is to stabilize and shore up the value of those notes in the long run. The third parties being released are making separate contributions to enable those results to materialize. Those contributions are identified earlier, at para. 31 of these reasons. The application judge found that the claims being released are not independent of or unrelated to the claims that the Noteholders have against the debtor companies; they are closely connected to the value of the ABCP Notes and are required for the Plan to succeed ...

73. I am satisfied that the wording of the CCAA – construed in light of the purpose, objects and scheme of the Act and in accordance with the modern principles of statutory interpretation – supports the court's jurisdiction and authority to sanction the Plan proposed here, including the contested third-party releases contained in it.

...

78. ... I believe the open-ended CCAA permits third-party releases that are reasonably related to the restructuring at issue because they are encompassed in the comprehensive terms "compromise" and "arrangement" and because of the double-voting majority and court sanctioning statutory mechanism that makes them binding on unwilling creditors.

...

113. At para. 71 above I recited a number of factual findings the application judge made in concluding that approval of the Plan was within his jurisdiction under the CCAA and that it was fair and reasonable. For convenience, I reiterate them here – with two additional findings – because they provide an important foundation for his analysis concerning the fairness and reasonableness of the Plan. The application judge found that:

a) The parties to be released are necessary and essential to the restructuring of the debtor;

b) The claims to be released are rationally related to the purpose of the Plan and necessary for it;

c) The Plan cannot succeed without the releases;

d) The parties who are to have claims against them released are contributing in a tangible and realistic way to the Plan;

e) The Plan will benefit not only the debtor companies but creditor Noteholders generally;

f) The voting creditors who have approved the Plan did so with knowledge of the nature and effect of the releases; and that,

g) The releases are fair and reasonable and not overly broad or offensive to public policy.

[48] Furthermore, in *ATB Financial, supra*, para. 111, the Court of Appeal confirmed that parties are entitled to settle allegations of fraud and to include releases of such claims as part of the settlement. It was noted that "there is no legal impediment to granting the release of an antecedent claim in fraud, provided the claim is in the contemplation of the parties to the release at the time it is given".

Relevant CCAA Factors

[49] In assessing a settlement within the CCAA context, the court looks at the following three factors, as articulated in *Robertson, supra*:

(a) whether the settlement is fair and reasonable;

(b) whether it provides substantial benefits to other stakeholders; and

(c) whether it is consistent with the purpose and spirit of the CCAA.

[50] Where a settlement also provides for a release, such as here, courts assess whether there is "a reasonable connection between the third party claim being compromised in the plan and the restructuring achieved by the plan to warrant inclusion of the third party release in the plan". Applying this "nexus test" requires consideration of the following factors: [*ATB Financial, supra*, para. 70]

(a) Are the claims to be released rationally related to the purpose of the plan?

(b) Are the claims to be released necessary for the plan of arrangement?

(c) Are the parties who have claims released against them contributing in a tangible and realistic way? and

(d) Will the plan benefit the debtor and the creditors generally?

Counsel Submissions

[51] The Objectors argue that the proposed Ernst & Young Release is not integral or necessary to the success of Sino-Forest's restructuring plan, and, therefore, the standards for granting third-party releases in the CCAA are not satisfied. No one has asserted that the parties require the Ernst & Young Settlement or Ernst & Young Release to allow the Plan to go forward; in fact, the Plan has been implemented prior to consideration of this issue. Further, the Objectors contend that the $117 million settlement payment is not essential, or even related, to the restructuring, and that it is concerning, and telling, that varying the end of the Ernst & Young Settlement and Ernst & Young Release to accommodate opt-outs would extinguish the settlement.

[52] The Objectors also argue that the Ernst & Young Settlement should not be approved because it would vitiate opt-out rights of class members, as conferred as follows in section 9 of the CPA: "Any member of a class involved in a class proceeding may opt-out of the proceeding in the manner and within the time specified in the certification order." This right is a fundamental element of procedural fairness in the Ontario class action regime [*Fischer v. IG Investment Management Ltd.*, 2012 ONCA 47, para. 69], and is not a mere technicality or illusory. It has been described as absolute [*Durling v. Sunrise Propane Energy Group Inc.*, 2011 ONSC 266]. The opt-out period allows persons to pursue their self-interest and to preserve their rights to pursue individual actions [*Mangan v. Inco Ltd.*, (1998) 16 C.P.C. (4th) 165 38 O.R. (3d) 703 (Ont. C.J.)].

[53] Based on the foregoing, the Objectors submit that a proposed class action settlement with Ernst & Young should be approved solely under the CPA, as the Pöyry Settlement was, and not through misuse of a third-party release procedure under the CCAA. Further, since the minutes of settlement make it clear that Ernst & Young retains discretion not to accept or recognize normal opt-outs if the CPA procedures are invoked, the Ernst & Young Settlement should not be approved in this respect either.

[54] Multiple parties made submissions favouring the Ernst & Young Settlement (with the accompanying Ernst & Young Release), arguing that it is fair and reasonable in the circumstances, benefits the CCAA stakeholders (as evidenced by the broad-based support for the Plan and this motion) and rationally connected to the Plan.

[55] Ontario Plaintiffs' counsel submits that the form of the bar order is fair and properly balances the competing interests of class members, Ernst & Young and the non-settling defendants as:

(a) class members are not releasing their claims to a greater extent than necessary;

(b) Ernst & Young is ensured that its obligations in connection to the Settlement will conclude its liability in the class proceedings;

(c) the non-settling defendants will not have to pay more following a judgment than they would be required to pay if Ernst & Young remained as a defendant in the action; and

(d) the non-settling defendants are granted broad rights of discovery and an appropriate credit in the ongoing litigation, if it is ultimately determined by the court that there is a right of contribution and indemnity between the co-defendants.

[56] SFC argues that Ernst & Young's support has simplified and accelerated the Plan process, including reducing the expense and management time otherwise to be incurred in litigating claims, and was a catalyst to encouraging many parties, including the Underwriters and BDO, to withdraw their objections to the Plan. Further, the result is precisely the type of compromise that the CCAA is designed to promote; namely, Ernst & Young has provided a tangible and significant contribution to the Plan (notwithstanding any pitfalls in the litigation claims against Ernst & Young) that has enabled SFC to emerge as Newco/NewcoII in a timely way and with potential viability.

[57] Ernst & Young's counsel submits that the Ernst & Young Settlement, as a whole, including the Ernst & Young Release, must be approved or rejected; the court cannot modify the terms of a proposed settlement. Further, in deciding whether to reject a settlement, the court should consider whether doing so would put the settlement in "jeopardy of being unravelled". In this case, counsel submits there is no obligation on the parties to resume discussions and it could be that the parties have reached their limits in negotiations and will backtrack from their positions or abandon the effort.

Analysis and Conclusions

[58] The Ernst & Young Release forms part of the Ernst & Young Settlement. In considering whether the Ernst & Young Settlement is fair and reasonable and ought to be approved, it is necessary to consider whether the Ernst & Young Release can be justified as part of the Ernst & Young Settlement. See *ATB Financial, supra*, para. 70, as quoted above.

[59] In considering the appropriateness of including the Ernst & Young Release, I have taken into account the following.

[60] Firstly, although the Plan has been sanctioned and implemented, a significant aspect of the Plan is a distribution to SFC's creditors. The significant and, in fact, only monetary contribution that can be directly identified, at this time, is the $117 million from the Ernst & Young Settlement. Simply put, until such time as the Ernst & Young Settlement has been concluded and the settlement proceeds paid, there can be no distribution of the settlement proceeds to parties entitled to receive them. It seems to me that in order to effect any distribution, the Ernst & Young Release has to be approved as part of the Ernst & Young Settlement.

[61] Secondly, it is apparent that the claims to be released against Ernst & Young are rationally related to the purpose of the Plan and necessary for it. SFC put forward the Plan. As I outlined in the Equity Claims Decision, the claims of Ernst & Young as against SFC are intertwined to the extent that they cannot be separated. Similarly, the claims of the Objectors as against Ernst & Young are, in my view, intertwined and related to the claims against SFC and to the purpose of the Plan.

[62] Thirdly, although the Plan can, on its face, succeed, as evidenced by its implementation, the reality is that without the approval of the Ernst & Young Settlement, the objectives of the Plan remain unfulfilled due to the practical inability to distribute the settlement proceeds. Further, in the event that the Ernst & Young Release is not approved and the litigation continues, it becomes circular in nature as the position of Ernst & Young, as detailed in the Equity Claims Decision, involves Ernst & Young bringing an equity claim for contribution and indemnity as against SFC.

[63] Fourthly, it is clear that Ernst & Young is contributing in a tangible way to the Plan, by its significant contribution of $117 million.

[64] Fifthly, the Plan benefits the claimants in the form of a tangible distribution. Blair J.A., at paragraph 113 of *ATB Financial, supra*, referenced two further facts as found by the application

judge in that case; namely, the voting creditors who approved the Plan did so with the knowledge of the nature and effect of the releases. That situation is also present in this case.

[65] Finally, the application judge in *ATB Financial*, *supra*, held that the releases were fair and reasonable and not overly broad or offensive to public policy. In this case, having considered the alternatives of lengthy and uncertain litigation, and the full knowledge of the Canadian plaintiffs, I conclude that the Ernst & Young Release is fair and reasonable and not overly broad or offensive to public policy.

[66] In my view, the Ernst & Young Settlement is fair and reasonable, provides substantial benefits to relevant stakeholders, and is consistent with the purpose and spirit of the CCAA. In addition, in my view, the factors associated with the *ATB Financial* nexus test favour approving the Ernst & Young Release.

[67] In *Re Nortel*, *supra*, para. 81, I noted that the releases benefited creditors generally because they "reduced the risk of litigation, protected Nortel against potential contribution claims and indemnity claims and reduced the risk of delay caused by potentially complex litigation and associated depletion of assets to fund potentially significant litigation costs". In this case, there is a connection between the release of claims against Ernst & Young and a distribution to creditors. The plaintiffs in the litigation are shareholders and Noteholders of SFC. These plaintiffs have claims to assert against SFC that are being directly satisfied, in part, with the payment of $117 million by Ernst & Young.

[68] In my view, it is clear that the claims Ernst & Young asserted against SFC, and SFC's subsidiaries, had to be addressed as part of the restructuring. The interrelationship between the various entities is further demonstrated by Ernst & Young's submission that the release of claims by Ernst & Young has allowed SFC and the SFC subsidiaries to contribute their assets to the restructuring, unencumbered by claims totalling billions of dollars. As SFC is a holding company with no material assets of its own, the unencumbered participation of the SFC subsidiaries is crucial to the restructuring.

[69] At the outset and during the CCAA proceedings, the Applicant and Monitor specifically and consistently identified timing and delay as critical elements that would impact on maximization of the value and preservation of SFC's assets.

[70] Counsel submits that the claims against Ernst & Young and the indemnity claims asserted by Ernst & Young would, absent the Ernst & Young Settlement, have to be finally determined before the CCAA claims could be quantified. As such, these steps had the potential to significantly delay the CCAA proceedings. Where the claims being released may take years to resolve, are risky, expensive or otherwise uncertain of success, the benefit that accrues to creditors in having them settled must be considered. See *Re Nortel, supra*, paras. 73 and 81; and *Muscle Tech, supra*, paras. 19-21.

[71] Implicit in my findings is rejection of the Objectors' arguments questioning the validity of the Ernst & Young Settlement and Ernst & Young Release. The relevant consideration is whether a proposed settlement and third-party release sufficiently benefits all stakeholders to justify court approval. I reject the position that the $117 million settlement payment is not

essential, or even related, to the restructuring; it represents, at this point in time, the only real monetary consideration available to stakeholders. The potential to vary the Ernst & Young Settlement and Ernst & Young Release to accommodate opt-outs is futile, as the court is being asked to approve the Ernst & Young Settlement and Ernst & Young Release as proposed.

[72] I do not accept that the class action settlement should be approved solely under the CPA. The reality facing the parties is that SFC is insolvent; it is under CCAA protection, and stakeholder claims are to be considered in the context of the CCAA regime. The Objectors' claim against Ernst & Young cannot be considered in isolation from the CCAA proceedings. The claims against Ernst & Young are interrelated with claims as against SFC, as is made clear in the Equity Claims Decision and Claims Procedure Order.

[73] Even if one assumes that the opt-out argument of the Objectors can be sustained, and opt-out rights fully provided, to what does that lead? The Objectors are left with a claim against Ernst & Young, which it then has to put forward in the CCAA proceedings. Without taking into account any argument that the claim against Ernst & Young may be affected by the claims bar date, the claim is still capable of being addressed under the Claims Procedure Order. In this way, it is again subject to the CCAA fairness and reasonable test as set out in *ATB Financial*, *supra*.

[74] Moreover, CCAA proceedings take into account a class of creditors or stakeholders who possess the same legal interests. In this respect, the Objectors have the same legal interests as the Ontario Plaintiffs. Ultimately, this requires consideration of the totality of the class. In this case, it is clear that the parties supporting the Ernst & Young Settlement are vastly superior to the Objectors, both in number and dollar value.

[75] Although the right to opt-out of a class action is a fundamental element of procedural fairness in the Ontario class action regime, this argument cannot be taken in isolation. It must be considered in the context of the CCAA.

[76] The Objectors are, in fact, part of the group that will benefit from the Ernst & Young Settlement as they specifically seek to reserve their rights to "opt-in" and share in the spoils.

[77] It is also clear that the jurisprudence does not permit a dissenting stakeholder to opt-out of a restructuring. [*Re Sammi Atlas Inc.*, (1998) 3 C.B.R. (4th) 171 (Ont. Gen. Div. (Commercial List)).] If that were possible, no creditor would take part in any CCAA compromise where they were to receive less than the debt owed to them. There is no right to opt-out of any CCAA process, and the statute contemplates that a minority of creditors are bound by the plan which a majority have approved and the court has determined to be fair and reasonable.

[78] SFC is insolvent and all stakeholders, including the Objectors, will receive less than what they are owed. By virtue of deciding, on their own volition, not to participate in the CCAA process, the Objectors relinquished their right to file a claim and take steps, in a timely way, to assert their rights to vote in the CCAA proceeding.

[79] Further, even if the Objectors had filed a claim and voted, their minimal 1.6% stake in SFC's outstanding shares when the Muddy Waters report was released makes it highly unlikely that they could have altered the outcome.

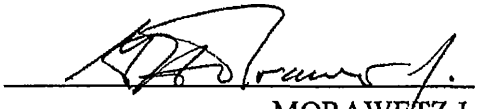
[80] Finally, although the Objectors demand a right to conditionally opt-out of a settlement, that right does not exist under the CPA or CCAA. By virtue of the certification order, class members had the ability to opt-out of the class action. The Objectors did not opt-out in the true sense; they purported to create a conditional opt-out. Under the CPA, the right to opt-out is "in the manner and within the time specified in the certification order". There is no provision for a conditional opt-out in the CPA, and Ontario's single opt-out regime causes "no prejudice...to putative class members". [CPA, section 9; *Osmun v. Cadbury Adams Canada Inc.* (2009), 85 C.P.C. (6th) 148, paras. 43-46 (Ont. S.C.J.); and *Eidoo v. Infineon Technologies AG*, 2012 ONSC 7299.]

Miscellaneous

[81] For greater certainty, it is my understanding that the issues raised by Mr. O'Reilly have been clarified such that the effect of this endorsement is that the Junior Objectors will be included with the same status as the Ontario Plaintiffs.

DISPOSITION

[82] In the result, for the foregoing reasons, the motion is granted. A declaration shall issue to the effect that the Ernst & Young Settlement is fair and reasonable in all the circumstances. The Ernst & Young Settlement, together with the Ernst & Young Release, is approved and an order shall issue substantially in the form requested.



MORAWETZ J.

Date: March 20, 2013

This is Exhibit "C" mentioned and referenced in the Affidavit of Steven J. Toll, sworn before me at the City of Washington, D.C., in the United States, this 7th day of December 2013.

Notary

My Commission Expires 1/1/2014

Exhibit C

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 15
SINO-FOREST CORPORATION,	)	Case No. 13-10361 (MG)
Debtor in a Foreign Proceeding.	)	

ORDER GRANTING RECOGNITION OF FOREIGN PROCEEDING, ENFORCEMENT OF CANADIAN ORDERS, AND RELATED RELIEF

Upon consideration of the *Verified Petition for Recognition of Foreign Proceeding and Related Relief* which was filed on February 4, 2013 (the "**Chapter 15 Petition**")[1] by FTI Consulting Canada Inc. the court-appointed monitor (the "**Monitor**") and authorized foreign representative of the proceeding (the "**Canadian Proceeding**") of Sino-Forest Corporation ("**SFC**") under Canada's *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (as amended, the "**CCAA**") pending before the Ontario Superior Court of Justice (Commercial List) (the "**Ontario Court**"), commencing the above-captioned chapter 15 case (the "**Chapter 15 Case**") pursuant to sections 1504, 1509, and 1515 of title 11 of the United States Code (as amended, the "**Bankruptcy Code**") and seeking the entry of an order (i) recognizing the Canadian Proceeding as a "foreign main proceeding" pursuant to sections 1515 and 1517 of the Bankruptcy Code and (ii) giving full force and effect in the United States to (a) the Initial Order of the Ontario Court dated March 30, 2012, including any extensions or amendments thereof (the "**Initial Order**") and (b) the Plan Sanction Order of the Ontario Court dated December 10, 2012, including any extensions or amendments thereof (the "**Plan Sanction Order**," and with the Initial Order, the "**Canadian Orders**") sanctioning SFC's plan of

[1] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Chapter 15 Petition.

compromise and reorganization dated December 3, 2012 (as the same may be amended, revised or supplemented in accordance with its terms, the "**Plan**"),[2] pursuant to sections 105(a), 1507, and 1521 of the Bankruptcy Code; and it appearing that the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the "Amended Standing Order of Reference Re: Title 11" of the United States District Court for the Southern District of New York (Preska, C.J.) dated January 31, 2012; and it appearing that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(P); and it appearing that venue is proper in this District pursuant to 28 U.S.C. §§ 1410(2) and (3); and the Court having considered and reviewed the *Memorandum of Law in Support of Chapter 15 Petition for Recognition of Foreign Proceeding and Related Relief* (the "**Memorandum of Law**") and the *Declaration of Jeremy C. Hollembeak* dated February 4, 2013 (the "**Hollembeak Declaration**") and the exhibits attached thereto, both filed contemporaneously with the Chapter 15 Petition; and the Court having held a hearing to consider the relief requested in the Chapter 15 Petition on March 6, 2013 (the "**Recognition Hearing**"); and it appearing that timely notice of the filing of the Chapter 15 Petition, the Memorandum of Law, the Hollembeak Declaration, and the Recognition Hearing has been given to SFC's known creditors and that no other or further notice need be provided; and upon all the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor;

THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:

A. On March 30, 2012 (the "**Filing Date**"), the Canadian Proceeding was commenced by SFC under the CCAA in the Ontario Court.

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[2] The Initial Order and the Plan Sanction Order are attached hereto as Exhibit A and Exhibit B, respectively, while the Plan is annexed as Schedule A to the Plan Sanction Order.

B. As of the Filing Date, SFC was a Canadian corporation amalgamated under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, with its registered office in Mississauga, Ontario, and its common shares were listed on the Toronto Stock Exchange.

C. As of the Filing Date, SFC's indebtedness included indebtedness related to its issuance of four series of notes aggregating approximately $1.8 billion in principal amount (the "**Notes**")[3] governed by separate indentures (collectively, the "**Notes Indentures**").

D. As of the Filing Date, multiple class action lawsuits were pending against SFC, among other defendants (as defined in the Plan, the "**Class Actions**"), including one such action in the United States originally commenced in the Supreme Court of the State New York, County of New York, and subsequently removed to the United States District Court for the Southern District of New York and assigned the case caption *David Leapard, et al., v. Allen T.Y. Chan, et al.*, Case No. 1:12-cv-01726 (VM) (S.D.N.Y.).

E. On the Filing Date, a Restructuring Support Agreement was executed by SFC, its direct subsidiaries and certain Noteholders[4] (as may be amended, restated and varied from time to time in accordance with its terms and the terms of the Plan and the Plan Sanction Order, the "**RSA**").

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[3] The Notes include: (i) $600M issued October 21, 2010 and due October 21, 2017, interest payable semi-annually at 6.25% per annum, guaranteed by 60 of SFC's direct and indirect subsidiaries and share pledges from 10 of such subsidiaries (the "**2017 Notes**"); (ii) $460M issued December 17, 2009 and due December 15, 2016, interest payable semi-annually at 4.25% per annum, guaranteed by 64 of SFC's direct and indirect subsidiaries (the "**2016 Notes**"); (iii) $399M issued July 27, 2009 and due July 28, 2014, interest payable semi-annual at 10.25% per annum, guaranteed by 60 of SFC's direct and indirect subsidiaries and share pledges from 10 of such subsidiaries (the "**2014 Notes**"); and (iv) $345M issued July and August 2008 due August 1, 2013, interest payable semi-annually at 5% per annum, guaranteed by 64 of SFC's direct and indirect subsidiaries (the "**2013 Notes**").

[4] "**Noteholders**" means, collectively, the beneficial owners of Notes as of the Distribution Record Date and, as the context requires, the registered holders of Notes as of the Distribution Record Date, and "Noteholder" means anyone of the Noteholders. "**Distribution Record Date**" means the Plan Implementation Date, or such other date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

F. On the Filing Date, the Ontario Court entered the Initial Order, which provided, among other relief, for a Stay Period (as defined below) during which the commencement or continuation of certain proceedings or enforcement processes against or in respect of certain parties or property were stayed. During the pendency of the Canadian Proceeding, the Ontario Court extended the Stay Period on multiple occasions, including pursuant to a November 23, 2012 order extending the Stay Period through February 3, 2013. The Ontario Court has not entered any order extending the Stay Period in the Initial Order past February 1, 2013 with respect to any party except with respect to the Monitor as discussed below.

G. On December 3, 2012, a meeting of creditors was held at the offices of Gowling Lafleur Henderson LLP, Canadian counsel to the Monitor, where the Plan was approved by the requisite number and amount of creditors required for approval under the CCAA.

H. On December 7, 2012, a hearing was held before the Ontario Court for the approval of the Plan.

I. On December 10, 2012, the Ontario Court granted the Plan Sanction Order, and approved the Plan.

J. On January 30, 2013 (the "**Plan Implementation Date**"), the Plan was implemented in Canada.

K. On February 4, 2013, the Monitor commenced this Chapter 15 Case and requested the relief set forth in the Chapter 15 Petition.

L. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and section 1501 of the Bankruptcy Code.

M. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(P).

N. Venue is proper in this District pursuant to 28 U.S.C. §§ 1410(3).

O. The Canadian Proceeding is a "foreign proceeding" within the meaning of section 101(23) of the Bankruptcy Code.

P. The Canadian Proceeding is a "foreign main proceeding" within the meaning of section 1502(4) of the Bankruptcy Code because the Canadian Proceeding is pending in Canada, the location of the center of main interests for SFC.

Q. The Monitor is a "person" within the meaning of section 101(41) of the Bankruptcy Code and a "foreign representative" within the meaning of section 101(24) of the Bankruptcy Code.

R. The Chapter 15 Petition meets the requirements of sections 1504, 1509, and 1515 of the Bankruptcy Code.

S. Recognizing the Canadian Proceeding would not be manifestly contrary to the public policy of the United States, as prohibited by section 1506 of the Bankruptcy Code.

T. The Canadian Proceeding is entitled to recognition by this Court pursuant to section 1517 of the Bankruptcy Code.

U. The Monitor is entitled to all the relief provided by section 1520 of the Bankruptcy Code without limitation.

V. The relief granted hereby is necessary and appropriate, in the interests of the public and international comity, consistent with the public policy of the United States, warranted pursuant to sections 105(a), 1507, and 1521 of the Bankruptcy Code, and will not cause any hardship to any party in interest that is not outweighed by the benefits of granting that relief.

W. The interest of the public will be served by this Court granting the relief requested by the Monitor as provided for herein.

NOW THEREFORE, IT IS HEREBY ORDERED AS FOLLOWS:

1. The Canadian Proceeding is hereby recognized as a foreign main proceeding pursuant to section 1517 of the Bankruptcy Code.

2. All provisions of section 1520 of the Bankruptcy Code apply in this Chapter 15 Case throughout the duration of this Chapter 15 Case or until otherwise ordered by this Court; ***provided, however***, that the application of section 362 of the Bankruptcy Code in this case pursuant to section 1520 of the Bankruptcy Code shall apply only with respect to SFC and the property of SFC, if any, that is within the territorial jurisdiction of the United States. For the avoidance of doubt, the provisions of this Order shall not and shall not be deemed to release, enjoin, impose a stay of, or otherwise impact any claims and/or proceedings unless such claims and/or proceedings are released, enjoined, stayed, or otherwise impacted by the Plan and/or the Plan Sanction Order; ***provided, however***, that nothing in this Order shall limit any stay relief in effect in the Canadian Proceeding with respect to the Monitor within the United States.

3. Paragraphs 17, 19, and 28-36 of the Initial Order,[5] solely as they relate to the Monitor as set forth in full below,[6] are hereby given full force and effect in the United States and are binding on all persons subject to this Court's jurisdiction pursuant to sections 105(a), 1507, and 1521 of the Bankruptcy Code:[7]

> ***Paragraph 17.*** [U]ntil and including April 29, 2012, or such later date as [the Ontario Court] may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect

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5 Capitalized terms in these provisions, unless defined herein, shall have the meaning ascribed to them in the Initial Order.

6 Pursuant to an order of the Ontario Court, the protections granted to the Monitor in the Initial Order remain effective and will continue through its fulfillment of post-implementation duties. *See* Order of the Ontario Court regarding post-implementation matters dated January 31, 2013 (attached as Exhibit J to Dkt. No. 4, *Declaration of Jeremy C. Hollembeak in Support of Petition for Recognition of Foreign Proceeding and Related Relief*), at ¶ 4.

7 For the avoidance of doubt, the omitted language in the following paragraphs is not subject to the terms of this Order.

of ... the Monitor ... except with the written consent of [SFC] and the Monitor, or with leave of [the Ontario Court] ....

Paragraph 19. [D]uring the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**" [as used in the Initial Order]) against or in respect of ... the Monitor ... are hereby stayed and suspended and shall not be commenced, proceeded with or continued, except with the written consent of [SFC] and the Monitor, or leave of [the Ontario Court], provided that nothing in [the Initial Order] shall ... (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, [or] (iv) prevent the registration of a claim for lien ....

Paragraph 28. [FTI Canada Consulting Inc.] is hereby appointed pursuant to the CCAA as the Monitor, an officer of [the Ontario Court], to monitor the business and financial affairs of [SFC] with the powers and obligations set out in the CCAA or set forth [in the Initial Order] and that [SFC] and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by [SFC] pursuant to [the Initial Order], and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

Paragraph 29. [T]he Monitor, in addition to its prescribed rights and obligations under the CCAA, is ... directed and empowered to: ... (b) report to [the Ontario Court] at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein; ... (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of [SFC] to the extent that is necessary to adequately assess [SFC's] business and financial affairs or to perform its duties arising under [the Initial Order]; ... (g) be at liberty to engage independent legal counselor such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under [the Initial Order]; ... (i) perform such other duties as are required by [the Initial Order] or by [the Ontario Court] from time to time.

Paragraph 30. [W]ithout limiting paragraph 29 above, in carrying out its rights and obligations in connection with [the Initial Order], the Monitor shall be entitled to take such reasonable steps and use such services as it deems necessary in discharging its powers and obligations, including, without limitation, utilizing the services of FTI Consulting (Hong Kong) Limited ("**FTI HK**").

Paragraph 31. [T]he Monitor shall not take possession of the Property (or any property or assets of [SFC's] subsidiaries) and shall take no part whatsoever in the management or supervision of the management of the Business (or any business of [SFC's] subsidiaries) and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof (or of any business, property or assets, or any part thereof, of any subsidiary of [SFC]).

Paragraph 32. [N]othing ... contained [in the Initial Order] shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property (or any property of any subsidiary of [SFC]) that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing [in the Initial Order] shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of [the Initial Order] or anything done in pursuance of the Monitor's duties and powers under [the Initial Order], be deemed to be in Possession of any of the Property (or of any property of any subsidiary of [SFC]) within the meaning of any Environmental Legislation, unless it is actually in possession.

Paragraph 33. [T]he Monitor shall provide any creditor of [SFC] with information provided by [SFC] in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by [SFC] is confidential, the Monitor shall not provide such Information to creditors unless otherwise directed by [the Ontario Court] or on such terms as the Monitor and [SFC] may agree.

Paragraph 34. [I]n addition to the rights and protections afforded the Monitor under the CCAA or as an officer of [the Ontario Court], the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of [the Initial Order], save and except for any gross negligence or willful misconduct on its part. Nothing in [the Initial Order] shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

Paragraph 35. [T]he Monitor, counsel to the Monitor, ... [and] FTI HK ... shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by [SFC], whether incurred prior to or subsequent to the date of [the Initial Order], as part of the costs of these proceedings. [SFC] is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, ... [and] FTI HK] ... on a weekly basis or otherwise in accordance with the terms of their engagement letters.

Paragraph 36. [T]he Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

4. The Plan and Plan Sanction Order, in their entirety, are hereby given full force and effect in the United States and are binding on all persons subject to this Court's

jurisdiction pursuant to sections 105(a), 1507, and 1521 of the Bankruptcy Code. All rights of creditors and parties in interest of SFC with respect to the Canadian Proceeding, including without limitation, the allowance, disallowance, and dischargeability of claims under the Plan and the restructuring transactions contemplated thereunder, shall be assessed, entered and/or resolved in accordance with the Plan and/or the relevant provisions of the CCAA and the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, or as otherwise determined in the Canadian Proceeding, and each and every creditor or party in interest is permanently restricted, enjoined and barred from asserting such rights, except as may have been or may be asserted in the Canadian Proceeding or in accordance with the Plan.

5. Without limitation as to the relief in the preceding paragraph, the following provisions of the Plan and Plan Sanction Order are hereby given full force and effect in the United States and are binding on all persons subject to this Court's jurisdiction pursuant to sections 105(a), 1507, and 1521 of the Bankruptcy Code:[8]

Article 7 of the Plan[9]
RELEASES

7.1 ***Plan Releases.*** Subject to 7.2 [of the Plan], all of the following shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date:

(a) all Affected Claims,[10] including all Affected Creditor Claims,[11] Equity Claims,[12]

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8 Capitalized terms in these provisions, unless defined herein, shall have the meaning ascribed to them in the Plan.

9 As effectuated by Paragraphs 30, 32, and 38 of the Plan Sanction Order.

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

11 **"Affected Creditor Claim"** means any Ordinary Affected Creditor Claim or Noteholder Claim.

"Ordinary Affected Creditor Claim" means a Claim that is not: an Unaffected Claim; a Noteholder Claim; an Equity Claim; a Subsidiary Intercompany Claim; a Noteholder Class Action Claim; or a Class

Action Indemnity Claim (other than a Class Action Indemnity Claim by any of the Third Party Defendants in respect of the Indemnified Noteholder Class Action Claims).

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

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

"Administration Charge" has the meaning ascribed thereto in ¶ 37 of the Initial Order.

"Government Priority Claims" means all Claims of Governmental Entities in respect of amounts that were outstanding as of the Plan Implementation Date and that are of a kind that could be subject to a demand under: (a) subsections 224(1.2) of the Canadian Tax Act; (b) any provision of the *Canada Pension Plan* or the *Employment Insurance Act* (Canada) that refers to subsection 224(1.2) of the Canadian Tax Act and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or employee's premium or employer's premium as defined in the *Employment Insurance Act* (Canada), or a premium under Part VII. 1 of that Act, and of any related interest, penalties or other amounts; or (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Canadian Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum: (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Canadian Tax Act; or (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.

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

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

"Trustee Claims" means any rights or claims of the Trustees against SFC under the Note Indentures for compensation, fees, expenses, disbursements or advances, including reasonable legal fees and expenses, incurred or made by or on behalf of the Trustees before or after the Plan Implementation Date in connection with the performance of their respective duties under the Note Indentures or this Plan. **"Trustees"** means, collectively, The Bank of New York Mellon in its capacity as trustee for the 2013 Notes and the 2016 Notes, and Law Debenture Trust Company of New York in its capacity as trustee for the 2014 Notes and the 2017 Notes, and "Trustee" means either one of them.

12 **"Equity Claim"** means a Claim that meets the definition of "equity claim" in section 2(1) of the CCAA and, for greater certainty, includes any of the following: (a) any claim against SFC resulting from the ownership, purchase or sale of an equity interest in SFC, including the claims by or on behalf of current or former shareholders asserted in the Class Actions; (b) any indemnification claim against SFC related to or arising from the claims described in sub-paragraph (a), including any such indemnification claims against SFC by or on behalf of any and all of the Third Party Defendants (other than for Defense Costs, unless any

D&O Claims[13] (other than Section 5.1(2) D&O Claims,[14] Conspiracy Claims,[15] Continuing Other D&O Claims[16] and Non-Released D&O Claims[17]), D&O Indemnity Claims[18] (except as set forth in section 7.1(d) [of the Plan]) and

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such claims for Defense Costs have been determined to be Equity Claims subsequent to the date of the Equity Claims Order); and (c) any other claim that has been determined to be an Equity Claim pursuant to an Order of the Court.

"Defense Costs" means, as set forth in section 4.8 of the Plan, all Claims against SFC for indemnification of defense 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.

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

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

14 **"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.

15 **"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.

16 **"Continuing Other D&O Claims"** means, as set forth in section 4.9(b) of the Plan, all D&O Claims against the Other Directors and/or Officers which shall not be compromised, released, discharged, cancelled or barred by the Plan and which shall be permitted to continue as against the applicable Other Directors and/or Officers.

17 **"Non-Released D&O Claims"** means, as set forth in section 4.9(f) of the Plan, all D&O Claims against the Directors and Officers of SFC or the Subsidiaries for fraud or criminal conduct which shall not be compromised, discharged, released, cancelled or barred by the Plan and which shall be permitted to continue as against all applicable Directors and Officers.

18 **"D&O Indemnity Claim"** means any existing or future right of any Director or Officer of SFC against SFC that arose or arises as a result of any Person filing a D&O Proof of Claim (as defined in the Claims

Noteholder Class Action Claims[19] (other than the Continuing Noteholder Class Action Claims[20]);

(b) all Claims[21] of the Ontario Securities Commission or any other Governmental Entity[22] that have or could give rise to a monetary liability, including fines,

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

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

"Subsidiaries" means all direct and indirect subsidiaries of SFC, other than (i) Greenheart and its direct and indirect subsidiaries and (ii) SFC Escrow Co., and **"Subsidiary"** means anyone of the Subsidiaries. **"Greenheart"** means Greenheart Group Limited, a company established under the laws of Bermuda.

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

"Underwriters" means any underwriters of SFC that are named as defendants in the Class Action Claims, including for greater certainty Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (successor by merger to Banc of America Securities LLC).

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

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

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

"Restructuring Claim" means any right or claim of any Person that may be asserted or made in whole or in part against SFC, whether or not asserted or made, in connection with any indebtedness, liability or

awards, penalties, costs, claims for reimbursement or other claims having a monetary value;

(c) all Class Action Claims[23] (including the Noteholder Class Action Claims) against SFC, the Subsidiaries or the Named Directors or Officers[24] 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);

(d) all Class Action Indemnity Claims[25] (including related D&O Indemnity Claims), other than any Class Action Indemnity Claim by the Third Party Defendants[26] against SFC in respect of the Indemnified Noteholder Class Action Claims[27] (including any D&O Indemnity Claim in that respect), which shall be limited to the Indemnified Noteholder Class Action Limit[28] 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;

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obligation of any kind arising out of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation on or after the Filing Date and whether such restructuring, termination, repudiation or disclaimer took place or takes place before or after the date of the Claims Procedure Order.

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

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

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

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

25 **"Class Action Indemnity Claim"** means any right or claim of any Person that may be asserted or made in whole or in part against SFC and/or any Subsidiary for indemnity, contribution, reimbursement or otherwise from or in connection with any Class Action Claim asserted against such Person. For greater certainty, Class Action Indemnity Claims are distinct from and do not include Class Action Claims.

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

27 **"Indemnified Noteholder Class Action Claim"** means, as set forth in section 4.4(b)(i) of the Plan, the collective aggregate amount of all rights and claims asserted or that may be asserted against the Third Party Defendants in respect of any such Noteholder Class Action Claims for which any such Persons in each case have a valid and enforceable Class Action Indemnity Claim against SFC.

28 **"Indemnified Noteholder Class Action Limit"** means $150 million or such lesser amount agreed to by SFC, the Monitor, the Initial Consenting Noteholders and counsel to the Ontario Class Action Plaintiffs

(e) any portion or amount of 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;

(f) any portion or amount of liability of the Underwriters for the Noteholder Class Action Claims (other than any Noteholder Class Action Claims against the Underwriters for fraud or criminal conduct) (on a collective, aggregate basis in reference to all such Noteholder Class Action Claims together) that exceeds the Indemnified Noteholder Class Action Limit;

(g) 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 (on a collective, aggregate basis in reference to all such Class Action Indemnity Claims together) to the extent that such Class Action Indemnity Claims exceed the Indemnified Noteholder Class Action Limit;

(h) any and all Excluded Litigation Trust Claims;[29]

(i) any and all Causes of Action[30] against Newco,[31] Newco II,[32] the directors and

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prior to the Plan Implementation Date or agreed to by the Initial Consenting Noteholders and counsel to the Class Action Plaintiffs after the Plan Implementation Date.

29 **"Excluded Litigation Trust Claims"** means, as set forth in section 4.12(a) of the Plan, those Causes of Action that, at any time prior to the Plan Implementation Date, SFC and the Initial Consenting Noteholders may agree to exclude from the Litigation Trust Claims.

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

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

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

"Encumbrance" means any security interest (whether contractual, statutory, or otherwise), hypothec, mortgage, trust or deemed trust (whether contractual, statutory, or otherwise), lien, execution, levy, charge,

officers of Newco, the directors and officers of Newco II, the Noteholders, members of the *ad hoc* committee of Noteholders, the Trustees, the Transfer Agent, [33] 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, [34] the Noteholder Advisors, [35] 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 [in the Plan], 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, [36] Equity Interests[37] or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries;

(j) any and all Causes of Action against Newco, Newco II, the directors and officers of Newco, the directors and officers of Newco II, the Noteholders, members of the *ad hoc* committee of Noteholders, the Trustees, the Transfer Agent, the

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demand, action, liability or other claim, action, demand or liability of any kind whatsoever, whether proprietary, financial or monetary, and whether or not it has attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including: (i) any of the Charges; and (ii) any charge, security interest or claim evidenced by registrations pursuant to the Personal Property Security Act (Ontario) or any other personal property registry system.

"Charges" means the Administration Charge and the Directors' Charge. **"Directors' Charge"** has the meaning ascribed thereto in ¶ 26 of the Initial Order.

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

32 **"Newco II"** means the new corporation to be incorporated pursuant to section 6.2(b) [of the Plan] under the laws of the Cayman Islands or such other jurisdiction as agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

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

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

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

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

37 **"Equity Interest"** has the meaning set forth in section 2(1) of the CCAA.

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,[38] 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/or Newco II and the creation, issuance or distribution of the Newco Shares,[39] the Newco Notes,[40] the Litigation Trust or the Litigation Trust Interests,[41] 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, Newco II, the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust Interests, as the case may be;

(k) any and all Causes of Action against the Subsidiaries for or in connection with any Claim (including, notwithstanding anything to the contrary [in the Plan], 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

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38 **"Restructuring Transaction"** means the transactions contemplated by the Plan (including any Alternative Sale Transaction that occurs pursuant to section 10.1 of the Plan). **"Alternative Sale Transaction"** means, as set forth in section 10.1 of the Plan, that transaction which, at any time prior to the Plan Implementation Date (whether prior to or after the granting of the Sanction Order), and subject to the prior written consent of the Initial Consenting Noteholders, SFC may complete which constitutes a sale of all or substantially all of the SFC Assets on terms that are acceptable to the Initial Consenting Noteholders.

39 **"Newco Shares"** means common shares in the capital of Newco.

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

41 **"Litigation Trust Interests"** means the beneficial interests in the Litigation Trust to be created on the Plan Implementation Date.

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[42] or Officers[43] 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;

(l) all Subsidiary Intercompany Claims[44] as against SFC (which are assumed by Newco and then Newco II pursuant to the Plan);

(m) any entitlements of Ernst & Young[45] to receive distributions of any kind (including Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan;

(n) any entitlements of the Named Third Party Defendants[46] to receive distributions of any kind (including Newco Shares, Newco Notes and Litigation Trust Interests)

(o) any entitlements of the Underwriters to receive distributions of any kind (including Newco Shares, Newco Notes and Litigation Trust Interests) under this

7.2 ***Claims Not Released.*** Notwithstanding anything to the contrary in section 7.1 [of the Plan], nothing in [the] Plan shall waive, compromise, release, discharge, cancel or bar any of the following:

(a) SFC of its obligations under the Plan and the [Plan] Sanction Order;

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42 **"Subsidiary Intercompany Claim"** means any Claim by any Subsidiary or Greenheart against SFC.

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

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

45 **"Ernst & Young"** means Ernst & Young LLP (Canada), Ernst & Young Global Limited and all other member firms thereof, and all present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns of each, but excludes any Director or Officer (in their capacity as such) and successors, administrators, heirs and assigns of any Director or Officer (in their capacity as such).

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

(b) 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];

(c) 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 section 4.9(e) [of the Plan];

(d) any Other Directors and/or Officers[47] 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 section 4.4(b)(i) [of the Plan];

(e) 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 sections 7.1(e) and 7.1(f) [of the Plan] and the injunctions set out in section 7.3 [of the Plan];

(f) Newco II from any liability to the applicable Subsidiaries in respect of the Subsidiary Intercompany Claims assumed by Newco II pursuant to section 6.4(x) [of the Plan];

(g) the Subsidiaries from any liability to Newco II in respect of the SFC Intercompany Claims conveyed to Newco 11 pursuant to section 6.4(x) [of the Plan];

(h) 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];

(i) the Subsidiaries from their respective indemnification obligations (if any) to Directors or Officers of the Subsidiaries that relate to the ordinary course operations of the Subsidiaries and that have no connection with any of the matters listed in section 7.1(i) [of the Plan];

(j) SFC or the Directors and Officers from any Insured Claims,[48] provided that recovery for Insured Claims shall be irrevocably limited to recovery solely from

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47 **"Other Directors and/or Officers"** means any Directors and/or Officers other than the Named Directors and Officers.

48 **"Insured Claim"** means all or that portion of any Claim for which SFC is insured and all or that portion of any D&O Claim for which the applicable Director or Officer is insured, in each case pursuant to any of the

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];

(k) insurers from their obligations under insurance policies; and

(l) any Released Party[49] for fraud or criminal conduct.

7.3 ***Injunction***. All Persons[50] are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all Released Claims, [51] from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Released Parties; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties or their property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against one or more of the Released Parties; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Released Parties or their property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; provided, however, that the foregoing shall not apply to the enforcement of any obligations under the Plan.

7.4 ***Timing of Releases and Injunctions***. All releases and injunctions set forth in [Article 7 of the Plan] shall become effective on the Plan Implementation Date at the time or times and in the manner set forth in section 6.4 [of the Plan].

Insurance Policies. "**Insurance Policies**" means, collectively, the following insurance policies, as well as any other insurance policy pursuant to which SFC or any Director or Officer is insured: ACE INA Insurance Policy Number DO024464; Chubb Insurance Company of Canada Policy Number 8209-4449; Lloyds of London, England Policy Number XTFF0420; Lloyds of London, England Policy Number XTFF0373; and Travelers Guarantee Company of Canada Policy Number 10181108, and "**Insurance Policy**" means any one of the Insurance Policies.

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

50 "**Person**" – as used in the Plan and Plan Sanction Order – means any individual, sole proprietorship, limited or unlimited liability corporation, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, body corporate, joint venture, trust, pension fund, union, Governmental Entity, and a natural person including in such person's capacity as trustee, heir, beneficiary, executor, administrator or other legal representative.

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

7.5 ***Equity Class Action Claims Against the Third Party Defendants.*** Subject only to Article 11 [of the Plan], and notwithstanding anything else to the contrary in [the] Plan, any Class Action Claim against the Third Party Defendants that relates to the purchase, sale or ownership of Existing Shares or Equity Interests: (a) is unaffected by this Plan; (b) is not discharged, released, cancelled or barred pursuant to this Plan; (c) shall be permitted to continue as against the Third Party Defendants; (d) shall not be limited or restricted by this Plan in any manner as to quantum or otherwise (including any collection or recovery for any such Class Action Claim that relates to any liability of the Third Party Defendants for any alleged liability of SFC); and (e) does not constitute an Equity Claim or an Affected Claim under this Plan.

Article 11 of the Plan[52]
SETTLEMENT OF CLAIMS AGAINST THIRD PARTY DEFENDANTS

11.1 ***Ernst & Young***

(a) Notwithstanding anything to the contrary [in the Plan], subject to: (i) the granting of the [Plan] Sanction Order; (ii) the issuance of the Settlement Trust Order[53] (as may be modified in a manner satisfactory to the parties to the Ernst & Young Settlement and SFC (if occurring on or prior to the Plan Implementation Date), the Monitor and the Initial Consenting Noteholders,[54] as applicable, to the extent, if any, that such modifications affect SFC, the Monitor or the Initial Consenting Noteholders, each acting reasonably); (iii) the granting of an Order under Chapter 15 of the United States Bankruptcy Code recognizing and enforcing the [Plan] Sanction Order and the Settlement Trust Order in the United States; (iv) any other order necessary to give effect to the Ernst & Young Settlement (the orders referenced in (iii) and (iv) being collectively the "**Ernst & Young Orders**"); (v) the fulfillment of all conditions precedent in the Ernst & Young Settlement and the fulfillment by the Ontario Class Action Plaintiffs[55] of all of

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52 As effectuated by Paragraphs 40 and 41 of the Plan Sanction Order.

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

"**Ernst & Young Settlement**" means the settlement as reflected in the Minutes of Settlement executed on November 29, 2012 between Ernst & Young LLP, on behalf of itself and Ernst & Young Global Limited and all member firms thereof and the plaintiffs in Ontario Superior Court Action No. CV-11-4351153-00CP and in Quebec Superior Court No. 200-06-001132-111, and such other documents contemplated thereby.

"**Ernst & Young Release**" means the release described in 11.1(b) of the Plan.

54 "**Initial Consenting Noteholders**" means, subject to section 12.7 of the Plan, the Noteholders that executed the RSA on March 30, 2012.

55 "**Ontario Class Action Plaintiffs**" means the plaintiffs in the Ontario class action case styled as *Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al* v. *Sino-Forest Corporation et al.* (Ontario Superior Court of Justice, Court File No. CV -11-431153-00CP).

their obligations thereunder; and (vi) the [Plan] 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**"). 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 a certificate (the "**Monitor's Ernst & Young Settlement Certificate**") stating that (i) Ernst & Young has confirmed that the settlement amount has been paid to the Settlement Trust in accordance with the Ernst & Young Settlement; (ii) the trustee of the Settlement Trust has confirmed that such settlement amount has been received by the Settlement Trust; and (iii) the Ernst & Young Release is in full force and effect in accordance with the Plan. The Monitor shall thereafter file the Monitor's Ernst & Young Settlement Certificate with the Court.

(b) 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: (i) all Ernst & Young Claims[56] shall be fully, finally, irrevocably and

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

(a) all audit, tax, advisory and other professional services provided to the SFC Companies or related to the SFC Business up to the Ernst & Young Settlement Date, including for greater certainty all audit work performed, all auditors' opinions and all consents in respect of all offering of SFC securities and all regulatory compliance delivered in respect of all fiscal periods and all work related thereto up to and including the Ernst & Young Settlement Date;

(b) all claims advanced or which could have been advanced in any or all of the Class Actions;

forever compromised, released, discharged, cancelled, barred and deemed satisfied and extinguished as against Ernst & Young; (ii) section 7.3 [of the Plan] shall apply to Ernst & Young and the Ernst & Young Claims *mutatis mutandis* on the Ernst & Young Settlement Date; [57] and (iii) 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.

(c) In the event that the Ernst & Young Settlement is not completed in accordance with its terms, the Ernst & Young Release and the injunctions described in section 11.1 (b) shall not become effective.

11.2 ***Named Third Party Defendants***

(a) Notwithstanding anything to the contrary in section 12.5(a) or 12.5(b) [of the Plan], at any time prior to 10:00 a.m. (Toronto time) on December 6, 2012 or such later date as agreed in writing by the Monitor, SFC (if on or prior to the Plan Implementation Date) and the Initial Consenting Noteholders, Schedule "A" to this Plan may be amended, restated, modified or supplemented at any time and from time to time to add any Eligible Third Party Defendant[58] as a "**Named Third Party Defendant**", [59] subject in each case to the prior written consent of such Third Party Defendant, the Initial Consenting Noteholders, counsel to the Ontario Class Action Plaintiffs, the Monitor and, if occurring on or prior to the Plan Implementation Date, SFC. Any such amendment, restatement, modification and/or supplement of Schedule "A" shall be deemed to be effective automatically upon all such required consents being received. The Monitor shall: (A) provide notice to the service list of any such amendment, restatement, modification and/or supplement of Schedule "A"; (B) file a copy thereof with the Court; and (C) post

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(c) all claims advanced or which could have been advanced in any or all actions commenced in all jurisdictions prior the Ernst & Young Settlement Date; or

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

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

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

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

an electronic copy thereof on the Website.[60] All Affected Creditors shall be deemed to consent thereto any and no Court Approval thereof will be required.

(b) Notwithstanding anything to the contrary [in the Plan], subject to: (i) the granting of the [Plan] Sanction Order; (ii) the granting of the applicable Named Third Party Defendant Settlement Order;[61] and (iii) the satisfaction or waiver of all conditions precedent contained in the applicable Named Third Party Defendant Settlement,[62] the applicable Named Third Party Defendant Settlement shall be given effect in accordance with its terms. 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 certificate (the "**Monitor's Named Third Party Settlement Certificate**") stating that (i) each of the parties to such Named Third Party Defendant Settlement has confirmed that all conditions precedent thereto have been satisfied or waived; (ii) any settlement funds have been paid and received; and (iii) immediately upon the delivery of the Monitor's Named Third Party Settlement Certificate, the applicable Named Third Party Defendant Release[63] 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.

(c) 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

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60 "**Website**" means the website maintained by the Monitor in respect of the CCAA Proceeding pursuant to the Initial Order at the following web address: http://cfcanada.fticonstilting.com/sfc.

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

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

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

> 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: (i) 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 (ii) 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.

Plan Sanction Order

> ***Paragraph 31.*** [B]etween (i) the Plan Implementation Date and (ii) the earlier of the Ernst & Young Settlement Date or such other date as may be ordered by the [Ontario] Court on a motion to the [Ontario] Court on reasonable notice to Ernst & Young, any and all Persons shall be and are hereby stayed from commencing, taking, applying for or issuing or continuing any and all steps or proceedings against Ernst & Young (other than all steps or proceedings to implement the Ernst & Young Settlement) pursuant to the terms of the Order of the Honourable Justice Morawetz dated May 8, 2012, provided that no steps or proceedings against Ernst & Young by the Ontario Securities Commission or by staff of the Ontario Securities Commission under the Securities Act (Ontario) shall be stayed by [the Plan Sanction Order].

For the avoidance of doubt, the enforcement of Article 11 of the Plan as set forth above does not presently grant a release for Ernst & Young or any other Named Third Party Defendants, and nothing in this Order shall constitute recognition or enforcement in the United States of the Ernst & Young Settlement.

6. Notice of entry of this order shall be served on creditors and parties in interest of SFC with respect to the Canadian Proceeding. Such service in accordance with this Order shall constitute adequate and sufficient service and notice of this Order.

7. The Chapter 15 Petition and copies of the Canadian Orders shall be made available upon request at the offices of Milbank, Tweed, Hadley & M^{c}Cloy, LLP, One Chase Manhattan Plaza, New York, NY 10005, Attn: Jeremy C. Hollembeak, Esq., (212) 530-5189, jhollembeak@milbank.com.

8. Notwithstanding Bankruptcy Rule 7062, made applicable to these Chapter 15 Cases by Bankruptcy Rule 1018, this Order shall be immediately effective and enforceable upon its entry, and upon its entry, this Order shall become final and appealable.

9. This Court shall retain jurisdiction with respect to the enforcement, amendment or modification of this Order, any request for additional relief or any adversary proceeding brought in and through these Chapter 15 Cases, and any request by an entity for relief from the provisions of this Order, for cause shown, that is properly commenced and within the jurisdiction of this Court.

Dated: April 15, 2013
New York, New York

/s/Martin Glenn
MARTIN GLENN
United States Bankruptcy Judge

EXHIBIT A

Initial Order

Court File No CV-12-9667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	FRIDAY, THE 30th
	)	
JUSTICE MORAWETZ	)	DAY OF MARCH, 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

INITIAL ORDER

THIS APPLICATION, made by Sino-Forest Corporation (the "Applicant"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of W. Judson Martin sworn March 30, 2012 and the Exhibits thereto (the "Martin Affidavit") and the Pre-Filing Report of the Proposed Monitor, FTI Consulting Canada Inc. ("FTI") (the "Monitor's Pre-Filing Report"), and on being advised that there are no secured creditors who are likely to be affected by the charges created herein, and on hearing the submissions of counsel for the Applicant, the Applicant's directors, FTI, the *ad hoc* committee of holders of notes issued by the Applicant (the "Ad Hoc Noteholders"), and no one else appearing for any other party, and on reading the consent of FTI to act as the Monitor,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application, the Application Record and the Monitor's Pre-Filing Report is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

4. THIS COURT ORDERS that the Applicant shall be entitled to seek any ancillary or other relief from this Court in respect of any of its subsidiaries in connection with the Plan or otherwise in respect of these proceedings.

POSSESSION OF PROPERTY AND OPERATIONS

5. THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "Business") and Property. The Applicant shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. THIS COURT ORDERS that the Applicant shall be entitled but not required to pay the following expenses, whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;

(b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges;

(c) the fees and disbursements of the directors and counsel to the directors, at their standard rates and charges; and

(d) such other amounts as are set out in the March 29 Forecast (as defined in the Monitor's Pre-Filing Report and attached as Exhibit "DD" to the Martin Affidavit).

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicant following the date of this Order.

8. THIS COURT ORDERS that the Applicant shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment Insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

9. THIS COURT ORDERS that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. THIS COURT ORDERS that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. THIS COURT ORDERS that the Applicant shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Support Agreement (as defined below), have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding US$500,000 in any one transaction or US$1,000,000 in the aggregate;

(b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and

(c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business.

12. THIS COURT ORDERS that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims or resiliates the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the

disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicant of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

RESTRUCTURING SUPPORT AGREEMENT

14. THIS COURT ORDERS that the Applicant and the Monitor are authorized and directed to engage in the following procedures to notify noteholders of the restructuring support agreement dated as of March 30, 2012 (the "Support Agreement") between, among others, the Applicant and certain noteholders (the "Initial Consenting Noteholders"), appended as Exhibit "B" to the Martin Affidavit, to enable any additional noteholders to execute a Joinder Agreement in the form attached as Schedule "C" to the Support Agreement and to become bound thereby as Consenting Noteholders (as defined in the Support Agreement):

(a) the Monitor shall without delay post a copy of the Support Agreement on its website at http://cfcanada.fticonsulting.com/sfc (the "Monitor's Website"); and

(b) the notice to be published by the Monitor pursuant to paragraph 51 of this Order shall include a statement in form and substance acceptable to the Applicant, the Monitor and counsel to the Ad Hoc Noteholders, each acting reasonably, notifying noteholders of the Support Agreement and of the deadline of 5:00 p.m. (Toronto time) on May 15, 2012 (the "Consent Date") by which any noteholder (other than an Initial Consenting Noteholder) who wishes to become entitled to the Early Consent Consideration pursuant to the Support Agreement (if such Early Consent Consideration becomes payable pursuant to the terms thereof) must execute and return the Joinder Agreement to the Applicant, and shall direct noteholders to the Monitor's Website where a copy of the Support Agreement (including the Joinder Agreement) can be obtained.

15. THIS COURT ORDERS that any noteholder (other than an Initial Consenting Noteholder) who wishes to become a Consenting Noteholder and become entitled to the Early Consent Consideration (if such Early Consent Consideration becomes payable pursuant to the terms thereof, and subject to such noteholder demonstrating its holdings to the Monitor in accordance with the Support Agreement) must execute a Joinder Agreement and return it to the Applicant and the Noteholder Advisors (as defined below) in accordance with the instructions set out in the Support Agreement such that it is received by the Applicant and the Noteholder Advisors prior to the Consent Deadline and, upon so doing, such noteholder shall become a Consenting Noteholder and shall be bound by the terms of the Support Agreement.

16. THIS COURT ORDERS that as soon as practicable after the Consent Deadline, the Applicant shall provide to the Monitor copies of all executed Joinder Agreements received from noteholders prior to the Consent Deadline.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

17. THIS COURT ORDERS that until and including April 29, 2012, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

18. THIS COURT ORDERS that until and including the Stay Period, no Proceeding shall be commenced or continued by any noteholder, indenture trustee or security trustee (each in respect of the notes issued by the Applicant, collectively, the "Noteholders") against or in respect of any of the Applicant's subsidiaries listed on Schedule "A" (each a "Subsidiary Guarantor", and collectively, the "Subsidiary Guarantors"), except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way by a Noteholder against or in respect of any Subsidiary Guarantors are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

19. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended and shall not be commenced, proceeded with or continued, except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, (iv) prevent the registration of a claim for lien, or (v) prevent the exercise of any termination rights of the Consenting Noteholders under the Support Agreement.

20. THIS COURT ORDERS that during the Stay Period, all rights and remedies of the Noteholders against or in respect of the Subsidiary Guarantors are hereby stayed and suspended and shall not be commenced, proceeded with or continued, except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower any Subsidiary Guarantor to carry on any business which such Subsidiary Guarantor is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

21. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

22. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant or exercising any other remedy provided under such agreement or arrangements, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

23. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

24. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such

obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the affected creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

25. THIS COURT ORDERS that the Applicant shall (i) indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, and (ii) make payments of amounts for which its directors and officers may be liable as obligations they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

26. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property (other than the Applicant's assets which are subject to the Personal Property Security Act registrations on Schedule "B" hereto (the "Excluded Property")), which charge shall not exceed an aggregate amount of $3,200,000, as security for the indemnity provided in paragraph 25 of this Order. The Directors' Charge shall have the priority set out in paragraphs 38 and 40 herein.

27. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 25 of this Order.

APPOINTMENT OF MONITOR

28. THIS COURT ORDERS that FTI is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor

in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

29. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Applicant's receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) advise the Applicant in its preparation of the Applicant's cash flow statements, as required from time to time;

(d) advise the Applicant in its development of the Plan and any amendments to the Plan;

(e) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan, as applicable;

(f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;

(g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

(h) carry out and fulfill its obligations under the Support Agreement in accordance with its terms; and

(i) perform such other duties as are required by this Order or by this Court from time to time.

30. THIS COURT ORDERS that without limiting paragraph 29 above, in carrying out its rights and obligations in connection with this Order, the Monitor shall be entitled to take such reasonable steps and use such services as it deems necessary in discharging its powers and obligations, including, without limitation, utilizing the services of FTI Consulting (Hong Kong) Limited ("FTI HK").

31. THIS COURT ORDERS that the Monitor shall not take possession of the Property (or any property or assets of the Applicant's subsidiaries) and shall take no part whatsoever in the management or supervision of the management of the Business (or any business of the Applicant's subsidiaries) and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof (or of any business, property or assets, or any part thereof, of any subsidiary of the Applicant).

32. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property (or any property of any subsidiary of the Applicant) that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property (or of any property of any subsidiary of the Applicant) within the meaning of any Environmental Legislation, unless it is actually in possession.

33. THIS COURT ORDERS that the Monitor shall provide any creditor of the Applicant with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any

responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

34. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

35. THIS COURT ORDERS that the Monitor, counsel to the Monitor, counsel to the Applicant, counsel to the directors, Houlihan Lokey Capital Inc. (the "Financial Advisor"), FTI HK, counsel to the Ad Hoc Noteholders and the financial advisor to the Ad Hoc Noteholders (together with counsel to the Ad Hoc Noteholders, the "Noteholder Advisors") shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant, whether incurred prior to or subsequent to the date of this Order, as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, counsel for the Applicant, counsel to the directors, the Financial Advisor, FTI HK, and the Noteholder Advisors on a weekly basis or otherwise in accordance with the terms of their engagement letters.

36. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

37. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the Applicant's counsel, counsel to the directors, the Financial Advisor, FTI HK, and the Noteholder Advisors shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property (other than the Excluded Property), which charge shall not exceed an aggregate amount of $15,000,000 as security for their professional fees and disbursements incurred at their respective standard rates and charges in respect of such services, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 38 and 40 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

38. THIS COURT ORDERS that the priorities of the Directors' Charge and the Administration Charge, as between them, shall be as follows:

First – Administration Charge (to the maximum amount of $15,000,000); and

Second – Directors' Charge (to the maximum amount of $3,200,000).

39. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge or the Administration Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

40. THIS COURT ORDERS that each of the Charges shall constitute a charge on the Property (other than the Excluded Property) and shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

41. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicant also obtains the prior written consent of the Monitor, the beneficiaries of the Directors' Charge and the beneficiaries of the Administration Charge, or further Order of this Court.

42. THIS COURT ORDERS that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees"), shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or

other agreement (collectively, an "Agreement") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of any documents in respect thereof shall create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and

(c) the payments made by the Applicant pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

43. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant's interest in such real property leases.

APPROVAL OF FINANCIAL ADVISOR AGREEMENT

44. THIS COURT ORDERS that the letter agreement dated as of December 22, 2012 with respect to the Financial Advisor in the form attached as Exhibit "CC" to the Martin Affidavit (the "Financial Advisor Agreement") and the retention of the Financial Advisor under the terms thereof, including the payments to be made to the Financial Advisor thereunder, are hereby approved.

45. THIS COURT ORDERS that the Applicant is authorized and directed to make the payments contemplated in the Financial Advisor Agreement in accordance with the terms and conditions thereof.

POSTPONEMENT OF ANNUAL GENERAL MEETING

46. THIS COURT ORDERS that the Applicant be and is hereby relieved of any obligation to call and hold an annual meeting of its shareholders until further Order of this Court.

FOREIGN PROCEEDINGS

47. THIS COURT ORDERS that the Monitor is hereby authorized and empowered to act as the foreign representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside of Canada.

48. THIS COURT ORDERS that the Monitor is hereby authorized, as the foreign representative of the Applicant and of the within proceedings, to apply for foreign recognition of these proceedings, as necessary, in any jurisdiction outside of Canada, including as "Foreign Main Proceedings" in the United States pursuant to Chapter 15 of the *U.S. Bankruptcy Code*.

49. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Barbados, the British Virgin Islands, Cayman Islands, Hong Kong, the People's Republic of China or in any other foreign jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

50. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and any other Order issued in these proceedings.

SERVICE AND NOTICE

51. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the Globe and Mail and the Wall Street Journal a notice containing the information prescribed under the CCAA, (ii) within seven days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than $1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

52. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile transmission or email to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

53. THIS COURT ORDERS that the Applicant, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on the Monitor's Website.

GENERAL

54. THIS COURT ORDERS that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

55. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

56. THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

57. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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

APR 2 - 2012

Schedule "A"

1. Sino-Panel Holdings Limited (BVI)
2. Sino-Global Holdings Inc. (BVI)
3. Sino-Wood Partners, Limited (HK)
4. Grandeur Winway Limited (BVI)
5. Sinowin Investments Limited (BVI)
6. Sinowood Limited (Cayman Islands)
7. Sino-Forest Bio-Science Limited (BVI)
8. Sino-Forest Resources Inc. (BVI)
9. Sino-Plantation Limited (HK)
10. Sun-Wood Inc. (BVI)
11. Sino-Forest Investments Limited (BVI)
12. Sino-Wood (Guangxi) Limited (HK)
13. Sino-Wood (Jiangxi) Limited (HK)
14. Sino-Wood (Guangdong) Limited (HK)
15. Sino-Wood (Fujian) Limited (HK)
16. Sino-Panel (Asia) Inc. (BVI)
17. Sino-Panel (Guangxi) Limited (BVI)
18. Sino-Panel (Yunnan) Limited (BVI)
19. Sino-Panel (North East China) Limited (BVI)
20. Sino-Panel [Xiangxi] Limited (BVI)
21. Sino-Panel [Hunan] Limited (BVI)
22. SFR (China) Inc. (BVI)
23. Sino-Panel [Suzhou] Limited (BVI)
24. Sino-Panel (Gaoyao) Ltd. (BVI)
25. Sino-Panel (Guangzhou) Limited (BVI)
26. Sino-Panel (North Sea) Limited (BVI)
27. Sino-Panel (Guizhou) Limited (BVI)
28. Sino-Panel (Huaihua) Limited (BVI)
29. Sino-Panel (Qinzhou) Limited (BVI)
30. Sino-Panel (Yongzhou) Limited (BVI)
31. Sino-Panel (Fujian) Limited (BVI)
32. Sino-Panel (Shaoyang) Limited (BVI)
33. Amplemax Worldwide Limited (BVI)
34. Ace Supreme International Limited (BVI)
35. Express Point Holdings Limited (BVI)
36. Glory Billion International Limited (BVI)
37. Smart Sure Enterprises Limited (BVI)
38. Expert Bonus Investment Limited (BVI)
39. Dynamic Profit Holdings Limited (BVI)
40. Alliance Max Limited (BVI)
41. Brain Force Limited (BVI)
42. General Excel Limited (BVI)
43. Poly Market Limited (BVI)
44. Prime Kinetic Limited (BVI)
45. Trillion Edge Limited (BVI)
46. Sino-Panel (China) Nursery Limited (BVI)

47. Sino-Wood Trading Limited (BVI)
48. Homix Limited (BVI)
49. Sino-Panel Trading Limited (BVI)
50. Sino-Panel (Russia) Limited (BVI)
51. Sino-Global Management Consulting Inc. (BVI)
52. Value quest International Limited (BVI)
53. Well Keen Worldwide Limited (BVI)
54. Harvest Wonder Worldwide Limited (BVI)
55. Cheer Gold Worldwide Limited (BVI)
56. Regal Win Capital Limited (BVI)
57. Rich Choice Worldwide Limited (BVI)
58. Sino-Forest International (Barbados) Corporation
59. Mandra Forestry Holdings Limited (BVI)
60. Mandra Forestry Finance Limited (BVI)
61. Mandra Forestry Anhui Limited (BVI)
62. Mandra Forestry Hubei Limited (BVI)
63. Sino-Capital Global Inc. (BVI)
64. Elite Legacy Limited (BVI)

PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
SEARCH RESULTS

Date Search Conducted: 3/29/2012
File Currency Date: 03/28/2012
Family(ies): 6
Page(s): 8

SEARCH : Business Debtor : SINO-FOREST CORPORATION

The attached report has been created based on the data received by Cyberbahn, a Thomson Reuters business from the Province of Ontario, Ministry of Government Services. No liability is assumed by Cyberbahn regarding its correctness, timeliness, completeness or the interpretation and use of the report. Use of the Cyberbahn service, including this report is subject to the terms and conditions of Cyberbahn's subscription agreement.

PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
SEARCH RESULTS

Date Search Conducted: 3/29/2012
File Currency Date: 03/28/2012
Family(ies): 6
Page(s): 8

SEARCH : Business Debtor : SINO-FOREST CORPORATION

FAMILY : 1 OF 6 ENQUIRY PAGE : 1 OF 8
SEARCH : BD : SINO-FOREST CORPORATION

00 FILE NUMBER : 609324408 EXPIRY DATE : 27SEP 2015 STATUS :
01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :
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02 IND DOB : IND NAME:
03 BUS NAME: SINO-FOREST CORPORATION
OCN :
04 ADDRESS : 90 BURNHAMTHORPE ROAD WEST, SUITE 1208
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5B3C3
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
LAW DEBENTURE TRUST COMPANY OF NEW YORK
09 ADDRESS : 767 THIRD AVENUE, 31ST FLOOR
CITY : NEW YORK PROV: NY POSTAL CODE: 10017

CONS. GOODS	INVTRY.	EQUIP	ACCTS	OTHER	MV INCL	AMOUNT	DATE OF MATURITY	OR NO FIXED MAT DATE
10			X	X				

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GENERAL COLLATERAL DESCRIPTION
13 PLEDGE OF SHARES OF CERTAIN SUBSIDIARIES OF THE DEBTOR PURSUANT TO
14 A PLEDGE AGREEMENT AND SHARE CHARGE.
15
16 AGENT: AIRD & BERLIS LLP #2
17 ADDRESS : 181 BAY STREET, SUITE 1800
CITY : TORONTO PROV: ON POSTAL CODE: M5J2T9

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FAMILY :   1 OF   6                                    ENQUIRY PAGE :   2 OF   8
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23 REFERENCE DEBTOR/    IND NAME:
24       TRANSFEROR:    BUS NAME: SINO-FOREST CORPORATION

25 OTHER CHANGE:
26 REASON: TO AMEND SECURED PARTY ADDRESS AND TO AMEND GENERAL COLLATERAL
27 /DESCR: DESCRIPTION TO DELETE THE WORDS "PURSUANT TO A PLEDGE AGREEMENT AND
28       : SHARE CHARGE"
02/05 IND/TRANSFEREE:
03/06 BUS NAME/TRFEE:
                                                                      OCN:
04/07 ADDRESS:
       CITY:                          PROV:       POSTAL CODE:
29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :
      LAW DEBENTURE TRUST COMPANY OF NEW YORK
09 ADDRESS : 400 MADISON AVENUE, 4TH FLOOR
   CITY    : NEW YORK               PROV : NY    POSTAL CODE : 10017
  CONS.                           MV                  DATE OF      NO FIXED
  GOODS INVTRY EQUIP ACCTS OTHER  INCL     AMOUNT     MATURITY OR  MAT DATE
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11
12
13 PLEDGE OF SHARES OF CERTAIN SUBSIDIARIES OF THE DEBTOR
14
15
16 NAME : AIRD & BERLIS LLP
17 ADDRESS : 181 BAY STREET, SUITE 1800, BOX# 754
   CITY    : TORONTO                PROV : ON    POSTAL CODE : M5J2T9
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FAMILY :   1 OF   6                                    ENQUIRY PAGE :   3 OF   8
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23 REFERENCE DEBTOR/    IND NAME:
24       TRANSFEROR:    BUS NAME: SINO-FOREST CORPORATION

25 OTHER CHANGE:
26 REASON:
27 /DESCR:
28       :
02/05 IND/TRANSFEREE:
03/06 BUS NAME/TRFEE:
                                                                      OCN:
04/07 ADDRESS:
       CITY:                          PROV:       POSTAL CODE:
29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :
   CITY    :                        PROV :       POSTAL CODE :
  CONS.                            MV                    DATE OF      NO FIXED
  GOODS INVTRY EQUIP ACCTS OTHER   INCL      AMOUNT      MATURITY OR  MAT DATE
10
11
12
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16 NAME : AIRD & BERLIS LLP
17 ADDRESS : 181 BAY STREET, SUITE 1800, BOX# 754
   CITY    : TORONTO                PROV : ON    POSTAL CODE : M5J2T9
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FAMILY : 2 OF 6 ENQUIRY PAGE : 4 OF 8
SEARCH : BD : SINO-FOREST CORPORATION

00 FILE NUMBER : 650314305 EXPIRY DATE : 03DEC 2013 STATUS :
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OCN :
04 ADDRESS : 1208-90 BURNHAMTHORPE RD W
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5B3C3
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
XEROX CANADA LTD
09 ADDRESS : 33 BLOOR ST. E. 3RD FLOOR
CITY : TORONTO PROV: ON POSTAL CODE: M4W3H1
CONS, MV DATE OF OR NO FIXED
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GENERAL COLLATERAL DESCRIPTION
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16 AGENT: XEROX CANADA LTD
17 ADDRESS : 33 BLOOR ST. E. 3RD FLOOR
CITY : TORONTO PROV: ON POSTAL CODE: M4W3H1

FAMILY : 3 OF 6 ENQUIRY PAGE : 5 OF 8
SEARCH : BD : SINO-FOREST CORPORATION

00 FILE NUMBER : 655022304 EXPIRY DATE : 20JUL 2015 STATUS :
01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :
REG NUM : 20090720 1615 1793 6086 REG TYP: P PPSA REG PERIOD: 6
02 IND DOB : IND NAME:
03 BUS NAME: SINO-FOREST CORPORATION
OCN :
04 ADDRESS : 90 BURNHAMTHORPE ROAD WEST, SUITE 1208
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5B3C3
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
LAW DEBENTURE TRUST COMPANY OF NEW YORK
09 ADDRESS : 400 MADISON AVENUE, 4TH FLOOR
CITY : NEW YORK PROV: NY POSTAL CODE: 10017

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GENERAL COLLATERAL DESCRIPTION
13 PLEDGE OF SHARES OF CERTAIN SUBSIDIARIES OF THE DEBTOR
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15
16 AGENT: AIRD & BERLIS LLP - SUSAN PAK
17 ADDRESS : 181 BAY STREET, SUITE 1800
CITY : TORONTO PROV: ON POSTAL CODE: M5J2T9

FAMILY : 4 OF 6 ENQUIRY PAGE : 6 OF 8
SEARCH : BD : SINO-FOREST CORPORATION

00 FILE NUMBER : 659079036 EXPIRY DATE : 03FEB 2016 STATUS :
01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :
REG NUM : 20100203 1535 1793 2023 REG TYP: P PPSA REG PERIOD: 6
02 IND DOB : IND NAME:
03 BUS NAME: SINO-FOREST CORPORATION
OCN :
04 ADDRESS : 90 BURNHAMTHORPE ROAD WEST, SUITE 1208
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5B3C3
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
LAW DEBENTURE TRUST COMPANY OF NEW YORK
09 ADDRESS : 400 MADISON AVENUE, 4TH FLOOR
CITY : NEW YORK PROV: NY POSTAL CODE: 10017

CONS. GOODS	INVTRY.	EQUIP	ACCTS	OTHER	MV INCL	AMOUNT	DATE OF MATURITY	OR NO FIXED MAT DATE
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GENERAL COLLATERAL DESCRIPTION
13 PLEDGE OF SHARES OF CERTAIN SUBSIDIARIES OF THE DEBTOR
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16 AGENT: AIRD & BERLIS LLP (SPAK - 102288)
17 ADDRESS : 181 BAY STREET, SUITE 1800
CITY : TORONTO PROV: ON POSTAL CODE: M5J2T9

FAMILY : 5 OF 6 ENQUIRY PAGE : 7 OF 8
SEARCH : BD : SINO-FOREST CORPORATION

00 FILE NUMBER : 665186985 EXPIRY DATE : 15OCT 2020 STATUS :
01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :
REG NUM : 20101015 1215 1793 1245 REG TYP: P PPSA REG PERIOD: 10
02 IND DOB : IND NAME:
03 BUS NAME: SINO-FOREST CORPORATION
OCN :
04 ADDRESS : 90 BURNHAMTHORPE ROAD WEST, SUITE 1208
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5B3C3
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
LAW DEBENTURE TRUST COMPANY OF NEW YORK
09 ADDRESS : 400 MADISON AVENUE, 4TH FLOOR
CITY : NEW YORK PROV: NY POSTAL CODE: 10017

CONS. GOODS	INVTRY.	EQUIP	ACCTS	OTHER	MV INCL	AMOUNT	DATE OF MATURITY	OR NO FIXED MAT DATE
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13 PLEDGE OF SHARES OF CERTAIN SUBSIDIARIES OF THE DEBTOR.
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16 AGENT: AIRD & BERLIS LLP (RMK-106760)
17 ADDRESS : 181 BAY STREET, SUITE 1800
CITY : TORONTO PROV: ON POSTAL CODE: M5J2T9

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FAMILY :   6 OF   6                                    ENQUIRY PAGE :   8 OF   8
SEARCH  : BD  : SINO-FOREST CORPORATION

00 FILE NUMBER : 665928963   EXPIRY DATE : 17NOV 2016 STATUS :
01 CAUTION FILING :          PAGE : 01  OF 001       MV SCHEDULE ATTACHED :
   REG NUM : 20101117 1007 1462 0113 REG TYP: P  PPSA    REG PERIOD: 6
02 IND DOB :            IND NAME:
03 BUS NAME: SINO-FOREST CORPORATION
                                                              OCN :
04 ADDRESS : 1208-90 BURNHAMTHORPE RD W
   CITY    : MISSISSAUGA             PROV: ON    POSTAL CODE: L5B3C3
05 IND DOB :            IND NAME:
06 BUS NAME:
                                                              OCN :
07 ADDRESS :
   CITY    :                         PROV:       POSTAL CODE:


08 SECURED PARTY/LIEN CLAIMANT :
       XEROX CANADA LTD
09 ADDRESS : 33 BLOOR ST. E. 3RD FLOOR
   CITY    : TORONTO                 PROV: ON    POSTAL CODE: M4W3H1
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GENERAL COLLATERAL DESCRIPTION
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16 AGENT: PPSA CANADA INC. - (3992)
17 ADDRESS : 110 SHEPPARD AVE EAST, SUITE 303
   CITY    : TORONTO                 PROV: ON     POSTAL CODE: M2N6Y8
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Schedule "A"

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

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

INITIAL ORDER

BENNETT JONES LLP
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
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Robert W. Staley (LSUC #27115J)
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Tel: 416-863-1200
Fax: 416-863-1716

Lawyers for the Applicant

EXHIBIT B

Plan Sanction Order

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	MONDAY, THE 10th DAY
	)	
JUSTICE MORAWETZ	)	OF DECEMBER, 2012

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

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

PLAN SANCTION ORDER

THIS MOTION, made by Sino-Forest Corporation ("**SFC**"), for an order (i) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), sanctioning the plan of compromise and reorganization dated December 3, 2012 (including all schedules thereto), which Plan is attached as Schedule "**A**" hereto, as supplemented by the plan supplement dated November 21, 2012 previously filed with the Court, as the Plan may be further amended, varied or supplemented from time to time in accordance with the terms thereof (the "**Plan**"), and (ii) pursuant to the section 191 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**"), approving the Plan and amending the articles of SFC and giving effect to the changes and transactions arising therefrom, was heard on December 7, 2012 at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Affidavit of W. Judson Martin sworn November 29, 2012 (the "**Martin Affidavit**"), the Thirteenth Report of FTI Consulting Canada Inc. in its capacity as monitor of SFC (the "**Monitor**") dated November 22, 2012 (the "**Monitor's Thirteenth Report**"), the supplemental report to the Monitor's Thirteenth Report (the "**Supplemental Report**"), and the second supplemental report to the Monitor's Thirteenth Report (the "**Second Supplemental Report**") and on hearing the submissions of counsel for

SFC, the Monitor, the *ad hoc* committee of Noteholders (the "**Ad Hoc Noteholders**"), and such other counsel as were present, no one else appearing for any other party, although duly served with the Motion Record as appears from the Affidavit of Service, filed.

DEFINED TERMS

1. **THIS COURT ORDERS** that any capitalized terms not otherwise defined in this Plan Sanction Order shall have the meanings ascribed to such terms in the Plan and/or the Plan Filing and Meeting Order granted by the Court on August 31, 2012 (the "**Plan Filing and Meeting Order**"), as the case may be.

SERVICE, NOTICE AND MEETING

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record in support of this motion, the Monitor's Thirteenth Report, the Supplemental Report and the Second Supplemental Report be and are hereby abridged and validated so that the motion is properly returnable today and service upon any interested party other than those parties served is hereby dispensed with.

3. **THIS COURT ORDERS AND DECLARES** that there has been good and sufficient notice, service and delivery of the Plan Filing and Meeting Order and the Meeting Materials (including, without limitation, the Plan) to all Persons upon which notice, service and delivery was required.

4. **THIS COURT ORDERS AND DECLARES** that the Meeting was duly convened and held, all in conformity with the CCAA and the Orders of this Court made in the CCAA Proceeding, including, without limitation, the Plan Filing and Meeting Order.

5. **THIS COURT ORDERS AND DECLARES** that: (i) the hearing of the Plan 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 Plan Sanction Order; and (ii) prior to the hearing, all of the Affected Creditors and all other Persons on the Service List in respect of the CCAA Proceeding were given adequate notice thereof.

SANCTION OF THE PLAN

6. **THIS COURT ORDERS** that the relevant class of Affected Creditors of SFC for the purposes of voting to approve the Plan is the Affected Creditors Class.

7. **THIS COURT ORDERS AND DECLARES** that the Plan, and all the terms and conditions thereof, and matters and transactions contemplated thereby, are fair and reasonable.

8. **THIS COURT ORDERS** that the Plan is hereby sanctioned and approved pursuant to section 6 of the CCAA.

PLAN IMPLEMENTATION

9. **THIS COURT ORDERS AND DECLARES** that the Plan and all associated steps, compromises, releases, discharges, cancellations, transactions, arrangements and reorganizations effected thereby are approved and shall be deemed to be implemented, binding and effective in accordance with the provisions of the Plan as of the Plan Implementation Date at the Effective Time, or at such other time, times or manner as may be set forth in the Plan, and shall enure to the benefit of and be binding upon SFC, the other Released Parties, the Affected Creditors and all other Persons and parties named or referred to in, affected by, or subject to the Plan, including, without limitation, their respective heirs, administrators, executors, legal representatives, successors, and assigns.

10. **THIS COURT ORDERS** that each of SFC and the Monitor are authorized and directed to take all steps and actions, and to do all things, necessary or appropriate to implement the Plan in accordance with its terms and to enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions, deliveries, allocations, instruments and agreements contemplated pursuant to the Plan, and such steps and actions are hereby authorized, ratified and approved. Furthermore, neither SFC nor the Monitor shall incur any liability as a result of acting in accordance with terms of the Plan and the Plan Sanction Order.

11. **THIS COURT ORDERS** that SFC, the Monitor, Newco, the Litigation Trustee, the Trustees, DTC, the Unresolved Claims Escrow Agent, all Transfer Agents and any other Person required to make any distributions, deliveries or allocations or take any steps or actions related

thereto pursuant to the Plan are hereby directed to complete such distributions, deliveries or allocations and to take any such related steps and/or actions in accordance with the terms of the Plan, and such distributions, deliveries and allocations, and steps and actions related thereto, are hereby approved.

12. **THIS COURT ORDERS** that upon the satisfaction or waiver, as applicable, of the conditions precedent set out in section 9.1 of the Plan in accordance with the terms of the Plan, as confirmed by SFC and Goodmans LLP to the Monitor in writing, the Monitor is authorized and directed to deliver to SFC and Goodmans LLP a certificate substantially in the form attached hereto as Schedule "**B**" (the "**Monitor's Certificate**") signed by the Monitor, certifying that the Plan Implementation Date has occurred and that the Plan and this Plan Sanction Order are effective in accordance with their terms. Following the Plan Implementation Date, the Monitor shall file the Monitor's Certificate with this Court.

13. **THIS COURT ORDERS AND DECLARES** that the steps, compromises, releases, discharges, cancellations, transactions, arrangements and reorganizations to be effected on the Plan Implementation Date are deemed to occur and be effected in the sequential order contemplated in the Plan, without any further act or formality, beginning at the Effective Time.

14. **THIS COURT ORDERS** that SFC, the Monitor and the Initial Consenting Noteholders are hereby authorized and empowered to exercise all such consent and approval rights in the manner set forth in the Plan, whether prior to or after implementation of the Plan.

15. **THIS COURT ORDERS** that from and after the Plan Implementation Date, and for the purposes of the Plan only, (i) if SFC does not have the ability or the capacity pursuant to Applicable Law to provide its agreement, waiver, consent or approval to any matter requiring SFC's agreement, waiver, consent or approval under this Plan, such agreement, waiver consent or approval may be provided by the Monitor; and (ii) if SFC does not have the ability or the capacity pursuant to Applicable Law to provide its agreement, waiver, consent or approval to any matter requiring SFC's agreement, waiver, consent or approval under this Plan, and the Monitor has been discharged pursuant to an Order, such agreement, waiver consent or approval shall be deemed not to be necessary.

COMPROMISE OF CLAIMS AND EFFECT OF PLAN

16. **THIS COURT ORDERS AND DECLARES** that, pursuant to and in accordance with the terms of the Plan, on the Plan Implementation Date, any and all Affected Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, subject only to the right of the applicable Persons to receive the distributions and interests to which they are entitled pursuant to the Plan.

17. **THIS COURT ORDERS AND DECLARES** that, pursuant to and in accordance with the terms of the Plan, on the Plan Implementation Date and at the time specified in Section 6.4 of the Plan, all accrued and unpaid interest owing on, or in respect of, or as part of, Affected Creditor Claims (including any Accrued Interest on the Notes and any interest accruing on the Notes or any Ordinary Affected Creditor Claim after the Filing Date) shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred for no consideration and no Person shall have any entitlement to any such accrued and unpaid interest.

18. **THIS COURT ORDERS AND DECLARES** that, on the Plan Implementation Date, the ability of any Person to proceed against SFC or the Subsidiaries in respect of any Released Claims shall be forever discharged, barred and restrained, and all proceedings with respect to, in connection with, or relating to any such matter shall be permanently stayed.

19. **THIS COURT ORDERS** that each Affected Creditor is hereby deemed to have consented to all of the provisions of the Plan, in its entirety, and each Affected Creditor is hereby deemed to have executed and delivered to SFC all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety.

20. **THIS COURT ORDERS** that, on the Plan Implementation Date and at the time specified in Section 6.4 of the Plan, the SFC Assets (including for greater certainty the Direct Subsidiary Shares, the SFC Intercompany Claims and all other SFC Assets assigned, transferred and conveyed to Newco and/or Newco II pursuant to section 6.4 of the Plan) shall vest in the Person to whom such assets are being assigned, transferred and conveyed, in accordance with the terms of the Plan, free and clear of and from any and all Charges, Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims), D&O Claims, D&O Indemnity Claims, Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O

Claims, Non-Released D&O Claims, Affected Claims, Class Action Claims, Class Action Indemnity Claims, claims or rights of any kind in respect of the Notes or the Note Indentures, and any right or claim that is based in whole or in part on facts, underlying transactions, Causes of Action or events relating to the Restructuring Transaction, the CCAA Proceedings or any of the foregoing, and any guarantees or indemnities with respect to any of the foregoing. Any Encumbrances or claims affecting, attaching to or relating to the SFC Assets in respect of the foregoing are and shall be deemed to be irrevocably expunged and discharged as against the SFC Assets, and no such Encumbrances or claims shall be pursued or enforceable as against Newco, Newco II or any other Person.

21. **THIS COURT ORDERS** that any securities, interests, rights or claims pursuant to the Plan, including the Newco Shares, the Newco Notes and the Litigation Trust Interests, issued, assigned, transferred or conveyed pursuant to the Plan will be free and clear of and from any and all Charges, Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims), D&O Claims, D&O Indemnity 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, claims or rights of any kind in respect of the Notes or the Note Indentures, and any right or claim that is based in whole or in part on facts, underlying transactions, causes of action or events relating to the Restructuring Transaction, the CCAA Proceedings or any of the foregoing, and any guarantees or indemnities with respect to any of the foregoing.

22. **THIS COURT ORDERS** that the Litigation Trust Agreement is hereby approved and deemed effective as of the Plan Implementation Date, including with respect to the transfer, assignment and delivery of the Litigation Trust Claims to the Litigation Trustee which shall, and are hereby deemed to, occur on and as of the Plan Implementation Date. For greater certainty, the Litigation Trust Claims transferred, assigned and delivered to the Litigation Trustee shall not include any Excluded Litigation Trust Claims and all Affected Creditors shall be deemed to have consented to the release of any such Excluded Litigation Trust Claims pursuant to the Plan.

23. **THIS COURT ORDERS** that section 36.1 of the CCAA, sections 95 to 101 of the BIA and any other federal or provincial Law relating to preferences, fraudulent conveyances or transfers at undervalue, shall not apply to the Plan or to any payments, distributions, transfers,

allocations or transactions made or completed in connection with the restructuring and recapitalization of SFC, whether before or after the Filing Date, including, without limitation, to any and all of the payments, distributions, transfers, allocations or transactions contemplated by and to be implemented pursuant to the Plan.

24. **THIS COURT ORDERS** that the articles of reorganization to be filed by SFC pursuant to section 191 of the CBCA, substantially in the form attached as Schedule "C" hereto, are hereby approved, and SFC is hereby authorized to file the articles of reorganization with the Director (as defined in the CBCA).

25. **THIS COURT ORDERS** that on the Equity Cancellation Date, or such other date as agreed to by the Monitor, SFC and the Initial Consenting Noteholders, all Existing Shares and other Equity Interests shall be fully, finally and irrevocably cancelled.

26. **THIS COURT ORDERS AND DECLARES** that the Newco Shares shall be and are hereby deemed to have been validly authorized, created, issued and outstanding as fully-paid and non-assessable shares in the capital of Newco as of the Effective Time.

27. **THIS COURT ORDERS AND DECLARES** that upon the Plan Implementation Date the initial Newco Share in the capital of Newco held by the Initial Newco Shareholder shall be deemed to have been redeemed and cancelled for no consideration.

28. **THIS COURT ORDERS AND DECLARES** that it was advised prior to the hearing in respect of the Plan Sanction Order that the Plan Sanction Order will be relied upon by SFC and Newco as an approval of the Plan for the purpose of relying on the exemption from the registration requirements of the *United States Securities Act of 1933*, as amended, pursuant to section 3(a)(10) thereof for the issuance of the Newco Shares, Newco Notes and, to the extent they may be deemed to be securities, the Litigation Trust Interests, and any other securities to be issued pursuant to the Plan.

STAY OF PROCEEDINGS

29. **THIS COURT ORDERS** that all obligations, agreements or leases to which (i) SFC remains a party on the Plan Implementation Date, or (ii) Newco and/or Newco II becomes a party as a result of the conveyance of the SFC Assets to Newco and the further conveyance of

the SFC Assets to Newco II on the Plan Implementation Date, shall be and remain in full force and effect, unamended, as at the Plan Implementation Date and no party to any such obligation, agreement or lease shall on or following the Plan Implementation Date, accelerate, terminate, refuse to renew, rescind, refuse to perform or otherwise disclaim or resiliate its obligations thereunder, or enforce or exercise (or purport to enforce or exercise) any right or remedy under or in respect of any such obligation, agreement or lease, (including any right of set-off, dilution or other remedy), or make any demand against SFC, Newco, Newco II, any Subsidiary or any other Person under or in respect of any such agreement with Newco, Newco II or any Subsidiary, by reason:

(a) of any event which occurred prior to, and not continuing after, the Plan Implementation Date, or which is or continues to be suspended or waived under the Plan, which would have entitled any other party thereto to enforce those rights or remedies;

(b) that SFC sought or obtained relief under the CCAA or by reason of any steps or actions taken as part of the CCAA Proceeding or this Plan Sanction Order or prior orders of this Court;

(c) of any default or event of default arising as a result of the financial condition or insolvency of SFC;

(d) of the completion of any of the steps, actions or transactions contemplated under the Plan, including, without limitation, the transfer, conveyance and assignment of the SFC Assets to Newco and the further transfer, conveyance and assignment of the SFC Assets by Newco to Newco II; or

(e) of any steps, compromises, releases, discharges, cancellations, transactions, arrangements or reorganizations effected pursuant to the Plan.

30. **THIS COURT ORDERS** that from and after the Plan Implementation Date, any and all Persons shall be and are hereby stayed from commencing, taking, applying for or issuing or continuing any and all steps or proceedings, including without limitation, administrative hearings and orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceed with to advance any Released Claims.

31. **THIS COURT ORDERS** that between (i) the Plan Implementation Date and (ii) the earlier of the Ernst & Young Settlement Date or such other date as may be ordered by the Court on a motion to the Court on reasonable notice to Ernst & Young, any and all Persons shall be and are hereby stayed from commencing, taking, applying for or issuing or continuing any and all steps or proceedings against Ernst & Young (other than all steps or proceedings to implement the Ernst & Young Settlement) pursuant to the terms of the Order of the Honourable Justice Morawetz dated May 8, 2012, provided that no steps or proceedings against Ernst & Young by the Ontario Securities Commission or by staff of the Ontario Securities Commission under the *Securities Act* (Ontario) shall be stayed by this Order.

RELEASES

32. **THIS COURT ORDERS** that, subject to section 7.2 of the Plan, all of the following shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date at the time or times and in the manner set forth in section 6.4 of the Plan:

(a) all Affected Claims, including, without limitation, 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);

(b) all Claims of the Ontario Securities Commission or any other Governmental Entity that have or could give rise to a monetary liability, including, without limitation, fines, awards, penalties, costs, claims for reimbursement or other claims having a monetary value;

(c) all Class Action Claims (including, without limitation, 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);

(d) all Class Action Indemnity Claims (including, without limitation, 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, without limitation, 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;

(e) any portion or amount of 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;

(f) any portion or amount of liability of the Underwriters for the Noteholder Class Action Claims (other than any Noteholder Class Action Claims against the Underwriters for fraud or criminal conduct) (on a collective, aggregate basis in reference to all such Noteholder Class Action Claims together) that exceeds the Indemnified Noteholder Class Action Limit;

(g) 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 (on a collective, aggregate basis in reference to all such Noteholder Class Action Claims together) to the extent that such Class Action Indemnity Claims exceed the Indemnified Noteholder Class Action Limit;

(h) any and all Excluded Litigation Trust Claims;

(i) any and all Causes of Action against Newco, Newco II, the directors and officers of Newco, the directors and officers of Newco II, 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, without limitation, 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, without limitation, 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;

(j) any and all Causes of Action against Newco, Newco II, the directors and officers of Newco, the directors and officers of Newco II, 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, without limitation, 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, without limitation, the creation of Newco and/or Newco II 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, Newco II, the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust Interests, as the case may be;

(k) any and all Causes of Action against the Subsidiaries for or in connection with any Claim (including, without limitation, notwithstanding anything to the contrary herein, any Unaffected Claim); any Affected Claim (including, without limitation, 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;

(l) all Subsidiary Intercompany Claims as against SFC (which are assumed by Newco and then Newco II pursuant to the Plan);

(m) any entitlements of Ernst & Young to receive distributions of any kind (including, without limitation, Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan;

(n) any entitlements of the Underwriters to receive distributions of any kind (including, without limitation, Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan; and

(o) any entitlements of the Named Third Party Defendants to receive distributions of any kind (including, without limitation, Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan.

33. **THIS COURT ORDERS** that nothing in the Plan nor in this Plan Sanction Order shall waive, compromise, release, discharge, cancel or bar any of the claims listed in section 7.2 of the Plan.

34. **THIS COURT ORDERS** that, for greater certainty, nothing in the Plan nor in this Plan Sanction Order shall release any obligations of the Subsidiaries owed to (i) any employees, directors or officers of those Subsidiaries in respect of any wages or other compensation related arrangements, or (ii) to suppliers and trade creditors of the Subsidiaries in respect of goods or services supplied to the Subsidiaries.

35. **THIS COURT ORDERS** that any guarantees, indemnities, Encumbrances or other obligations owing by or in respect of SFC relating to the Notes or the Note Indentures shall be and are hereby deemed to be released, discharged and cancelled.

36. **THIS COURT ORDERS** that the Trustees are hereby authorized and directed to release, discharge and cancel any guarantees, indemnities, Encumbrances or other obligations owing by or in respect of any Subsidiary relating to the Notes or the Note Indentures.

37. **THIS COURT ORDERS** that any claims against the Named Directors and Officers in respect of Section 5.1(2) D&O Claims or Conspiracy Claims shall be limited to recovery from any insurance proceeds payable in respect of such Section 5.1(2) D&O Claims or Conspiracy Claims, as applicable, pursuant to the Insurance Policies, and Persons with any such Section 5.1(2) D&O Claims against Named Directors and Officers or Conspiracy Claims against Named Directors and Officers shall have no right to, and shall not, make any claim or seek any recoveries from any Person, (including SFC, any of the Subsidiaries, Newco or Newco II), other than enforcing such Persons' rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s).

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

39. **THIS COURT ORDERS AND DECLARES** that from and after the Plan Implementation Date, (i) subject to the prior consent of the Initial Consenting Noteholders and the terms of the Litigation Trust Agreement, each of the Litigation Trustee and the Monitor shall have the right to seek and obtain an order from any court of competent jurisdiction, including an Order of the Court in the CCAA or otherwise, that gives effect to any releases of any Litigation Trust Claims agreed to by the Litigation Trustee in accordance with the Litigation Trust Agreement, and (ii) all Affected Creditors shall be deemed to consent to any such treatment of any Litigation Trust Claims.

40. **THIS COURT ORDERS** that the Ernst & Young Settlement and the release of the Ernst & Young Claims pursuant to section 11.1 of the Plan shall become effective upon the satisfaction of the following conditions precedent:

(a) approval by this Honourable Court of the terms of the Ernst & Young Settlement, including the terms and scope of the Ernst & Young Release and the Settlement Trust Order;

(b) issuance by this Honourable Court of the Settlement Trust Order;

(c) the granting of orders under Chapter 15 of the United States *Bankruptcy Code* recognizing and enforcing the Sanction Order and the Settlement Trust Order and any court orders necessary in the United States to approve the Ernst & Young Settlement and any other necessary ancillary order;

(d) any other order necessary to give effect to the Ernst & Young 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;

(f) the Sanction Order, the Settlement Trust Order and all Ernst & Young Orders being final orders and not subject to further appeal or challenge; and

(g) the payment by Ernst & Young of the settlement amount as provided in the Ernst & Young Settlement to the trust established pursuant to the Settlement Trust Order,

Upon the foregoing conditions precedent having been satisfied and 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 be authorized and directed to deliver to Ernst & Young the Monitor's Ernst & Young Settlement Certificate and the Monitor shall file the Monitor's Ernst & Young Settlement Certificate with this Honourable Court after delivery of such certificate to Ernst & Young, all as provided for in section 11.1 of the Plan.

41. **THIS COURT ORDERS** that any Named Third Party Defendant Settlement, Named Third Party Defendant Settlement Order and Named Third Party Defendant Release, the terms

and scope of which remain in each case subject to future court approval in accordance with the Plan, shall only become effective after the Plan Implementation Date and upon the satisfaction of the conditions precedent to the applicable Named Third Party Defendant Settlement and the delivery of the applicable Monitor's Named Third Party Settlement Certificate to the applicable Named Third Party Defendant, all as set forth in section 11.2 of the Plan.

THE MONITOR

42. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA and the powers provided to the Monitor herein and in the Plan, shall be and is hereby authorized, directed and empowered to perform its functions and fulfill its obligations under the Plan to facilitate the implementation of the Plan.

43. **THIS COURT ORDERS** that the Monitor shall not make any payment from the Monitor's Post-Implementation Reserve to any third party professional services provider (other than its counsel) that exceeds $250,000 (alone or in a series of related payments) without the prior consent of the Initial Consenting Noteholders or an Order of this Court.

44. **THIS COURT ORDERS** that: (i) in carrying out the terms of this Plan Sanction Order and the Plan, the Monitor shall have all the protections given to it by the CCAA, the Initial Order, the Order of this Court dated April 20, 2012 expanding the powers of the Monitor, and as an officer of the Court, including the stay of proceedings in its favour; (ii) the Monitor shall incur no liability or obligation as a result of carrying out the provisions of this Plan Sanction Order and/or the Plan, save and except for any gross negligence or wilful misconduct on its part; (iii) the Monitor shall be entitled to rely on the books and records of SFC and any information provided by SFC without independent investigation; and (iv) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

45. **THIS COURT ORDERS** that upon completion by the Monitor of its duties in respect of SFC pursuant to the CCAA, the Plan and the Orders, the Monitor may file with the Court a certificate stating that all of its duties in respect of SFC pursuant to the CCAA, the Plan and the Orders have been completed and thereupon, FTI Consulting Canada Inc. shall be deemed to be

discharged from its duties as Monitor and released of all claims relating to its activities as Monitor.

46. **THIS COURT ORDERS** that in no circumstances will the Monitor have any liability for any of SFC's tax liabilities, if any, regardless of how or when such liabilities may have arisen.

47. **THIS COURT ORDERS** 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.

RESERVES AND OTHER AMOUNTS

48. **THIS COURT ORDERS AND DECLARES** that the amount of each of the Indemnified Noteholder Class Action Limit, the Litigation Funding Amount, the Unaffected Claims Reserve, the Administration Charge Reserve, the Monitor's Post-Implementation Reserve and the Unresolved Claims Reserve, is as provided for in the Plan, the Plan Supplement or in Schedule "D" hereto, or such other amount as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders, as applicable, in accordance with the terms of the Plan.

49. **THIS COURT ORDERS** that Goodmans LLP, in its capacity as counsel to the Initial Consenting Noteholders, shall be permitted to apply for an Order of the Court at any time directing the Monitor to make distributions from the Monitor's Post-Implementation Reserve.

50. **THIS COURT ORDERS AND DECLARES** that, on the Plan Implementation Date, at the time or times and in the manner set forth in section 6.4 of the Plan, each of the Charges shall be discharged, released and cancelled, and any obligations secured thereby shall be satisfied pursuant to section 4.2(b) of the Plan, and from and after the Plan Implementation Date the Administration Charge Reserve shall stand in place of the Administration Charge as security for the payment of any amounts secured by the Administration Charge.

51. **THIS COURT ORDERS AND DECLARES** that any Unresolved Claims that exceed $1 million shall not be accepted or resolved without further Order of the Court. All parties with Unresolved Claims shall have standing in any proceeding with respect to the determination or status of any other Unresolved Claim. Counsel to the Initial Consenting Noteholders, Goodmans

LLP, shall continue to have standing in any such proceeding on behalf of the Initial Consenting Noteholders, in their capacity as Affected Creditors with Proven Claims.

DOCUMENT PRESERVATION

52. **THIS COURT ORDERS AND DECLARES** that, prior to the Effective Time, SFC shall: (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 Initial Consenting Noteholders, counsel to Ontario Class Action Plaintiffs, counsel to Ernst & Young, counsel to the Underwriters and counsel to the 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).

EFFECT, RECOGNITION AND ASSISTANCE

53. **THIS COURT ORDERS** that nothing in this Plan Sanction Order or as a result of the implementation of the Plan shall affect the standing any Person has at the date of this Plan Sanction Order in respect of the CCAA Proceeding or the Litigation Trust.

54. **THIS COURT ORDERS** that the transfer, assignment and delivery to the Litigation Trustee pursuant to the Litigation Trust of (i) rights, title and interests in and to the Litigation Trust Claims and (ii) all respective rights, title and interests in and to any lawyer-client privilege, work product privilege or other privilege or immunity attaching to any documents or communications (whether written or oral) associated with the Litigation Trust Claims, regardless of whether such documents or copies thereof have been requested by the Litigation Trustee pursuant to the Litigation Trust Agreement (collectively, the "**Privileges**") shall not constitute a waiver of any such Privileges, and that such Privileges are expressly maintained.

55. **THIS COURT ORDERS** that the current directors of SFC shall be deemed to have resigned on the Plan Implementation Date. The current directors of SFC shall have no liability in such capacity for any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including, without limitation, 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, arising on or after the Plan Implementation Date.

56. **THIS COURT ORDERS** that SFC and the Monitor may apply to this Court for advice and direction with respect to any matter arising from or under the Plan or this Plan Sanction Order.

57. **THIS COURT ORDERS** that this Plan Sanction Order shall have full force and effect in all provinces and territories of Canada and abroad as against all persons and parties against whom it may otherwise be enforced.

58. **THIS COURT ORDERS** that, from and after the Plan Implementation Date, the Monitor is hereby authorized and appointed to act as the foreign representative in respect of the within proceedings for the purposes of having these proceedings recognized in the United States pursuant to chapter 15 of title 11 of the United States Code.

59. **THIS COURT ORDERS** that, as promptly as practicable following the Plan Implementation Date, but in no event later than the third Business Day following the Plan Implementation Date, the Monitor, as the foreign representative of SFC and of the within proceedings, is hereby authorized and directed to commence a proceeding in a court of competent jurisdiction in the United States seeking recognition of the Plan and this Plan Sanction Order and confirming that the Plan and this Plan Sanction Order are binding and effective in the United States.

60. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court or any judicial, regulatory or administrative body having jurisdiction in Canada, the United States, Barbados, the British Virgin Islands, Cayman Islands, Hong Kong, the People's Republic of

China or in any other foreign jurisdiction, to give effect to this Plan Sanction Order and to assist SFC, the Monitor and their respective agents in carrying out the terms of this Plan Sanction Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to SFC and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Plan Sanction Order, to grant representative status to the Monitor in any foreign proceeding, or to assist SFC and the Monitor and their respective agents in carrying out the terms of this Plan Sanction Order.

61. **THIS COURT ORDERS** that each of SFC and the Monitor shall, following consultation with Goodmans LLP, be at liberty, and is hereby authorized and empowered, to make such further applications, motions or proceedings to or before such other courts and judicial, regulatory and administrative bodies, and take such steps in Canada, the United States of America, the British Virgin Islands, Cayman Islands, Hong Kong, the People's Republic of China or in any other foreign jurisdiction, as may be necessary or advisable to give effect to this Plan Sanction Order and any other Order granted by this Court, including for recognition of this Plan Sanction Order and for assistance in carrying out its terms.

62. **THIS COURT ORDERS** that this Plan Sanction Order shall be posted on the Monitor's Website at http://cfcanada.fticonsulting.com/sfc and only be required to be served upon the parties on the Service List and those parties who appeared at the hearing of the motion for this Plan Sanction Order.

63. **THIS COURT ORDERS AND DECLARES** that any conflict or inconsistency between the Plan and this Plan Sanction Order shall be governed by the terms, conditions and provisions of the Plan, which shall take precedence and priority.

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

DEC 12 2012

Schedule "A"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

APPLICANT

PLAN OF COMPROMISE AND REORGANIZATION

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

SINO-FOREST CORPORATION

December 3, 2012

PLAN OF COMPROMISE AND REORGANIZATION

WHEREAS Sino-Forest Corporation ("**SFC**") is insolvent;

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

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

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

ARTICLE 1
INTERPRETATION

1.1 Definitions

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

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

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

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

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

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

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

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

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

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

"**Administration Charge**" has the meaning ascribed thereto in the Initial Order.

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

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

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

"**Affected Creditor Claim**" means any Ordinary Affected Creditor Claim or Noteholder Claim.

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

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

"**Alternative Sale Transaction**" has the meaning ascribed thereto in section 10.1 hereof.

"**Alternative Sale Transaction Consideration**" has the meaning ascribed thereto in section 10.1 hereof.

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

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

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

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

"**Barbados Property**" has the meaning ascribed thereto in section 6.4(j) hereof.

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

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

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

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

"**CBCA**" has the meaning ascribed thereto in the recitals.

"**CCAA**" has the meaning ascribed thereto in the recitals.

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

"**Charges**" means the Administration Charge and the Directors' Charge.

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

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

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

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

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

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

"**Class Actions**" means, collectively, the following proceedings: (i) *Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al v. Sino-Forest Corporation et al.* (Ontario Superior Court of Justice, Court File No. CV-11-431153-00CP); (ii) *Guining Liu v. Sino-Forest Corporation et al.* (Quebec Superior Court, Court File No. 200-06-000132-111); (iii) *Allan Haigh v. Sino-Forest Corporation et al.* (Saskatchewan Court of Queen's Bench, Court File No. 2288 of 2011); and (iv) *David Leapard et al. v. Allen T.Y. Chan et al.* (District Court of the Southern District of New York, Court File No. 650258/2012).

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

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

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

"**Consent Date**" means May 15, 2012.

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

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

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

"**Court**" has the meaning ascribed thereto in the recitals.

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

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

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

"**Defence Costs**" has the meaning ascribed thereto in section 4.8 hereof.

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

"**Directors' Charge**" has the meaning ascribed thereto in the Initial Order.

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

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

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

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

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

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

"**DTC**" means The Depository Trust Company, or any successor thereof.

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

"**Early Consent Noteholder**" means any Noteholder that:

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

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

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

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

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

"**Employee Priority Claims**" means the following Claims of employees and former employees of SFC:

(a) Claims equal to the amounts that such employees and former employees would have been qualified to receive under paragraph 136(1)(d) of the BIA if SFC had become bankrupt on the Filing Date; and

(b) Claims for wages, salaries, commissions or compensation for services rendered by them after the Filing Date and on or before the Plan Implementation Date.

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

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

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

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

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

(c) any other claim that has been determined to be an Equity Claim pursuant to an Order of the Court.

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

"**Equity Claimant Class**" has the meaning ascribed thereto in section 3.2(b).

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

"**Equity Interest**" has the meaning set forth in section 2(I) of the CCAA.

"**Ernst & Young**" means Ernst & Young LLP (Canada), Ernst & Young Global Limited and all other member firms thereof, and all present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns of each, but excludes any Director or Officer (in their capacity as such) and successors, administrators, heirs and assigns of any Director or Officer (in their capacity as such).

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

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

(a) all audit, tax, advisory and other professional services provided to the SFC Companies or related to the SFC Business up to the Ernst & Young Settlement Date, including for greater certainty all audit work performed, all auditors' opinions and all consents in respect of all offering of SFC securities and all regulatory compliance delivered in respect of all fiscal periods and all work related thereto up to and inclusing the Ernst & Young Settlement Date;

(b) all claims advanced or which could have been advanced in any or all of the Class Actions;

(o) all claims advanced or which could have been advanced in any or all actions commenced in all jurisdictions prior the Ernst & Young Settlement Date; or

(d) all Noteholder Claims, Litigation Trust Claims or any claim of the SFC Companies,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) subsections 224(1.2) of the Canadian Tax Act;

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

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

(c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Canadian Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:

(i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Canadian Tax Act; or

(ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.

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

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

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

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

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

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

"**Initial Order**" has the meaning ascribed thereto in the recitals.

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

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

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

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

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

(a) the registration details for the Newco Shares and, if applicable, Newco Notes to be distributed to such Ordinary Affected Creditor or Early Consent Noteholder in accordance with the Plan; and

(b) the address to which such Ordinary Affected Creditor's or Early Consent Noteholder's Direct Registration Transaction Advice or its Newco Share Certificates and Newco Note Certificates, as applicable, are to be delivered.

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Meeting Order**" has the meaning ascribed thereto in the recitals.

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

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

"**Monitor's Ernst & Young Settlement Certificate**" has the meaning ascribed thereto in section 11.1(a) hereof.

"**Monitor's Named Third Party Settlement Certificate**" has the meaning ascribed thereto in section 11.2(b) hereof.

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

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

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

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

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

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

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

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

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

"**Newco Note Certificate**" means a certificate evidencing Newco Notes.

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

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

"**Newco Share Certificate**" means a certificate evidencing Newco Shares.

"**Newco Shares**" means common shares in the capital of Newco.

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

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

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

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

"**Noteholder Class Action Claimant**" means any Person having or asserting a Noteholder Class Action Claim.

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

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

"**Note Indentures**" means, collectively, the 2013 Note Indenture, the 2014 Note Indenture, the 2016 Note Indenture and the 2017 Note Indenture.

"**Notes**" means, collectively, the 2013 Notes, the 2014 Notes, the 2016 Notes and the 2017 Notes.

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

"**Ontario Class Action Plaintiffs**" means the plaintiffs in the Ontario class action case styled as *Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al v. Sino-Forest Corporation et al.* (Ontario Superior Court of Justice, Court File No. CV-11-431153-00CP).

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

"**Ordinary Affected Creditor**" means a Person with an Ordinary Affected Creditor Claim.

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

"**Other Directors and/or Officers**" means any Directors and/or Officers other than the Named Directors and Officers.

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

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

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

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

"**PRC**" means the People's Republic of China.

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

"**Pro-Rata**" means:

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

(b) with respect to any Early Consent Noteholder in relation to all Early Consent Noteholders, the proportion of the principal amount of Early Consent Notes beneficially owned by such Early Consent Noteholder as of the Distribution Record Date in relation to the aggregate principal amount of Early Consent Notes held by all Early Consent Noteholders as of the Distribution Record Date; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**SFC**" has the meaning ascribed thereto in the recitals.

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

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

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

"**SFC Business**" means the business operated by the SFC Companies.

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

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

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

"**SFC Escrow Co. Share**" has the meaning ascribed thereto in section 6.3 hereof.

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

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

"**Subsidiary Intercompany Claim**" means any Claim by any Subsidiary or Greenheart against SFC.

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

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

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

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

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

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

"**Unaffected Claim**" means any:

(a) Claim secured by the Administration Charge;

(b) Government Priority Claim;

(c) Employee Priority Claim;

(d) Lien Claim;

(e) any other Claim of any employee, former employee, Director or Officer of SFC in respect of wages, vacation pay, bonuses, termination pay, severance pay or other remuneration payable to such Person by SFC, other than any termination pay or severance pay payable by SFC to a Person who ceased to be an employee, Director or Officer of SFC prior to the date of this Plan;

(f) Trustee Claims; and

(g) any trade payables that were incurred by SFC (i) after the Filing Date but before the Plan Implementation Date; and (ii) in compliance with the Initial Order or other Order issued in the CCAA Proceeding.

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

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

"**Undeliverable Distribution**" has the meaning ascribed thereto in section 5.4.

"**Underwriters**" means any underwriters of SFC that are named as defendants in the Class Action Claims, including for greater certainty Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (successor by merger to Banc of America Securities LLC).

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

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

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

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

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

1.2 Certain Rules of Interpretation

For the purposes of the Plan:

(a) any reference in the Plan to an Order, agreement, contract, instrument, indenture, release, exhibit or other document means such Order, agreement, contract, instrument, indenture, release, exhibit or other document as it may have been or may be validly amended, modified or supplemented;

(b) the division of the Plan into "articles" and "sections" and the insertion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of the Plan, nor are the descriptive headings of "articles" and "sections" intended as complete or accurate descriptions of the content thereof;

(c) unless the context otherwise requires, words importing the singular shall include the plural and *vice versa*, and words importing any gender shall include all genders;

(d) the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes but is not limited to" and "including but not limited to", so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;

(e) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. (Toronto time) on such Business Day;

(f) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;

(g) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time

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

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

1.3 Currency

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

1.4 Successors and Assigns

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

1.5 Governing Law

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

1.6 Schedule "A"

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

ARTICLE 2
PURPOSE AND EFFECT OF THE PLAN

2.1 Purpose

The purpose of the Plan is:

(a) to effect a full, final and irrevocable compromise, release, discharge, cancellation and bar of all Affected Claims;

(b) to effect the distribution of the consideration provided for herein in respect of Proven Claims;

(c) to transfer ownership of the SFC Business to Newco and then from Newco to Newco II, in each case free and clear of all claims against SFC and certain related claims against the Subsidiaries, so as to enable the SFC Business to continue on a viable, going concern basis; and

(d) to allow Affected Creditors and Noteholder Class Action Claimants to benefit from contingent value that may be derived from litigation claims to be advanced by the Litigation Trustee.

The Plan is put forward in the expectation that the Persons with an economic interest in SFC, when considered as a whole, will derive a greater benefit from the implementation of the Plan and the continuation of the SFC Business as a going concern than would result from a bankruptcy or liquidation of SFC.

2.2 Claims Affected

The Plan provides for, among other things, the full, final and irrevocable compromise, release, discharge, cancellation and bar of Affected Claims and effectuates the restructuring of SFC. The Plan will become effective at the Effective Time on the Plan Implementation Date, other than such matters occurring on the Equity Cancellation Date (if the Equity Cancellation date does not occur on the Plan Implementation Date) which will occur and be effective on such date, and the Plan shall be binding on and enure to the benefit of SFC, the Subsidiaries, Newco, Newco II, SFC Escrow Co., any Person having an Affected Claim, the Directors and Officers of SFC and all other Persons named or referred to in, or subject to, the Plan, as and to the extent provided for in the Plan.

2.3 Unaffected Claims against SFC Not Affected

Any amounts properly owing by SFC in respect of Unaffected Claims will be satisfied in accordance with section 4.2 hereof. Consistent with the foregoing, all liabilities of the Released Parties in respect of Unaffected Claims (other than the obligation of SFC to satisfy such Unaffected Claims in accordance with section 4.2 hereof) will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred pursuant to Article 7 hereof. Nothing in the Plan shall affect SFC's rights and defences, both legal and equitable, with respect to any Unaffected Claims, including all rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

2.4 Insurance

(a) Subject to the terms of this section 2.4, nothing in this Plan shall prejudice, compromise, release, discharge, cancel, bar or otherwise affect any right, entitlement or claim of any Person against SFC or any Director or Officer, or any insurer, in respect of an Insurance Policy or the proceeds thereof.

(b) Nothing in this Plan shall prejudice, compromise, release or otherwise affect any right or defence of any such insurer in respect of any such Insurance Policy. Furthermore, nothing in this Plan shall prejudice, compromise, release or otherwise affect (i) any right of subrogation any such insurer may have against

any Person, including against any Director or Officer in the event of a determination of fraud against SFC or any Director or Officer in respect of whom such a determination is specifically made, and /or (ii) the ability of such insurer to claim repayment of Defense Costs (as defined in any such policy) from SFC and/or any Director or Officer in the event that the party from whom repayment is sought is not entitled to coverage under the terms and conditions of any such Insurance Policy

(c) Notwithstanding anything herein (including section 2.4(b) and the releases and injunctions set forth in Article 7 hereof), but subject to section 2.4(d) hereof, all Insured Claims shall be deemed to remain outstanding and are not released following the Plan Implementation Date, but recovery as against SFC and the Named Directors and Officers is limited only to proceeds of Insurance Policies that are available to pay such Insured Claims, either by way of judgment or settlement. SFC and the Directors or Officers shall make all reasonable efforts to meet all obligations under the Insurance Policies. The insurers agree and acknowledge that they shall be obliged to pay any Loss payable pursuant to the terms and conditions of their respective Insurance Policies notwithstanding the releases granted to SFC and the Named Directors and Officers under this Plan, and that they shall not rely on any provisions of the Insurance Policies to argue, or otherwise assert, that such releases excuse them from, or relieve them of, the obligation to pay Loss that otherwise would be payable under the terms of the Insurance Policies. For greater certainty, the insurers agree and consent to a direct right of action against the insurers, or any of them, in favour of any plaintiff who or which has (a) negotiated a settlement of any Claim covered under any of the Insurance Policies, which settlement has been consented to in writing by the insurers or such of them as may be required or (b) obtained a final judgment against one or more of SFC and/or the Directors or Officers which such plaintiff asserts, in whole or in part, represents Loss covered under the Insurance Policies, notwithstanding that such plaintiff is not a named insured under the Insurance Policies and that neither SFC nor the Directors or Officers are parties to such action.

(d) Notwithstanding anything in this section 2.4, from and after the Plan Implementation Date, any Person having an Insured Claim shall, as against SFC and the Named Directors and Officers, be irrevocably limited to recovery solely from the proceeds of the Insurance Policies paid or payable on behalf of SFC or its Directors or Officers, and Persons with any Insured Claims shall have no right to, and shall not, directly or indirectly, make any claim or seek any recoveries from SFC, any of the Named Directors and Officers, any of the Subsidiaries, Newco or Newco II, other than enforcing such Person's rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s), and this section 2.4(d) may be relied upon and raised or pled by SFC, Newco, Newco II, any Subsidiary and any Named Director and Officer in defence or estoppel of or to enjoin any claim, action or proceeding brought in contravention of this section

2.5 Claims Procedure Order

For greater certainty, nothing in this Plan revives or restores any right or claim of any kind that is barred or extinguished pursuant to the terms of the Claims Procedure Order, provided that nothing in this Plan, the Claims Procedure Order or any other Order compromises, releases, discharges, cancels or bars any claim against any Person for fraud or criminal conduct, regardless of whether or not any such claim has been asserted to date.

ARTICLE 3
CLASSIFICATION, VOTING AND RELATED MATTERS

3.1 Claims Procedure

The procedure for determining the validity and quantum of the Affected Claims shall be governed by the Claims Procedure Order, the Meeting Order, the CCAA, the Plan and any other Order, as applicable. SFC, the Monitor and any other creditor in respect of its own Claim, shall have the right to seek the assistance of the Court in valuing any Claim, whether for voting or distribution purposes, if required, and to ascertain the result of any vote on the Plan.

3.2 Classification

(a) The Affected Creditors shall constitute a single class, the "**Affected Creditors Class**", for the purposes of considering and voting on the Plan.

(b) The Equity Claimants shall constitute a single class, separate from the Affected Creditors Class, but shall not, and shall have no right to, attend the Meeting or vote on the Plan in such capacity.

3.3 Unaffected Creditors

No Unaffected Creditor, in respect of an Unaffected Claim, shall:

(a) be entitled to vote on the Plan;

(b) be entitled to attend the Meeting; or

(c) receive any entitlements under this Plan in respect of such Unaffected Creditor's Unaffected Claims (other than its right to have its Unaffected Claim addressed in accordance with section 4.2 hereof).

3.4 Creditors' Meeting

The Meeting shall be held in accordance with the Plan, the Meeting Order and any further Order of the Court. The only Persons entitled to attend and vote on the Plan at the Meeting are those specified in the Meeting Order.

3.5 Approval by Creditors

In order to be approved, the Plan must receive the affirmative vote of the Required Majority of the Affected Creditors Class.

ARTICLE 4
DISTRIBUTIONS, PAYMENTS AND TREATMENT OF CLAIMS

4.1 Affected Creditors

All Affected Creditor Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date. Each Affected Creditor that has a Proven Claim shall be entitled to receive the following in accordance with the Plan:

(a) such Affected Creditor's Pro-Rata number of the Newco Shares to be issued by Newco from the Affected Creditors Equity Sub-Pool in accordance with the Plan;

(b) such Affected Creditor's Pro-Rata amount of the Newco Notes to be issued by Newco in accordance with the Plan; and

(c) such Affected Creditor's Pro-Rata share of the Litigation Trust Interests to be allocated to the Affected Creditors in accordance with 4.11 hereof and the terms of the Litigation Trust.

From and after the Plan Implementation Date, each Affected Creditor, in such capacity, shall have no rights as against SFC in respect of its Affected Creditor Claim.

4.2 Unaffected Creditors

Each Unaffected Claim that is finally determined as such, as to status and amount, and that is finally determined to be valid and enforceable against SFC, in each case in accordance with the Claims Procedure Order or other Order:

(a) subject to sections 4.2(b) and 4.2(c) hereof, shall be paid in full from the Unaffected Claims Reserve and limited to recovery against the Unaffected Claims Reserve, and Persons with Unaffected Claims shall have no right to, and shall not, make any claim or seek any recoveries from any Person in respect of Unaffected Claims, other than enforcing such Person's right against SFC to be paid from the Unaffected Claims Reserve;

(b) in the case of Claims secured by the Administration Charge:

(i) if billed or invoiced to SFC prior to the Plan Implementation Date, such Claims shall be paid by SFC in accordance with section 6.4(d) hereof; and

(ii) if billed or invoiced to SFC on or after the Plan Implementation Date, such Claims shall be paid from the Administration Charge Reserve, and all such

Claims shall be limited to recovery against the Administration Charge Reserve, and any Person with such Claims shall have no right to, and shall not, make any claim or seek any recoveries from any Person in respect of such Claims, other than enforcing such Person's right against the Administration Charge Reserve; and

(c) in the case of Lien Claims:

(i) at the election of the Initial Consenting Noteholders, and with the consent of the Monitor, SFC shall satisfy such Lien Claim by the return of the applicable property of SFC that is secured as collateral for such Lien Claim, and the applicable Lien Claimant shall be limited to its recovery against such secured property in respect of such Lien Claim.

(ii) if the Initial Consenting Noteholders do not elect to satisfy such Lien Claim by the return of the applicable secured property: (A) SFC shall repay the Lien Claim in full in cash on the Plan Implementation Date; and (B) the security held by the applicable Lien Claimant over the property of SFC shall be fully, finally, irrevocably and forever released, discharged, cancelled and barred; and

(iii) upon the satisfaction of a Lien Claim in accordance with sections 4.2(c)(i) or 4.2(c)(ii) hereof, such Lien Claims shall be fully, finally, irrevocably and forever released, discharged, cancelled and barred.

4.3 Early Consent Noteholders

As additional consideration for the compromise, release, discharge, cancellation and bar of the Affected Creditor Claims in respect of its Notes, each Early Consent Noteholder shall receive (in addition to the consideration it is entitled to receive in accordance with section 4.1 hereof) its Pro-Rata number of the Newco Shares to be issued by Newco from the Early Consent Equity Sub-Pool in accordance with the Plan.

4.4 Noteholder Class Action Claimants

(a) All Noteholder Class Action Claims against SFC, the Subsidiaries or the Named Directors or Officers (other than any Noteholder Class Action Claims against the Named Directors or Officers that are Section 5.1(2) D&O Claims, Conspiracy Claims or Non-Released D&O Claims) shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration as against all said Persons on the Plan Implementation Date. Subject to section 4.4(f) hereof, Noteholder Class Action Claimants shall not receive any consideration or distributions under the Plan in respect of their Noteholder Class Action Claims. Noteholder Class Action Claimants shall not be entitled to attend or to vote on the Plan at the Meeting in respect of their Noteholder Class Action Claims.

(b) Notwithstanding anything to the contrary in section 4.4(a), Noteholder Class Action Claims as against the Third Party Defendants (x) are not compromised, discharged, released, cancelled or barred, (y) shall be permitted to continue as against the Third Party Defendants and (z) shall not be limited or restricted by this Plan in any manner as to quantum or otherwise (including any collection or recovery for such Noteholder Class Action Claims that relates to any liability of the Third Party Defendants for any alleged liability of SFC), provided that:

(i) in accordance with the releases set forth in Article 7 hereof, the collective aggregate amount of all rights and claims asserted or that may be asserted against the Third Party Defendants in respect of any such Noteholder Class Action Claims for which any such Persons in each case have a valid and enforceable Class Action Indemnity Claim against SFC (the "**Indemnified Noteholder Class Action Claims**") shall not exceed, in the aggregate, the Indemnified Noteholder Class Action Limit, and in accordance with section 7.3 hereof, all Persons shall be permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, from seeking to enforce any liability in respect of the Indemnified Noteholder Class Action Claims that exceeds the Indemnified Noteholder Class Action Limit;

(ii) subject to section 4.4(g), any Class Action Indemnity Claims against SFC by the Third Party Defendants in respect of the Indemnified Noteholder Class Action Claims shall be treated as Affected Creditor Claims against SFC, but only to the extent that any such Class Action Indemnity Claims that are determined to be properly indemnified by SFC, enforceable against SFC and are not barred or extinguished by the Claims Procedure Order, and further provided that the aggregate liability of SFC in respect of all such Class Action Indemnity Claims shall be limited to the lesser of: (A) the actual aggregate liability of the Third Party Defendants pursuant to any final judgment, settlement or other binding resolution in respect of the Indemnified Noteholder Class Action Claims; and (B) the Indemnified Noteholder Class Action Limit; and

(iii) for greater certainty, in the event that any Third Party Defendant is found to be liable for or agrees to a settlement in respect of a Noteholder Class Action Claim (other than a Noteholder Class Action Claim for fraud or criminal conduct) and such amounts are paid by or on behalf of the applicable 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 paid in respect of such Noteholder Class Action Claim, as applicable.

(c) Subject to section 7.1(o), the Claims of the Underwriters for indemnification in respect of any Noteholder Class Action Claims (other than Noteholder Class Action Claims against the Underwriters for fraud or criminal conduct) shall, for purposes of the Plan, be deemed to be valid and enforceable Class Action

Indemnity Claims against SFC (as limited pursuant to section 4.4(b) hereof), provided that: (i) the Underwriters shall not be entitled to receive any distributions of any kind under the Plan in respect of such Claims; (ii) such Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date; and (iii) the amount of such Claims shall not affect the calculation of any Pro-Rata entitlements of the Affected Creditors under this Plan. For greater certainty, to the extent of any conflict with respect to the Underwriters between section 4.4(e) hereof and this section 4.4(c), this section 4.4(c) shall prevail.

(d) Subject to section 7.1(m), any and all indemnification rights and entitlements of Ernst & Young at common law and any and all indemnification agreements between Ernst & Young and SFC shall be deemed to be valid and enforceable in accordance with their terms for the purpose of determining whether the Claims of Ernst & Young for indemnification in respect of Noteholder Class Action Claims are valid and enforceable within the meaning of section 4.4(b) hereof. With respect to Claims of Ernst & Young for indemnification in respect of Noteholder Class Action Claims that are valid and enforceable: (i) Ernst & Young shall not be entitled to receive any distributions of any kind under the Plan in respect of such Claims; (ii) such Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date; and (iii) the amount of such Claims shall not affect the calculation of any Pro-Rata entitlements of the Affected Creditors under this Plan.

(e) Subject to section 7.1(n), any and all indemnification rights and entitlements of the Named Third Party Defendants at common law and any and all indemnification agreements between the Named Third Party Defendants and SFC shall be deemed to be valid and enforceable in accordance with their terms for the purpose of determining whether the Claims of the Named Third Party Defendants for indemnification in respect of Noteholder Class Action Claims are valid and enforceable within the meaning of section 4.4(b) hereof. With respect to Claims of the Named Third Party Defendants for indemnification in respect of Noteholder Class Action Claims that are valid and enforceable: (i) the Named Third Party Defendants shall not be entitled to receive any distributions of any kind under the Plan in respect of such Claims; (ii) such Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date; and (iii) the amount of such Claims shall not affect the calculation of any Pro-Rata entitlements of the Affected Creditors under this Plan.

(f) Each Noteholder Class Action Claimant shall be entitled to receive its share of the Litigation Trust Interests to be allocated to Noteholder Class Action Claimants in accordance with the terms of the Litigation Trust and section 4.11 hereof, as such Noteholder Class Action Claimant's share is determined by the applicable Class Action Court.

(g) Nothing in this Plan impairs, affects or limits in any way the ability of SFC, the Monitor or the Initial Consenting Noteholders to seek or obtain an Order, whether before or after the Plan Implementation Date, directing that Class Action Indemnity Claims in respect of Noteholder Class Action Claims or any other Claims of the Third Party Defendants should receive the same or similar treatment as is afforded to Class Action Indemnity Claims in respect of Equity Claims under the terms of this Plan.

4.5 Equity Claimants

All Equity Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date. Equity Claimants shall not receive any consideration or distributions under the Plan and shall not be entitled to vote on the Plan at the Meeting.

4.6 Claims of the Trustees and Noteholders

For purposes of this Plan, all claims filed by the Trustees in respect of the Noteholder Claims (other than any Trustee Claims) shall be treated as provided in section 4.1 and the Trustees and the Noteholders shall have no other entitlements in respect of the guarantees and share pledges that have been provided by the Subsidiaries, or any of them, all of which shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date as against the Subsidiaries pursuant to Article 7 hereof.

4.7 Claims of the Third Party Defendants

For purposes of this Plan, all claims filed by the Third Party Defendants against SFC and/or any of its Subsidiaries shall be treated as follows:

(a) all such claims against the Subsidiaries shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date in accordance with Article 7 hereof;

(b) all such claims against SFC that are Class Action Indemnity Claims in respect of Indemnified Noteholder Class Action Claims shall be treated as set out in section 4.4(b)(ii) hereof;

(c) all such claims against SFC for indemnification of Defence Costs shall be treated in accordance with section 4.8 hereof; and

(d) all other claims shall be treated as Equity Claims.

4.8 Defence Costs

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 ("**Defence Costs**") shall be treated as follows:

(a) as Equity Claims to the extent they are determined to be Equity Claims under any Order; and

(b) as Affected Creditor Claims to the extent that they are not determined to be Equity Claims under any Order, provided that:

(i) if such Defence Costs were incurred in respect of a claim against the applicable Person that has been successfully defended and the Claim for such Defence Costs is otherwise valid and enforceable against SFC, the Claim for such Defence Costs shall be treated as a Proven Claim, provided that if such Claim for Defence Costs is a Class Action Indemnity Claim of a Third Party Defendant against SFC in respect of any Indemnified Noteholder Class Action Claim, such Claim for Defence Costs shall be treated in the manner set forth in section 4.4(b)(ii) hereof;

(ii) if such Defence Costs were incurred in respect of a claim against the applicable Person that has not been successfully defended or such Defence Costs are determined not to be valid and enforceable against SFC, the Claim for such Defence Costs shall be disallowed and no consideration will be payable in respect thereof under the Plan; and

(iii) until any such Claim for Defence Costs is determined to be either a Claim within section 4.8(b)(i) or a Claim within section 4.8(b)(ii), such Claim shall be treated as an Unresolved Claim,

provided that nothing in this Plan impairs, affects or limits in any way the ability of SFC, the Monitor or the Initial Consenting Noteholders to seek an Order that Claims against SFC for indemnification of any Defence Costs should receive the same or similar treatment as is afforded to Equity Claims under the terms of this Plan.

4.9 D&O Claims

(a) All D&O Claims against the Named Directors and Officers (other than Section 5.1(2) D&O Claims, Conspiracy Claims and Non-Released D&O Claims) shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration on the Plan Implementation Date.

(b) All D&O Claims against the Other Directors and/or Officers shall not be compromised, released, discharged, cancelled or barred by this Plan and shall be permitted to continue as against the applicable Other Directors and/or Officers (the "**Continuing Other D&O Claims**"), provided that any Indemnified Noteholder Class Action Claims against the Other Directors and/or Officers shall be limited as described in section 4.4(b)(i) hereof.

(c) All D&O Indemnity Claims and any other rights or claims for indemnification held by the Named Directors and Officers shall be deemed to have no value and shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration on the Plan Implementation Date.

(d) All D&O Indemnity Claims and any other rights or claims for indemnification held by the Other Directors and/or Officers shall be deemed to have no value and shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration on the Plan Implementation Date, except that: (i) any such D&O Indemnity Claims for Defence Costs shall be treated in accordance with section 4.8 hereof; and (ii) any Class Action Indemnity Claim of an Other Director and/or Officer against SFC in respect of the Indemnified Noteholder Class Action Claims shall be treated in the manner set forth in section 4.4(b)(ii) hereof.

(e) All Section 5.1(2) D&O Claims and all Conspiracy Claims shall not be compromised, released, discharged, cancelled or barred by this Plan, provided that any Section 5.1(2) D&O Claims against Named Directors and Officers and any Conspiracy Claims against Named Directors and Officers shall be limited to recovery from any insurance proceeds payable in respect of such Section 5.1(2) D&O Claims or Conspiracy Claims, as applicable, pursuant to the Insurance Policies, and Persons with any such Section 5.1(2) D&O Claims against Named Directors and Officers or Conspiracy Claims against Named Directors and Officers shall have no right to, and shall not, make any claim or seek any recoveries from any Person (including SFC, any of the Subsidiaries, Newco or Newco II), other than enforcing such Persons' rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s).

(f) All D&O Claims against the Directors and Officers of SFC or the Subsidiaries for fraud or criminal conduct shall not be compromised, discharged, released, cancelled or barred by this Plan and shall be permitted to continue as against all applicable Directors and Officers ("**Non-Released D&O Claims**").

(g) Notwithstanding anything to the contrary herein, from and after the Plan Implementation Date, a Person may only commence an action for a Non-Released D&O Claim against a Named Director or Officer if such Person has first obtained (i) the consent of the Monitor or (ii) leave of the Court on notice to the applicable Directors and Officers, SFC, the Monitor, the Initial Consenting Noteholders and any applicable insurers. For the avoidance of doubt, the foregoing requirement for the consent of the Monitor or leave of the Court shall not apply to any Non-Released D&O Claim that is asserted against an Other Director and/or Officer.

4.10 Intercompany Claims

All SFC Intercompany Claims (other than those transferred to SFC Barbados pursuant to section 6.4(j) hereof or set-off pursuant to section 6.4(l) hereof) shall be deemed to be assigned by SFC to Newco on the Plan Implementation Date pursuant to section 6.4(m) hereof, and shall

then be deemed to be assigned by Newco to Newco II pursuant to section 6.4(x) hereof. The obligations of SFC to the applicable Subsidiaries and Greenheart in respect of all Subsidiary Intercompany Claims (other than those set-off pursuant to section 6.4(l) hereof) shall be assumed by Newco on the Plan Implementation Date pursuant to 6.4(m) hereof, and then shall be assumed by Newco II pursuant to section 6.4(x) hereof. Notwithstanding anything to the contrary herein, Newco II shall be liable to the applicable Subsidiaries and Greenheart for such Subsidiary Intercompany Claims and SFC shall be released from such Subsidiary Intercompany Claims from and after the Plan Implementation Date, and the applicable Subsidiaries and Greenheart shall be liable to Newco II for such SFC Intercompany Claims from and after the Plan Implementation Date. For greater certainty, nothing in this Plan affects any rights or claims as between any of the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries.

4.11 Entitlement to Litigation Trust Interests

(a) The Litigation Trust Interests to be created in accordance with this Plan and the Litigation Trust shall be allocated as follows:

(i) the Affected Creditors shall be collectively entitled to **75%** of such Litigation Trust Interests; and

(ii) the Noteholder Class Action Claimants shall be collectively entitled to **25%** of such Litigation Trust Interests,

which allocations shall occur at the times and in the manner set forth in section 6.4 hereof and shall be recorded by the Litigation Trustee in its registry of Litigation Trust Interests.

(b) Notwithstanding anything to the contrary in section 4.11(a) hereof, if any of the Noteholder Class Action Claims against any of the Third Party Defendants are finally resolved (whether by final judgment, settlement or any other binding means of resolution) within two years of the Plan Implementation Date, then the Litigation Trust Interests to which the applicable Noteholder Class Action Claimants would otherwise have been entitled in respect of such Noteholder Class Action Claims pursuant to section 4.11(a)(ii) hereof (based on the amount of such resolved Noteholder Class Action Claims in proportion to all Noteholder Class Action Claims in existence as of the Claims Bar Date) shall be fully, finally, irrevocably and forever cancelled.

4.12 Litigation Trust Claims

(a) At any time prior to the Plan Implementation Date, SFC and the Initial Consenting Noteholders may agree to exclude one or more Causes of Action from the Litigation Trust Claims and/or to specify that any Causes of Action against a specified Person will not constitute Litigation Trust Claims ("**Excluded Litigation Trust Claims**"), in which case, any such Causes of Action shall not be transferred to the Litigation Trust on the Plan Implementation Date. Any such Excluded Litigation Trust Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan

Implementation Date in accordance with Article 7 hereof. All Affected Creditors shall be deemed to consent to such treatment of Excluded Litigation Trust Claims pursuant to this section 4.12(a).

(b) All Causes of Action against the Underwriters by (i) SFC or (ii) the Trustees (on behalf of the Noteholders) shall be deemed to be Excluded Litigation Trust Claims that are fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date in accordance with Article 7 hereof, provided that, unless otherwise agreed by SFC and the Initial Consenting Noteholders prior to the Plan Implementation Date in accordance with section 4.12(a) hereof, any such Causes of Action for fraud or criminal conduct shall not constitute Excluded Litigation Trust Claims and shall be transferred to the Litigation Trust in accordance with section 6.4(o) hereof.

(c) At any time from and after the Plan Implementation Date, and subject to the prior consent of the Initial Consenting Noteholders and the terms of the Litigation Trust Agreement, the Litigation Trustee shall have the right to seek and obtain an order from any court of competent jurisdiction, including an Order of the Court in the CCAA or otherwise, that gives effect to any releases of any Litigation Trust Claims agreed to by the Litigation Trustee in accordance with the Litigation Trust Agreement, including a release that fully, finally, irrevocably and forever compromises, releases, discharges, cancels and bars the applicable Litigation Trust Claims as if they were Excluded Litigation Trust Claims released in accordance with Article 7 hereof. All Affected Creditors shall be deemed to consent to any such treatment of any Litigation Trust Claims pursuant to this section 4.12(b).

4.13 Multiple Affected Claims

On the Plan Implementation Date, any and all liabilities for and guarantees and indemnities of the payment or performance of any Affected Claim, Unaffected Claim, Section 5.1(2) D&O Claim, Conspiracy Claim, Continuing Other D&O Claim or Non-Released D&O Claim by any of the Subsidiaries, and any purported liability for the payment or performance of such Affected Claim, Unaffected Claim, Section 5.1(2) D&O Claim, Conspiracy Claim, Continuing Other D&O Claim or Non-Released D&O Claim by Newco or Newco II, will be deemed eliminated and cancelled, and no Person shall have any rights whatsoever to pursue or enforce any such liabilities for or guarantees or indemnities of the payment or performance of any such Affected Claim, Unaffected Claim, Section 5.1(2) D&O Claim, Conspiracy Claim, Continuing Other D&O Claim or Non-Released D&O Claim against any Subsidiary, Newco or Newco II.

4.14 Interest

Subject to section 12.4 hereof, no holder of an Affected Claim shall be entitled to interest accruing on or after the Filing Date.

4.15 Existing Shares

Holders of Existing Shares and Equity Interests shall not receive any consideration or distributions under the Plan in respect thereof and shall not be entitled to vote on the Plan at the Meeting. Unless otherwise agreed between the Monitor, SFC and the Initial Consenting Noteholders, all Existing Shares and Equity Interests shall be fully, finally and irrevocably cancelled in accordance with and at the time specified in section 6.5 hereof.

4.16 Canadian Exempt Plans

If an Affected Creditor is a trust governed by a plan which is exempt from tax under Part I of the Canadian Tax Act (including, for example, a registered retirement savings plan), such Affected Creditor may make arrangements with Newco (if Newco so agrees) and the Litigation Trustee (if the Litigation Trustee so agrees) to have the Newco Shares, Newco Notes and Litigation Trust Interests to which it is entitled under this Plan directed to (or in the case of Litigation Trust Interests, registered in the name of) an affiliate of such Affected Creditor or the annuitant or controlling person of the governing tax-deferred plan.

ARTICLE 5
DISTRIBUTION MECHANICS

5.1 Letters of Instruction

In order to issue (i) Newco Shares and Newco Notes to Ordinary Affected Creditors and (ii) Newco Shares to Early Consent Noteholders, the following steps will be taken:

(a) with respect to Ordinary Affected Creditors with Proven Claims or Unresolved Claims:

(i) on the next Business Day following the Distribution Record Date, the Monitor shall send blank Letters of Instruction by prepaid first class mail, courier, email or facsimile to each such Ordinary Affected Creditor to the address of each such Ordinary Affected Creditor (as specified in the applicable Proof of Claim) as of the Distribution Record Date, or as evidenced by any assignment or transfer in accordance with section 5.10;

(ii) each such Ordinary Affected Creditor shall deliver to the Monitor a duly completed and executed Letter of Instruction that must be received by the Monitor on or before the date that is seven (7) Business Days after the Distribution Record Date or such other date as the Monitor may determine; and

(iii) any such Ordinary Affected Creditor that does not return a Letter of Instruction to the Monitor in accordance with section 5.1(a)(ii) shall be deemed to have requested that such Ordinary Affected Creditor's Newco Shares and Newco Notes be registered or distributed, as applicable, in accordance with the information set out in such Ordinary Affected Creditor's Proof of Claim; and

(b) with respect to Early Consent Noteholders:

(i) on the next Business Day following the Distribution Record Date the Monitor shall send blank Letters of Instruction by prepaid first class mail, courier, email or facsimile to each Early Consent Noteholder to the address of each such Early Consent Noteholder as confirmed by the Monitor on or before the Distribution Record Date;

(ii) each Early Consent Noteholder shall deliver to the Monitor a duly completed and executed Letter of Instruction that must be received by the Monitor on or before the date that is seven (7) Business Days after the Distribution Record Date or such other date as the Monitor may determine; and

(iii) any such Early Consent Noteholder that does not return a Letter of Instruction to the Monitor in accordance with section 5.1(b)(ii) shall be deemed to have requested that such Early Consent Noteholder's Newco Shares be distributed or registered, as applicable, in accordance with information confirmed by the Monitor on or before the Distribution Record Date.

5.2 Distribution Mechanics with respect to Newco Shares and Newco Notes

(a) To effect distributions of Newco Shares and Newco Notes, the Monitor shall deliver a direction at least two (2) Business Days prior to the Initial Distribution Date to Newco or its agent, as applicable, directing Newco or its agent, as applicable, to issue on such Initial Distribution Date or subsequent Distribution Date:

(i) in respect of the Ordinary Affected Creditors with Proven Claims:

(A) the number of Newco Shares that each such Ordinary Affected Creditor is entitled to receive in accordance with section 4.1(a) hereof; and

(B) the amount of Newco Notes that each such Ordinary Affected Creditor is entitled to receive in accordance with section 4.1(b) hereof,

all of which Newco Shares and Newco Notes shall be issued to such Ordinary Affected Creditors and distributed in accordance with this Article 5;

(ii) in respect of the Ordinary Affected Creditors with Unresolved Claims:

(A) the number of Newco Shares that each such Ordinary Affected Creditor would have been entitled to receive in accordance with section 4.1(a) hereof had such Ordinary Affected Creditor's

Unresolved Claim been a Proven Claim on the Plan Implementation Date; and

(B) the amount of Newco Notes that each such Ordinary Affected Creditor would have been entitled to receive in accordance with section 4.1(b) hereof had such Ordinary Affected Creditor's Unresolved Claim been a Proven Claim on the Plan Implementation Date,

all of which Newco Shares and Newco Notes shall be issued in the name of the Unresolved Claims Escrow Agent for the benefit of the Persons entitled thereto under the Plan, which Newco Shares and Newco Notes shall comprise part of the Unresolved Claims Reserve and shall be held in escrow by the Unresolved Claims Escrow Agent until released and distributed in accordance with this Article 5;

(iii) in respect of the Noteholders:

(A) the number of Newco Shares that the Trustees are collectively required to receive such that, upon distribution to the Noteholders in accordance with this Article 5, each individual Noteholder receives the number of Newco Shares to which it is entitled in accordance with section 4.1(a) hereof; and

(B) the amount of Newco Notes that the Trustees are collectively required to receive such that, upon distribution to the Noteholders in accordance with this Article 5, each individual Noteholder receives the amount of Newco Notes to which it is entitled in accordance with section 4.1(b) hereof,

all of which Newco Shares and Newco Notes shall be issued to such Noteholders and distributed in accordance with this Article 5; and

(iv) in respect of Early Consent Noteholders, the number of Newco Shares that each such Early Consent Noteholder is entitled to receive in accordance with section 4.3 hereof, all of which Newco Shares shall be issued to such Early Consent Noteholders and distributed in accordance with this Article 5.

The direction delivered by the Monitor in respect of the applicable Ordinary Affected Creditors and Early Consent Noteholders shall: (A) indicate the registration and delivery details of each applicable Ordinary Affected Creditor and Early Consent Noteholder based on the information prescribed in section 5.1; and (B) specify the number of Newco Shares and, in the case of Ordinary Affected Creditors, the amount of Newco Notes to be issued to each such Person on the applicable Distribution Date. The direction delivered by the Monitor in respect of the Noteholders shall: (C) indicate that the registration and delivery details with respect to the number of Newco Shares and amount of Newco Notes

to be distributed to each Noteholder will be the same as the registration and delivery details in effect with respect to the Notes held by each Noteholder as of the Distribution Record Date; and (D) specify the number of Newco Shares and the amount of Newco Notes to be issued to each of the Trustees for purposes of satisfying the entitlements of the Noteholders set forth in sections 4.1(a) and 4.1(b) hereof. The direction delivered by the Monitor in respect of the Newco Shares and Newco Notes to be issued in the name of the Unresolved Claims Escrow Agent, for the benefit of the Persons entitled thereto under the Plan, for purposes of the Unresolved Claims Reserve shall specify the number of Newco Shares and the amount of Newco Notes to be issued in the name of the Unresolved Claims Escrow Agent for that purpose.

(b) If the registers for the Newco Shares and/or Newco Notes are maintained by the Transfer Agent in a direct registration system (without certificates), the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall, on the Initial Distribution Date or any subsequent Distribution Date, as applicable:

(i) instruct the Transfer Agent to record, and the Transfer Agent shall record, in the Direct Registration Account of each applicable Ordinary Affected Creditor and each Early Consent Noteholder the number of Newco Shares and, in the case of Ordinary Affected Creditors, the amount of Newco Notes that are to be distributed to each such Person, and the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall send or cause to be sent to each such Ordinary Affected Creditor and Early Consent Noteholder a Direct Registration Transaction Advice based on the delivery information as determined pursuant to section 5.1; and

(ii) with respect to the distribution of Newco Shares and/or Newco Notes to Noteholders:

(A) if the Newco Shares and/or Newco Notes are DTC eligible, the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall instruct the Transfer Agent to register, and the Transfer Agent shall register, the applicable Newco Shares and/or Newco Notes in the name of DTC (or its nominee) for the benefit of the Noteholders, and the Trustees shall provide their consent to DTC to the distribution of such Newco Shares and Newco Notes to the applicable Noteholders, in the applicable amounts, through the facilities of DTC in accordance with customary practices and procedures; and

(B) if the Newco Shares and/or Newco Notes are not DTC eligible, the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall instruct the Transfer Agent to register the applicable Newco Shares and/or Newco Notes in the Direct Registration Accounts of the applicable Noteholders pursuant to the registration instructions obtained through DTC and the DTC

participants (by way of a letter of transmittal process or such other process as agreed by SFC, the Monitor, the Trustees and the Initial Consenting Noteholders), and the Transfer Agent shall (A) register such Newco Shares and/or Newco Notes, in the applicable amounts, in the Direct Registration Accounts of the applicable Noteholders; and (B) send or cause to be sent to each Noteholder a Direct Registration Transaction Advice in accordance with customary practices and procedures; provided that the Transfer Agent shall not be permitted to effect the foregoing registrations without the prior written consent of the Trustees.

(c) If the registers for the Newco Shares and/or Newco Notes are not maintained by the Transfer Agent in a direct registration system, Newco shall prepare and deliver to the Monitor and/or the Unresolved Claims Escrow Agent, as applicable, and the Monitor and/or the Unresolved Claims Escrow Agent, as applicable, shall promptly thereafter, on the Initial Distribution Date or any subsequent Distribution Date, as applicable:

(i) deliver to each Ordinary Affected Creditor and each Early Consent Noteholder Newco Share Certificates and, in the case of Ordinary Affected Creditors, Newco Note Certificates representing the applicable number of Newco Shares and the applicable amount of Newco Notes that are to be distributed to each such Person; and

(ii) with respect to the distribution of Newco Shares and/or Newco Notes to Noteholders:

(A) if the Newco Shares and/or Newco Notes are DTC eligible, the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall distribute to DTC (or its nominee), for the benefit of the Noteholders, Newco Share Certificates and/or Newco Note Certificates representing the aggregate of all Newco Shares and Newco Notes to be distributed to the Noteholders on such Distribution Date, and the Trustees shall provide their consent to DTC to the distribution of such Newco Shares and Newco Notes to the applicable Noteholders, in the applicable amounts, through the facilities of DTC in accordance with customary practices and procedures; and

(B) if the Newco Shares and/or Newco Notes are not DTC eligible, the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall distribute to the applicable Trustees, Newco Share Certificates and/or Newco Note Certificates representing the aggregate of all Newco Shares and/or Newco Notes to be distributed to the Noteholders on such Distribution Date, and the Trustees shall make delivery of such Newco Share Certificates and Newco Note Certificates, in the applicable

amounts, directly to the applicable Noteholders pursuant to the delivery instructions obtained through DTC and the DTC participants (by way of a letter of transmittal process or such other process as agreed by SFC, the Monitor, the Trustees and the Initial Consenting Noteholders), all of which shall occur in accordance with customary practices and procedures.

(d) Upon receipt of and in accordance with written instructions from the Monitor, the Trustees shall instruct DTC to and DTC shall: (i) set up an escrow position representing the respective positions of the Noteholders as of the Distribution Record Date for the purpose of making distributions on the Initial Distribution Date and any subsequent Distribution Dates (the "**Distribution Escrow Position**"); and (ii) block any further trading of the Notes, effective as of the close of business on the day immediately preceding the Plan Implementation Date, all in accordance with DTC's customary practices and procedures.

(e) The Monitor, Newco, Newco II, the Trustees, SFC, the Named Directors and Officers and the Transfer Agent shall have no liability or obligation in respect of deliveries by DTC (or its nominee) to the DTC participants or the Noteholders pursuant to this Article 5.

5.3 Allocation of Litigation Trust Interests

The Litigation Trustee shall administer the Litigation Trust Claims and the Litigation Funding Amount for the benefit of the Persons that are entitled to the Litigation Trust Interests and shall maintain a registry of such Persons as follows:

(a) with respect to Affected Creditors:

(i) the Litigation Trustee shall maintain a record of the amount of Litigation Trust Interests that each Ordinary Affected Creditor is entitled to receive in accordance with sections 4.1(c) and 4.11(a) hereof;

(ii) the Litigation Trustee shall maintain a record of the aggregate amount of all Litigation Trust Interests to which the Noteholders are collectively entitled in accordance with sections 4.1(c) and 4.11(a) hereof, and if cash is distributed from the Litigation Trust to Persons with Litigation Trust Interests, the amount of such cash that is payable to the Noteholders will be distributed through the Distribution Escrow Position (such that each beneficial Noteholder will receive a percentage of such cash distribution that is equal to its entitlement to Litigation Trust Interests (as set forth in section 4.1(c) hereof) as a percentage of all Litigation Trust Interests); and

(iii) with respect to any Litigation Trust Interests to be allocated in respect of the Unresolved Claims Reserve, the Litigation Trustee shall record such Litigation Trust Interests in the name of the Unresolved Claims Escrow Agent, for the benefit of the Persons entitled thereto in accordance with

this Plan, which shall be held by the Unresolved Claims Escrow Agent in escrow until released and distributed unless and until otherwise directed by the Monitor in accordance with this Plan;

(b) with respect to the Noteholder Class Action Claimants, the Litigation Trustee shall maintain a record of the aggregate of all Litigation Trust Interests that the Noteholder Class Action Claimants are entitled to receive pursuant to sections 4.4(f) and 4.11(a) hereof, provided that such record shall be maintained in the name of the Noteholder Class Action Representative, to be allocated to individual Noteholder Class Action Claimants in any manner ordered by the applicable Class Action Court, and provided further that if any such Litigation Trust Interests are cancelled in accordance with section 4.11(b) hereof, the Litigation Trustee shall record such cancellation in its registry of Litigation Trust Interests.

5.4 Treatment of Undeliverable Distributions

If any distribution under section 5.2 or section 5.3 of Newco Shares, Newco Notes or Litigation Trust Interests is undeliverable (that is, for greater certainty, that it cannot be properly registered or delivered to the Applicable Affected Creditor because of inadequate or incorrect registration or delivery information or otherwise) (an "**Undeliverable Distribution**"), it shall be delivered to SFC Escrow Co., which shall hold such Undeliverable Distribution in escrow and administer it in accordance with this section 5.4. No further distributions in respect of an Undeliverable Distribution shall be made unless and until SFC and the Monitor are notified by the applicable Person of its current address and/or registration information, as applicable, at which time the Monitor shall direct SFC Escrow Co. to make all such distributions to such Person, and SFC Escrow Co. shall make all such distributions to such Person. All claims for Undeliverable Distributions must be made on or before the date that is six months following the final Distribution Date, after which date the right to receive distributions under this Plan in respect of such Undeliverable Distributions shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, without any compensation therefore, notwithstanding any federal, state or provincial laws to the contrary, at which time any such Undeliverable Distributions held by SFC Escrow Co. shall be deemed to have been gifted by the owner of the Undeliverable Distribution to Newco or the Litigation Trust, as applicable, without consideration, and, in the case of Newco Shares, Newco Notes and Litigation Trust Interests, shall be cancelled by Newco and the Litigation Trustee, as applicable. Nothing contained in the Plan shall require SFC, the Monitor, SFC Escrow Co. or any other Person to attempt to locate any owner of an Undeliverable Distribution. No interest is payable in respect of an Undeliverable Distribution. Any distribution under this Plan on account of the Notes, other than any distributions in respect of Litigation Trust Interests, shall be deemed made when delivered to DTC or the applicable Trustee, as applicable, for subsequent distribution to the applicable Noteholders in accordance with section 5.2.

5.5 Procedure for Distributions Regarding Unresolved Claims

(a) An Affected Creditor that has asserted an Unresolved Claim will not be entitled to receive a distribution under the Plan in respect of such Unresolved Claim or any portion thereof unless and until such Unresolved Claim becomes a Proven Claim.

(b) Distributions in respect of any Unresolved Claim in existence at the Plan Implementation Date will be held in escrow by the Unresolved Claims Escrow Agent in the Unresolved Claims Reserve until settlement or final determination of the Unresolved Claim in accordance with the Claims Procedure Order, the Meeting Order or this Plan, as applicable.

(c) To the extent that Unresolved Claims become Proven Claims or are finally disallowed, the Unresolved Claims Escrow Agent shall release from escrow and deliver (or in the case of Litigation Trust Interests, cause to be registered) the following from the Unresolved Claims Reserve (on the next Distribution Date, as determined by the Monitor with the consent of SFC and the Initial Consenting Noteholders):

(i) in the case of Affected Creditors whose Unresolved Claims are ultimately determined, in whole or in part, to be Proven Claims, the Unresolved Claims Escrow Agent shall release from escrow and deliver to such Affected Creditor that number of Newco Shares, Newco Notes and Litigation Trust Interests (and any income or proceeds therefrom) that such Affected Creditor is entitled to receive in respect of its Proven Claim pursuant to section 4.1 hereof;

(ii) in the case of Affected Creditors whose Unresolved Claims are ultimately determined, in whole or in part, to he disallowed, the Unresolved Claims Escrow Agent shall release from escrow and deliver to all Affected Creditors with Proven Claims the number of Newco Shares, Newco Notes and Litigation Trust Interests (and any income or proceeds therefrom) that had been reserved in the Unresolved Claims Reserve for such Affected Creditor whose Unresolved Claims has been disallowed, Claims such that, following such delivery, all of the Affected Creditors with Proven Claims have received the amount of Newco Shares, Newco Notes and Litigation Trust Interests that they are entitled to receive pursuant to section 4.1 hereof, which delivery shall be effected in accordance with sections 5.2 and 5.3 hereof.

(d) As soon as practicable following the date that all Unresolved Claims have been finally resolved and any required distributions contemplated in section 5.5(c) have been made, the Unresolved Claims Escrow Agent shall distribute (or in the case of Litigation Trust Interests, cause to be registered) any Litigation Trust Interests, Newco Shares and Newco Notes (and any income or proceeds therefrom), as applicable, remaining in the Unresolved Claims Reserve to the Affected Creditors with Proven Claims such that after giving effect to such distributions each such Affected Creditor has received the amount of Litigation Trust Interests, Newco Shares and Newco Notes that it is entitled to receive pursuant to section 4.1 hereof.

(e) During the time that Newco Shares, Newco Notes and/or Litigation Trust Interests are held in escrow in the Unresolved Claims Reserve, any income or proceeds

received therefrom or accruing thereon shall be added to the Unresolved Claims Reserve by the Unresolved Claims Escrow Agent and no Person shall have any right to such income or proceeds until such Newco Shares, Newco Notes or Litigation Trust Interests, as applicable, are distributed (or in the case of Litigation Trust Interests, registered) in accordance with section 5.5(c) and 5.5(d) hereof, at which time the recipient thereof shall be entitled to any applicable income or proceeds therefrom.

(f) The Unresolved Claims Escrow Agent shall have no beneficial interest or right in the Unresolved Claims Reserve. The Unresolved Claims Escrow Agent shall not take any step or action with respect to the Unresolved Claims Reserve or any other matter without the consent or direction of the Monitor or the direction of the Court. The Unresolved Claims Escrow Agent shall forthwith, upon receipt of an Order of the Court or instruction of the Monitor directing the release of any Newco Shares, Newco Notes and/or Litigation Trust Interests from the Unresolved Claims Reserve, comply with any such Order or instruction.

(g) Nothing in this Plan impairs, affects or limits in any way the ability of SFC, the Monitor or the Initial Consenting Noteholders to seek or obtain an Order, whether before or after the Plan Implementation Date, directing that any Unresolved Claims should be disallowed in whole or in part or that such Unresolved Claims should receive the same or similar treatment as is afforded to Equity Claims under the terms of this Plan.

(h) Persons with Unresolved Claims shall have standing in any proceeding in respect of the determination or status of any Unresolved Claim, and Goodmans LLP (in its capacity as counsel to the Initial Consenting Noteholders) shall have standing in any such proceeding on behalf of the Initial Consenting Notheolders (in their capacity as Affected Creditors with Proven Claims).

5.6 Tax Refunds

Any input tax credits or tax refunds received by or on behalf of SFC after the Effective Time shall, immediately upon receipt thereof, be paid directly by, or on behalf of, SFC to Newco without consideration.

5.7 Final Distributions from Reserves

(a) If there is any cash remaining in: (i) the Unaffected Claims Reserve on the date that all Unaffected Claims have been finally paid or otherwise discharged and/or (ii) the Administration Charge Reserve on the date that all Claims secured by the Administration Charge have been finally paid or otherwise discharged, the Monitor shall, in each case, forthwith transfer all such remaining cash to the Monitor's Post-Implementation Reserve.

(b) The Monitor will not terminate the Monitor's Post-Implementation Reserve prior to the termination of each of the Unaffected Claims Reserve and the Administration Charge Reserve. The Monitor may, at any time, from time to time

and at its sole discretion, release amounts from the Monitor's Post-Implementation Reserve to Newco. Goodmans LLP (in its capacity as counsel to the Initial Consenting Noteholders) shall be permitted to apply for an Order of the Court directing the Monitor to make distributions from the Monitor's Post-Implementation Reserve. Once the Monitor has determined that the cash remaining in the Monitor's Post-Implementation Reserve is no longer necessary for administering SFC or the Claims Procedure, the Monitor shall forthwith transfer any such remaining cash (the "**Remaining Post-Implementation Reserve Amount**") to Newco.

5.8 Other Payments and Distributions

All other payments and distributions to be made pursuant to this Plan shall be made in the manner described in this Plan, the Sanction Order or any other Order, as applicable.

5.9 Note Indentures to Remain in Effect Solely for Purpose of Distributions

Following completion of the steps in the sequence set forth in section 6.4, all debentures, indentures, notes (including the Notes), certificates, agreements, invoices and other instruments evidencing Affected Claims will not entitle any holder thereof to any compensation or participation other than as expressly provided for in the Plan and will be cancelled and will be null and void. Any and all obligations of SFC and the Subsidiaries under and with respect to the Notes, the Note Indentures and any guarantees or indemnities with respect to the Notes or the Note Indentures shall be terminated and cancelled on the Plan Implementation Date and shall not continue beyond the Plan Implementation Date. Notwithstanding the foregoing and anything to the contrary in the Plan, the Note Indentures shall remain in effect solely for the purpose of and only to the extent necessary to allow the Trustees to make distributions to Noteholders on the Initial Distribution Date and, as necessary, each subsequent Distribution Date thereafter, and to maintain all of the rights and protections afforded to the Trustees as against the Noteholders under the applicable Note Indentures, including their lien rights with respect to any distributions under this Plan, until all distributions provided for hereunder have been made to the Noteholders. The obligations of the Trustees under or in respect of this Plan shall be solely as expressly set out herein. Without limiting the generality of the releases, injunctions and other protections afforded to the Trustees under this Plan and the applicable Note Indentures, the Trustees shall have no liability whatsoever to any Person resulting from the due performance of their obligations hereunder, except if such Trustee is adjudged by the express terms of a non-appealable judgment rendered on a final determination on the merits to have committed gross negligence or wilful misconduct in respect of such matter.

5.10 Assignment of Claims for Distribution Purposes

(a) *Assignment of Claims by Ordinary Affected Creditors*

Subject to any restrictions contained in Applicable Laws, an Ordinary Affected Creditor may transfer or assign the whole of its Affected Claim after the Meeting provided that neither SFC nor Newco nor Newco II nor the Monitor nor the Unresolved Claims Escrow Agent shall be obliged to make distributions to any such transferee or assignee or otherwise deal with such

transferee or assignee as an Ordinary Affected Creditor in respect thereof unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment and such other documentation as SFC and the Monitor may reasonably require, has been received by SFC and the Monitor on or before the Plan Implementation Date, or such other date as SFC and the Monitor may agree, failing which the original transferor shall have all applicable rights as the "Ordinary Affected Creditor" with respect to such Affected Claim as if no transfer of the Affected Claim had occurred. Thereafter, such transferee or assignee shall, for all purposes in accordance with this Plan, constitute an Ordinary Affected Creditor and shall be bound by any and all notices previously given to the transferor or assignor in respect of such Claim. For greater certainty, SFC shall not recognize partial transfers or assignments of Claims.

(b) *Assignment of Notes*

Only those Noteholders who have beneficial ownership of one or more Notes as at the Distribution Record Date shall be entitled to receive a distribution under this Plan on the Initial Distribution Date or any Distribution Date. Noteholders who have beneficial ownership of Notes shall not be restricted from transferring or assigning such Notes prior to or after the Distribution Record Date (unless the Distribution Record Date is the Plan Implementation Date), provided that if such transfer or assignment occurs after the Distribution Record Date, neither SFC nor Newco nor Newco II nor the Monitor nor the Unresolved Claims Escrow Agent shall have any obligation to make distributions to any such transferee or assignee of Notes in respect of the Claims associated therewith, or otherwise deal with such transferee or assignee as an Affected Creditor in respect thereof. Noteholders who assign or acquire Notes after the Distribution Record Date shall be wholly responsible for ensuring that Plan distributions in respect of the Claims associated with such Notes are in fact delivered to the assignee, and the Trustees shall have no liability in connection therewith.

5.11 Withholding Rights

SFC, Newco, Newco II, the Monitor, the Litigation Trustee, the Unresolved Claims Escrow Agent and/or any other Person making a payment contemplated herein shall be entitled to deduct and withhold from any consideration payable to any Person such amounts as it is required to deduct and withhold with respect to such payment under the Canadian Tax Act, the United States Internal Revenue Code of 1986 or any provision of federal, provincial, territorial, state, local or foreign Tax laws, in each case, as amended. To the extent that amounts are so withheld or deducted, such withheld or deducted amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding was made, provided that such amounts are actually remitted to the appropriate Taxing Authority. To the extent that the amounts so required or permitted to be deducted or withheld from any payment to a Person exceed the cash portion of the consideration otherwise payable to that Person: (i) the payor is authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to enable it to comply with such deduction or withholding requirement or entitlement, and the payor shall notify the applicable Person thereof and remit to such Person any unapplied balance of the net proceeds of such sale; or (ii) if such sale is not reasonably possible, the payor shall not be required to make such excess payment until the Person has directly satisfied any such withholding obligation and provides evidence thereof to the payor.

5.12 Fractional Interests

No fractional interests of Newco Shares or Newco Notes ("**Fractional Interests**") will be issued under this Plan. For purposes of calculating the number of Newco Shares and Newco Notes to be issued by Newco pursuant to this Plan, recipients of Newco Shares or Newco Notes will have their entitlements adjusted downwards to the nearest whole number of Newco Shares or Newco Notes, as applicable, to eliminate any such Fractional Interests and no compensation will be given for the Fractional Interest.

5.13 Further Direction of the Court

The Monitor shall, in its sole discretion, be entitled to seek further direction of the Court, including a plan implementation order, with respect to any matter relating to the implementation of the plan including with respect to the distribution mechanics and restructuring transaction as set out in Articles 5 and 6 of this Plan.

ARTICLE 6
RESTRUCTURING TRANSACTION

6.1 Corporate Actions

The adoption, execution, delivery, implementation and consummation of all matters contemplated under the Plan involving corporate action of SFC will occur and be effective as of the Plan Implementation Date, other than such matters occurring on the Equity Cancellation Date which will occur and be effective on such date, and in either case will be authorized and approved under the Plan and by the Court, where appropriate, as part of the Sanction Order, in all respects and for all purposes without any requirement of further action by shareholders, Directors or Officers of SFC. All necessary approvals to take actions shall be deemed to have been obtained from the directors or the shareholders of SFC, as applicable, including the deemed passing by any class of shareholders of any resolution or special resolution and no shareholders' agreement or agreement between a shareholder and another Person limiting in any way the right to vote shares held by such shareholder or shareholders with respect to any of the steps contemplated by the Plan shall be deemed to be effective and shall have no force and effect, provided that, subject to sections 12.6 and 12.7 hereof, where any matter expressly requires the consent or approval of SFC, the Initial Consenting Noteholders or SFC's board of directors pursuant to this Plan, such consent or approval shall not be deemed to be given unless actually given.

6.2 Incorporation of Newco and Newco II

(a) Newco shall be incorporated prior to the Plan Implementation Date. Newco shall be authorized to issue an unlimited number of Newco Shares and shall have no restrictions on the number of its shareholders. At the time that Newco is incorporated, Newco shall issue one Newco Share to the Initial Newco Shareholder, as the sole shareholder of Newco, and the Initial Newco Shareholder shall be deemed to hold the Newco Share for the purpose of facilitating the

Restructuring Transaction. For greater certainty, the Initial Newco Shareholder shall not hold such Newco Share as agent of or for the benefit of SFC, and SFC shall have no rights in relation to such Newco Share. Newco shall not carry on any business or issue any other Newco Shares or other securities until the Plan Implementation Date, and then only in accordance with section 6.4 hereof. The Initial Newco Shareholder shall be deemed to have no liability whatsoever for any matter pertaining to its status as the Initial Newco Shareholder, other than its obligations under this Plan to act as the Initial Newco Shareholder.

(b) Newco II shall be incorporated prior to the Plan Implementation Date as a wholly-owned subsidiary of Newco. The memorandum and articles of association of Newco II will be in a form customary for a wholly-owned subsidiary under the applicable jurisidiction and the initial board of directors of Newco II will consist of the same Persons appointed as the directors of Newco on or prior to the Plan Implementation Date.

6.3 Incorporation of SFC Escrow Co.

SFC Escrow Co. shall be incorporated prior to the Plan Implementation Date. SFC Escrow Co. shall be incorporated under the laws of the Cayman Islands, or such other jurisdiction as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders. The sole director of SFC Escrow Co. shall be Codan Services (Cayman) Limited, or such other Person as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders. At the time that SFC Escrow Co. is incorporated, SFC Escrow Co. shall issue one share (the "SFC Escrow Co. Share") to SFC, as the sole shareholder of SFC Escrow Co. and SFC shall be deemed to hold the SFC Escrow Co. Share for the purpose of facilitating the Restructuring Transaction. SFC Escrow Co. shall have no assets other than any assets that it is required to hold in escrow pursuant to the terms of this Plan, and it shall have no liabilities other than its obligations as set forth in this Plan. SFC Escrow Co. shall not carry on any business or issue any shares or other securities (other than the SFC Escrow Co. Share). The sole activity and function of SFC Escrow Co. shall be to perform the obligations of the Unresolved Claims Escrow Agent as set forth in this Plan and to administer Undeliverable Distributions as set forth in section 5.4 of this Plan. SFC Escrow Co. shall not make any sale, distribution, transfer or conveyance of any Newco Shares, Newco Notes or any other assets or property that it holds unless it is directed to do so by an Order of the Court or by a written direction from the Monitor, in which case SFC Escrow Co. shall promptly comply with such Order of the Court or such written direction from the Monitor. SFC shall not sell, transfer or convey the SFC Escrow Co. Share nor effect or cause to be effected any liquidation, dissolution, merger or other corporate reorganization of SFC Escrow Co. unless it is directed to do so by an Order of the Court or by a written direction from the Monitor, in which case SFC shall promptly comply with such Order of the Court or such written direction from the Monitor. SFC Escrow Co. shall not exercise any voting rights (including any right to vote at a meeting of shareholders or creditors held or in any written resolution) in respect of Newco Shares or Newco Notes held in the Unresolved Claims Reserve. SFC Escrow Co. shall not be entitled to receive any compensation for the performance of its obligations under this Plan.

6.4 Plan Implementation Date Transactions

The following steps and compromises and releases to be effected shall occur, and be deemed to have occurred in the following manner and order (sequentially, each step occurring five minutes apart, except that within such order steps (a) to (f) (Cash Payments) shall occur simultaneously and steps (t) to (w) (Releases) shall occur simultaneously) without any further act or formality, on the Plan Implementation Date beginning at the Effective Time (or in such other manner or order or at such other time or times as SFC, the Monitor and the Initial Consenting Noteholders may agree):

Cash Payments and Satisfaction of Lien Claims

(a) SFC shall pay required funds to the Monitor for the purpose of funding the Unaffected Claims Reserve, and the Monitor shall hold and administer such funds in trust for the purpose of paying the Unaffected Claims pursuant to the Plan.

(b) SFC shall pay the required funds to the Monitor for the purpose of funding the Administration Charge Reserve, and the Monitor shall hold and administer such funds in trust for the purpose of paying Unaffected Claims secured by Administration Charge.

(c) SFC shall pay the required funds to the Monitor for the purpose of funding the Monitor's Post-Implementation Reserve, and the Monitor shall hold and administer such funds in trust for the purpose of administering SFC, as necessary, from and after the Plan Implementation Date.

(d) SFC shall pay to the Noteholder Advisors and the Initial Consenting Noteholders, as applicable, each such Person's respective portion of the Expense Reimbursement. SFC shall pay all fees and expenses owing to each of the SFC Advisors, the advisors to the current Board of Directors of SFC, Chandler Fraser Keating Limited and Spencer Stuart and SFC or any of the Subsidiaries shall pay all fees and expenses owing to each of Indufor Asia Pacific Limited and Stewart Murray (Singapore) Pte. Ltd. If requested by the Monitor (with the consent of the Initial Consenting Noteholders) no more than 10 days prior to the Plan Implementation Date and provided that all fees and expenses set out in all previous invoices rendered by the applicable Person to SFC have been paid, SFC and the Subsidiaries, as applicable, shall, with respect to the final one or two invoices rendered prior to the Plan Implementation Date, pay any such fees and expenses to such Persons for all work up to and including the Plan Implementation Date (including any reasonable estimates of work to be performed on the Plan Implementation Date) first by applying any such monetary retainers currently held by such Persons and then by paying any remaining balance in cash.

(e) If requested by the Monitor (with the consent of the Initial Consenting Noteholders) prior to the Plan Implementation Date, any Person with a monetary retainer from SFC that remains outstanding following the steps and payment of all

fees and expenses set out in section 6.4(d) hereof shall pay to SFC in cash the full amount of such remaining retainer, less any amount permitted by the Monitor (with the Consent of the Initial Consenting Noteholders and after prior discussion with the applicable Person as to any remaining work that may reasonably be required) to remain as a continuing monetary retainer in connection with completion of any remaining work after the Plan Implementation Date that may be requested by the Monitor, SFC or the Initial Consenting Noteholders (each such continuing monetary retainer being a "**Permitted Continuing Retainer**"). Such Persons shall have no duty or obligation to perform any further work or tasks in respect of SFC unless such Persons are satisfied that they are holding adequate retainers or other security or have received payment to compensate them for all fees and expenses in respect of such work or tasks. The obligation of such Persons to repay the remaining amounts of any monetary retainers (including the unused portions of any Permitted Continuing Retainers) and all cash received therefrom shall constitute SFC Assets.

(f) The Lien Claims shall be satisfied in accordance with section 4.2(c) hereof.

Transaction Steps

(g) All accrued and unpaid interest owing on, or in respect of, or as part of, Affected Creditor Claims (including any Accrued Interest on the Notes and any interest accruing on the Notes or any Ordinary Affected Creditor Claim after the Filing Date) shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred for no consideration, and from and after the occurrence of this step, no Person shall have any entitlement to any such accrued and unpaid interest.

(h) All of the Affected Creditors shall be deemed to assign, transfer and convey to Newco all of their Affected Creditor Claims, and from and after the occurrence of this step, Newco shall be the legal and beneficial owner of all Affected Creditor Claims. In exchange for the assignment, transfer and conveyance of the Affected Creditor Claims to Newco:

(i) with respect to Affected Creditor Claims that are Proven Claims at the Effective Time:

(A) Newco shall issue to each applicable Affected Creditor the number of Newco Shares that each such Affected Creditor is entitled to receive in accordance with section 4.1(a) hereof;

(B) Newco shall issue to each applicable Affected Creditor the amount of Newco Notes that each such Affected Creditor is entitled to receive in accordance with section 4.1(b) hereof;

(C) Newco shall issue to each of the Early Consent Noteholders the number of Newco Shares that each such Early Consent Noteholder is entitled to receive pursuant to section 4.3 hereof;

(D) such Affected Creditors shall be entitled to receive the Litigation Trust Interests to be acquired by Newco in section 6.4(q) hereof, following the establishment of the Litigation Trust;

(E) such Affected Creditors shall be entitled to receive, at the time or times contemplated in sections 5.5(c) and 5.5(d) hereof, the Newco Shares, Newco Notes and Litigation Trust Interests that are subsequently distributed to (or in the case of Litigation Trust Interests registered for the benefit of) Affected Creditors with Proven Claims pursuant to sections 5.5(c) and 5.5(d) hereof (if any),

and all such Newco Shares and Newco Notes shall be distributed in the manner described in section 5.2 hereof; and

(ii) with respect to Affected Creditor Claims that are Unresolved Claims as at the Effective Time, Newco shall issue in the name of the Unresolved Claims Escrow Agent, for the benefit of the Persons entitled thereto under the Plan, the Newco Shares and the Newco Notes that would have been distributed to the applicable Affected Creditors in respect of such Unresolved Claims if such Unresolved Claims had been Proven Claims at the Effective Time; such Newco Shares, Newco Notes and Litigation Trust Interests acquired by Newco in section 6.4(q) and assigned to and registered in the name of the Unresolved Claims Escrow Agent in accordance with section 6.4(r) shall comprise part of the Unresolved Claims Reserve and the Unresolved Claims Escrow Agent shall hold all such Newco Shares, Newco Notes and Litigation Trust Interests in escrow for the benefit of those Persons entitled to receive distributions thereof pursuant to the Plan.

(i) The initial Newco Share in the capital of Newco held by the Initial Newco Shareholder shall be redeemed and cancelled for no consideration.

(j) SFC shall be deemed to assign, transfer and convey to SFC Barbados those SFC Intercompany Claims and/or Equity Interests in one or more Direct Subsidiaries as agreed to by SFC and the Initial Consenting Noteholders prior to the Plan Implementation Date (the "**Barbados Property**") first in full repayment of the Barbados Loans and second, to the extent the fair market value of the Barbados Property exceeds the amount owing under the Barbados Loans, as a contribution to the capital of SFC Barbados by SFC. Immediately after the time of such assignment, transfer and conveyance, the Barbados Loans shall be considered to be fully paid by SFC and no longer outstanding.

(k) SFC shall be deemed to assign, transfer and convey to Newco all shares and other Equity Interests (other than the Barbados Property) in the capital of (i) the Direct Subsidiaries and (ii) any other Subsidiaries that are directly owned by SFC immediately prior to the Effective Time, other than SFC Escrow Co. (all such

shares and other equity interests being the "**Direct Subsidiary Shares**") for a purchase price equal to the fair market value of the Direct Subsidiary Shares and, in consideration therefor, Newco shall be deemed to pay to SFC consideration equal to the fair market value of the Direct Subsidiary Shares, which consideration shall be comprised of a U.S. dollar denominated demand non-interest-bearing promissory note issued to SFC by Newco having a principal amount equal to the fair market value of the Direct Subsidiary Shares (the "**Newco Promissory Note 1**"). At the time of such assignment, transfer and conveyance, all prior rights that Newco had to acquire the Direct Subsidiary Shares, under the Plan or otherwise, shall cease to be outstanding. For greater certainty, SFC shall not assign, transfer or convey the SFC Escrow Co. Share, and the SFC Escrow Co. Share shall remain the property of SFC.

(l) If the Initial Consenting Noteholders and SFC agree prior to the Plan Implementation Date, there will be a set-off of any SFC Intercompany Claim so agreed against a Subsidiary Intercompany Claim owing between SFC and the same Subsidiary. In such case, the amounts will be set-off in repayment of both claims to the extent of the lesser of the two amounts, and the excess (if any) shall continue as an SFC Intercompany Claim or a Subsidiary Intercompany Claim, as applicable.

(m) SFC shall be deemed to assign, transfer and convey to Newco all SFC Intercompany Claims (other than the SFC Intercompany Claims transferred to SFC Barbados in section 6.4(j) hereof or set-off pursuant to section 6.4(l) hereof) for a purchase price equal to the fair market value of such SFC Intercompany Claims and, in consideration therefor, Newco shall be deemed to pay SFC consideration equal to the fair market value of the SFC Intercompany Claims, which consideration shall be comprised of the following: (i) the assumption by Newco of all of SFC's obligations to the Subsidiaries in respect of Subsidiary Intercompany Claims (other than the Subsidiary Intercompany Claims set-off pursuant to section 6.4(l) hereof); and (ii) if the fair market value of the transferred SFC Intercompany Claims exceeds the fair market value of the assumed Subsidiary Intercompany Claims, Newco shall issue to SFC a U.S. dollar denominated demand non-interest-bearing promissory note having a principal amount equal to such excess (the "**Newco Promissory Note 2**").

(n) SFC shall be deemed to assign, transfer and convey to Newco all other SFC Assets (namely, all SFC Assets other than the Direct Subsidiary Shares and the SFC Intercompany Claims (which shall have already been transferred to Newco in accordance with sections 6.4(k) and 6.4(m) hereof)), for a purchase price equal to the fair market value of such other SFC Assets and, in consideration therefor, Newco shall be deemed to pay to SFC consideration equal to the fair market value of such other SFC Assets, which consideration shall be comprised of a U.S. dollar denominated demand non-interest-bearing promissory note issued to SFC by Newco having a principal amount equal to the fair market value of such other SFC Assets (the "**Newco Promissory Note 3**").

(o) SFC shall establish the Litigation Trust and SFC and the Trustees (on behalf of the Noteholders) shall be deemed to convey, transfer and assign to the Litigation Trustee all of their respective rights, title and interest in and to the Litigation Trust Claims. SFC shall advance the Litigation Funding Amount to the Litigation Trustee for use by the Litigation Trustee in prosecuting the Litigation Trust Claims in accordance with the Litigation Trust Agreement, which advance shall be deemed to create a non-interest bearing receivable from the Litigation Trustee in favour of SFC in the amount of the Litigation Funding Amount (the "**Litigation Funding Receivable**"). The Litigation Funding Amount and Litigation Trust Claims shall be managed by the Litigation Trustee in accordance with the terms and conditions of the Litigation Trust Agreement.

(p) The Litigation Trust shall be deemed to be effective from the time that it is established in section 6.4(o) hereof. Initially, all of the Litigation Trust Interests shall be held by SFC. Immediately thereafter, SFC shall assign, convey and transfer a portion of the Litigation Trust Interests to the Noteholder Class Action Claimants in accordance with the allocation set forth in section 4.11 hereof.

(q) SFC shall settle and discharge the Affected Creditor Claims by assigning Newco Promissory Note 1, Newco Promissory Note 2 and Newco Promissory Note 3 (collectively, the "**Newco Promissory Notes**"), the Litigation Funding Receivable and the remaining Litigation Trust Interests held by SFC to Newco. Such assignment shall constitute payment, by set-off, of the full principal amount of the Newco Promissory Notes and of a portion of the Affected Creditor Claims equal to the aggregate principal amount of the Newco Promissory Notes, the Litigation Trust Receivable and the fair market value of the Litigation Trust Interests so transferred (with such payment being allocated first to the Noteholder Claims and then to the Ordinary Affected Creditor Claims). As a consequence thereof:

(i) Newco shall be deemed to discharge and release SFC of and from all of SFC's obligations to Newco in respect of the Affected Creditor Claims, and all of Newco's rights against SFC of any kind in respect of the Affected Creditor Claims shall thereupon be fully, finally, irrevocably and forever compromised, released, discharged and cancelled; and

(ii) SFC shall be deemed to discharge and release Newco of and from all of Newco's obligations to SFC in respect of the Newco Promissory Notes, and the Newco Promissory Notes and all of SFC's rights against Newco in respect thereof shall thereupon be fully, finally, irrevocably and forever released, discharged and cancelled.

(r) Newco shall cause a portion of the Litigation Trust Interests it acquired in section 6.4(q) hereof to be assigned to and registered in the name of the Affected Creditors with Proven Claims as contemplated in section 6.4(h), and with respect to any Affected Creditor Claims that are Unresolved Claims as at the Effective Time, the remaining Litigation Trust Interests held by Newco that would have been allocated to the applicable Affected Creditors in respect of such Unresolved

Claims if such Unresolved Claims had been Proven Claims at the Effective Time shall be assigned and registered by the Litigation Trustee to the Unresolved Claims Escrow Agent and in the name of the Unresolved Claims Escrow Agent, in escrow for the benefit of Persons entitled thereto, and such Litigation Trust Interests shall comprise part of the Unresolved Claims Reserve. The Litigation Trustee shall record entitlements to the Litigation Trust Interests in the manner set forth in section 5.3.

Cancellation of Instruments and Guarantees

(s) Subject to section 5.9 hereof, all debentures, indentures, notes, certificates, agreements, invoices, guarantees, pledges and other instruments evidencing Affected Claims, including the Notes and the Note Indentures, will not entitle any holder thereof to any compensation or participation other than as expressly provided for in the Plan and shall be cancelled and will thereupon be null and void. The Trustees shall be directed by the Court and shall be deemed to have released, discharged and cancelled any guarantees, indemnities, Encumbrances or other obligations owing by or in respect of any Subsidiary relating to the Notes or the Note Indentures.

Releases

(t) Each of Newco and Newco II shall be deemed to have no liability or obligation of any kind whatsoever for: 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 or other 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 guaranty, indemnity or claim for contribution in respect of any of the foregoing; and any Encumbrance in respect of the foregoing, provided only that Newco shall assume SFC's obligations to the applicable Subsidiaries in respect of the Subsidiary Intercompany Claims pursuant to section 6.4(I) hereof and Newco II shall assume Newco's obligations to the applicable Subsidiaries in respect of the Subsidiary Intercompany Claims pursuant to section 6.4(x) hereof.

(u) Each of the Charges shall be discharged, released and cancelled.

(v) The releases and injunctions referred to in Article 7 of the Plan shall become effective in accordance with the Plan.

(w) Any contract defaults arising as a result of the CCAA Proceedings and/or the implementation of the Plan (including, notwithstanding anything to the contrary herein, any such contract defaults in respect of the Unaffected Claims) shall be deemed to be cured.

Newco II

(x) Newco shall be deemed to assign, transfer and convey to Newco II all of Newco's right, title and interest in and to all of its properties, assets and rights of every kind and description (namely the SFC Assets acquired by Newco pursuant to the Plan) for a purchase price equal to the fair market value thereof and, in consideration therefor, Newco II shall be deemed to pay to Newco consideration equal to the fair market value of such properties, assets and rights (the "**Newco II Consideration**"). The Newco II Consideration shall be comprised of: (i) the assumption by Newco II of any and all indebtedness of Newco other than the indebtedness of Newco in respect of the Newco Notes (namely, any indebtedness of Newco in respect of the Subsidiary Intercompany Claims); and (ii) the issuance to Newco of that number of common shares in Newco II as is necessary to ensure that the value of the Newco II Consideration is equal to the fair market value of the properties, assets and rights conveyed by Newco to Newco II pursuant to this section 6.4(x).

6.5 Cancellation of Existing Shares and Equity Interests

Unless otherwise agreed between the Monitor, SFC and the Initial Consenting Noteholders, on the Equity Cancellation Date all Existing Shares and Equity Interests shall be fully, finally and irrevocably cancelled, and the following steps will be implemented pursuant to the Plan as a plan of reorganization under section 191 of the *CBCA*, to be effected by articles of reorganization to be filed by SFC, subject to the receipt of any required approvals from the Ontario Securities Commission with respect to the trades in securities contemplated by the following:

(a) SFC will create a new class of common shares to be called Class A common shares that are equivalent to the current Existing Shares except that they carry two votes per share;

(b) SFC will amend the share conditions of the Existing Shares to provide that they are cancellable for no consideration at such time as determined by the board of directors of SFC;

(c) prior to the cancellation of the Existing Shares, SFC will issue for nominal consideration one Class A common share of SFC to the SFC Continuing Shareholder;

(d) SFC will cancel the Existing Shares for no consideration on the Equity Cancellation Date; and

(e) SFC will apply to Canadian securities regulatory authorities for SFC to cease to be a reporting issuer effective immediately before the Effective Time.

Unless otherwise agreed by SFC, the Monitor and the Initial Consenting Noteholders or as otherwise directed by Order of the Court, SFC shall maintain its corporate existence at all times from and after the Plan Implementation Date until the later of the date: (i) on which SFC Escrow Co. has completed all of its obligations as Unresolved Claims Escrow Agent under this Plan; (ii) on which SFC escrow Co. no longer holds any Undeliverable Distributions delivered to it in accordance with the section 5.4 hereof; and (iii) as determined by the Litigation Trustee.

6.6 Transfers and Vesting Free and Clear

(a) All of the SFC Assets (including for greater certainty the Direct Subsidiary Shares, the SFC Intercompany Claims and all other SFC Assets assigned, transferred and conveyed to Newco and/or Newco II pursuant to section 6.4) shall be deemed to vest absolutely in Newco or Newco II, as applicable, free and clear of and from any and all Charges, Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims), D&O Claims, D&O Indemnity Claims, Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O Claims, Non-Released D&O Claims, Affected Claims, Class Action Claims, Class Action Indemnity Claims, claims or rights of any kind in respect of the Notes or the Note Indentures, and any right or claim that is based in whole or in part on facts, underlying transactions, Causes of Action or events relating to the Restructuring Transaction, the CCAA Proceedings or any of the foregoing, and any guarantees or indemnities with respect to any of the foregoing. Any Encumbrances or claims affecting, attaching to or relating to the SFC Assets in respect of the foregoing shall be deemed to be irrevocably expunged and discharged as against the SFC Assets, and no such Encumbrances or claims shall be pursued or enforceable as against Newco or Newco II. For greater certainty, with respect to the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries: (i) the vesting free and clear in Newco and/or Newco II, as applicable, and the expunging and discharging that occurs by operation of this paragraph shall only apply to SFC's ownership interests in the Subsidiaries, Greenheart and Greenheart's subsidiaries; and (ii) except as provided for in the Plan (including this section 6.6(a) and sections 4.9(g), 6.4(k), 6.4(l) and 6.4(m) hereof and Article 7 hereof) and the Sanction Order, the assets, liabilities, business and property of the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries shall remain unaffected by the Restructuring Transaction.

(b) Any issuance, assignment, transfer or conveyance of any securities, interests, rights or claims pursuant to the Plan, including the Newco Shares, the Newco Notes and the Affected Creditor Claims, will be free and clear of and from any and all Charges, Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims), D&O Claims, D&O Indemnity 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, claims or rights of any kind in respect of the Notes or the Note Indentures, and any right or claim that is based in whole or in part on facts, underlying transactions, Causes of Action or events relating to the Restructuring Transaction, the CCAA Proceedings or any of the foregoing, and any guarantees or indemnities with respect to any of the foregoing. For greater certainty, with respect to the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries: (i) the vesting free and clear in Newco and Newco II that occurs by operation of this paragraph shall only apply to SFC's direct and indirect ownership interests in the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries; and (ii) except as provided for in the Plan (including section 6.6(a) and sections 4.9(g), 6.4(k), 6.4(l) and 6.4(m) hereof and Article 7 hereof) and the Sanction Order, the assets, liabilities, business and property of the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries shall remain unaffected by the Restructuring Transaction.

ARTICLE 7
RELEASES

7.1 Plan Releases

Subject to 7.2 hereof, all of the following shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date:

(a) 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) hereof) and Noteholder Class Action Claims (other than the Continuing Noteholder Class Action Claims);

(b) 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;

(c) 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);

(d) 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) hereof and the injunctions set out in section 7.3 hereof;

(e) any portion or amount of 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;

(f) any portion or amount of liability of the Underwriters for the Noteholder Class Action Claims (other than any Noteholder Class Action Claims against the Underwriters for fraud or criminal conduct) (on a collective, aggregate basis in reference to all such Noteholder Class Action Claims together) that exceeds the Indemnified Noteholder Class Action Limit;

(g) 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 (on a collective, aggregate basis in reference to all such Class Action Indemnity Claims together) to the extent that such Class Action Indemnity Claims exceed the Indemnified Noteholder Class Action Limit;

(h) any and all Excluded Litigation Trust Claims;

(i) any and all Causes of Action against Newco, Newco II, the directors and officers of Newco, the directors and officers of Newco II, 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;

(j) any and all Causes of Action against Newco, Newco II, the directors and officers of Newco, the directors and officers of Newco II, 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/or Newco II 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, Newco II, the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust Interests, as the case may be;

(k) any and all Causes of Action 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;

(l) all Subsidiary Intercompany Claims as against SFC (which are assumed by Newco and then Newco II pursuant to the Plan);

(m) any entitlements of Ernst & Young to receive distributions of any kind (including Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan;

(n) any entitlements of the Named Third Party Defendants to receive distributions of any kind (including Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan; and

(o) any entitlements of the Underwriters to receive distributions of any kind (including Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan.

7.2 Claims Not Released

Notwithstanding anything to the contrary in section 7.1 hereof, nothing in this Plan shall waive, compromise, release, discharge, cancel or bar any of the following:

(a) SFC of its obligations under the Plan and the Sanction Order;

(b) 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 hereof);

(c) 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 section 4.9(e) hereof;

(d) 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 section 4.4(b)(i) hereof;

(e) 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) hereof and the releases set out in sections 7.1(e) and 7.1(f) hereof and the injunctions set out in section 7.3 hereof;

(f) Newco II from any liability to the applicable Subsidiaries in respect of the Subsidiary Intercompany Claims assumed by Newco II pursuant to section 6.4(x) hereof;

(g) the Subsidiaries from any liability to Newco II in respect of the SFC Intercompany Claims conveyed to Newco II pursuant to section 6.4(x) hereof;

(h) 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 hereof and released pursuant to section 7.1(b) hereof;

(i) the Subsidiaries from their respective indemnification obligations (if any) to Directors or Officers of the Subsidiaries that relate to the ordinary course operations of the Subsidiaries and that have no connection with any of the matters listed in section 7.1(i) hereof;

(j) SFC or the Directors and Officers from any Insured Claims, provided that recovery for Insured Claims shall be irrevocably limited to recovery solely from the proceeds of Insurance Policies paid or payable on behalf of SFC or its Directors and Officers in the manner set forth in section 2.4 hereof;

(k) insurers from their obligations under insurance policies; and

(l) any Released Party for fraud or criminal conduct.

7.3 Injunctions

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

7.4 Timing of Releases and Injunctions

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

7.5 Equity Class Action Claims Against the Third Party Defendants

Subject only to Article 11 hereof, and notwithstanding anything else to the contrary in this Plan, any Class Action Claim against the Third Party Defendants that relates to the purchase, sale or ownership of Existing Shares or Equity Interests: (a) is unaffected by this Plan; (b) is not

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

ARTICLE 8
COURT SANCTION

8.1 Application for Sanction Order

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

8.2 Sanction Order

The Sanction Order shall, among other things:

(a) declare that: (i) the Plan has been approved by the Required Majority in conformity with the CCAA; (ii) the activities of SFC have been in reasonable compliance with the provisions of the CCAA and the Orders of the Court made in this CCAA Proceeding in all respects; (iii) the Court is satisfied that SFC has not done or purported to do anything that is not authorized by the CCAA; and (iv) the Plan and the transactions contemplated thereby are fair and reasonable;

(b) declare that the Plan and all associated steps, compromises, releases, discharges, cancellations, transactions, arrangements and reorganizations effected thereby are approved, binding and effective as herein set out as of the Plan Implementation Date;

(c) confirm the amount of each of the Unaffected Claims Reserve, the Administration Charge Reserve and the Monitor's Post-Implementation Reserve;

(d) declare that, on the Plan Implementation Date, all Affected Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, subject only to the right of the applicable Persons to receive the distributions to which they are entitled pursuant to the Plan;

(e) declare that, on the Plan Implementation Date, the ability of any Person to proceed against SFC or the Subsidiaries in respect of any Released Claims shall be forever discharged and restrained, and all proceedings with respect to, in connection with or relating to any such matter shall be permanently stayed;

(f) declare that the steps to be taken, the matters that are deemed to occur and the compromises and releases to be effective on the Plan Implementation Date are deemed to occur and be effected in the sequential order contemplated by section 6.4, beginning at the Effective Time;

(g) declare that, on the Plan Implementation Date, the SFC Assets vest absolutely in Newco and that, in accordance with section 6.4(x) hereof, the SFC Assets transferred by Newco to Newco II vest absolutely in Newco II, in each case in accordance with the terms of section 6.6(a) hereof;

(h) confirm that the Court was satisfied that: (i) 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; (ii) prior to the hearing, all of the Affected Creditors and all other Persons on the service list in respect of the CCAA Proceeding were given adequate notice thereof;

(i) provide that the Court was advised prior to the hearing in respect of the Sanction Order that the Sanction Order will be relied upon by SFC and Newco as an approval of the Plan for the purpose of relying on the exemption from the registration requirements of the United States Securities Act of 1933, as amended, pursuant to Section 3(a)(10) thereof for the issuance of the Newco Shares, Newco Notes and, to the extent they may be deemed to be securities, the Litigation Trust Interests, and any other securities to be issued pursuant to the Plan;

(j) declare that all obligations, agreements or leases to which (i) SFC remains a party on the Plan Implementation Date, or (ii) Newco and/or Newco II becomes a party as a result of the conveyance of the SFC Assets to Newco and the further conveyance of the SFC Assets to Newco II on the Plan Implementation Date, shall be and remain in full force and effect, unamended, as at the Plan Implementation Date and no party to any such obligation or agreement shall on or following the Plan Implementation Date, accelerate, terminate, refuse to renew, rescind, refuse to perform or otherwise disclaim or resiliate its obligations thereunder, or enforce or exercise (or purport to enforce or exercise) any right or remedy under or in respect of any such obligation or agreement, by reason:

(i) of any event which occurred prior to, and not continuing after, the Plan Implementation Date, or which is or continues to be suspended or waived under the Plan, which would have entitled any other party thereto to enforce those rights or remedies;

(ii) that SFC sought or obtained relief or has taken steps as part of the Plan or under the CCAA;

(iii) of any default or event of default arising as a result of the financial condition or insolvency of SFC;

(iv) of the completion of any of the transactions contemplated under the Plan, including the transfer, conveyance and assignment of the SFC Assets to Newco and the further transfer, conveyance and assignment of the SFC Assets by Newco to Newco II; or

(v) of any compromises, settlements, restructurings, recapitalizations or reorganizations effected pursuant to the Plan;

(k) stay the commencing, taking, applying for or issuing or continuing any and all steps or proceedings, including without limitation, administrative hearings and orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceed with to advance any Released Claims;

(l) stay as against Ernst & Young the commencing, taking, applying for or issuing or continuing any and all steps or proceedings (other than all steps or proceedings to implement the Ernst & Young Settlement) pursuant to the terms of the Order of the Honourable Justice Morawetz dated May 8, 2012 between (i) the Plan Implementation Date and (ii) the earlier of the Ernst & Young Settlement Date or such other date as may be ordered by the Court on a motion to the Court on reasonable notice to Ernst & Young;

(m) declare that in no circumstances will the Monitor have any liability for any of SFC's tax liability regardless of how or when such liability may have arisen;

(n) authorize the Monitor to perform its functions and fulfil its obligations under the Plan to facilitate the implementation of the Plan;

(o) direct and deem the Trustees to release, discharge and cancel any guarantees, indemnities, Encumbrances or other obligations owing by or in respect of any Subsidiary relating to the Notes or the Note Indentures;

(p) declare that upon completion by the Monitor of its duties in respect of SFC pursuant to the CCAA and the Orders, the Monitor may file with the Court a certificate of Plan Implementation stating that all of its duties in respect of SFC pursuant to the CCAA and the Orders have been completed and thereupon, FTI Consulting Canada Inc. shall be deemed to be discharged from its duties as Monitor and released of all claims relating to its activities as Monitor; and

(q) declare that, on the Plan Implementation Date, each of the Charges shall be discharged, released and cancelled, and that any obligations secured thereby shall satisfied pursuant to section 4.2(b) hereof, and that from and after the Plan Implementation Date the Administration Charge Reserve shall stand in place of the Administration Charge as security for the payment of any amounts secured by the Administration Charge;

(r) declare that the Monitor may not make any payment from the Monitor's Post-Implementation Plan Reserve to any third party professional services provider (other than its counsel) that exceeds $250,000 (alone or in a series of related payments) without the prior consent of the Initial Consenting Noteholders or an Order of the Court;

(s) declare that SFC and the Monitor may apply to the Court for advice and direction in respect of any matters arising from or under the Plan;

(t) 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;

(u) order and declare that all Persons with Unresolved Claims shall have standing in any proceeding in respect of the determination or status of any Unresolved Claim, and that Goodmans LLP (in its capacity as counsel to the Initial Consenting Noteholders) shall have standing in any such proceeding on behalf of the Initial Consenting Notheolders (in their capacity as Affected Creditors with Proven Claims);

(v) order and declare that, from and after the Plan Implementation Date, Newco will be permitted, in its sole discretion and on terms acceptable to Newco, to advance additional cash amounts to the Litigation Trustee from time to time for the purpose of providing additional financing to the Litigation Trust, including the provision of such additional amounts as a non-interest bearing loan to the Litigation Trust that is repayable to Newco on similar terms and conditions as the Litigation Funding Receivable;

(w) order and declare that: (i) subject to the prior consent of the Initial Consenting Noteholders, each of the Monitor and the Litigation Trustee shall have the right to seek and obtain an order from any court of competent jurisdiction, including an Order of the Court in the CCAA or otherwise, that gives effect to any releases of any Litigation Trust Claims agreed to by the Litigation Trustee in accordance with the Litigation Trust Agreement, and (ii) in accordance with this section 8.2(w), all Affected Creditors shall be deemed to consent to any such releases in any such proceedings;

(x) order and declare that, prior to the Effective Time, SFC shall: (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 Initial Consenting Noteholders, counsel to Ontario Class Action Plaintiffs, counsel to Ernst & Young, counsel to the Underwriters and counsel to the 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);

(y) order that releases and injunctions set forth in Article 7 of this Plan are effective on the Plan Implementation Date at the time or times and in the manner set forth in section 6.4 hereof;

(z) order that the Ernst & Young Release shall become effective on the Ernst & Young Settlement Date in the manner set forth in section 11.1 hereof;

(aa) order that any Named Third Party Defendant Releases shall become effective if and when the terms and conditions of sections 11.2(a), 11.2(b), 11.2(c) have been fulfilled.;

(bb) order and declare that the matters described in Article 11 hereof shall occur subject to and in accordance with the terms and conditions of Article 11; and

(cc) declare that section 95 to 101 of the BIA shall not apply to any of the transactions implemented pursuant to the Plan.

If agreed by SFC, the Monitor and the Initial Consenting Noteholders, any of the relief to be included in the Sanction Order pursuant to this section 8.2 in respect of matters relating to the Litigation Trust may instead be included in a separate Order of the Court satisfactory to SFC, the Monitor and the Initial Consenting Noteholders granted prior to the Plan Implementation Date.

ARTICLE 9
CONDITIONS PRECEDENT AND IMPLEMENTATION

9.1 Conditions Precedent to Implementation of the Plan

The implementation of the Plan shall be conditional upon satisfaction or waiver of the following conditions prior to or at the Effective Time, each of which is for the benefit of SFC and the Initial Consenting Noteholders and may be waived only by SFC and the Initial Consenting Noteholders collectively; provided, however, that the conditions in sub-paragraphs (g), (h), (n), (o), (q), (r), (u), (z), (ff), (gg), (mm), (ll) and (nn) shall only be for the benefit of the Initial Consenting Noteholders and, if not satisfied on or prior to the Effective Time, may be waived only by the Initial Consenting Noteholders; and provided further that such conditions shall not be enforceable by SFC if any failure to satisfy such conditions results from an action, error, omission by or within the control of SFC and such conditions shall not be enforceable by the Initial Consenting Noteholders if any failure to satisfy such conditions results from an action, error, omission by or within the control of the Initial Consenting Noteholders:

Plan Approval Matters

(a) the Plan shall have been approved by the Required Majority and the Court, and in each case the Plan shall have been approved in a form consistent with the RSA or otherwise acceptable to SFC and the Initial Consenting Noteholders, each acting reasonably;

(b) the Sanction Order shall have been made and shall be in full force and effect prior to December 17, 2012 (or such later date as may be consented to by SFC and the

Initial Consenting Noteholders), and all applicable appeal periods in respect thereof shall have expired and any appeals therefrom shall have been disposed of by the applicable appellate court;

(c) the Sanction Order shall be in a form consistent with the Plan or otherwise acceptable to SFC and the Initial Consenting Noteholders, each acting reasonably;

(d) all filings under Applicable Laws that are required in connection with the Restructuring Transaction shall have been made and any regulatory consents or approvals that are required in connection with the Restructuring Transaction shall have been obtained and, in the case of waiting or suspensory periods, such waiting or suspensory periods shall have expired or been terminated; without limiting the generality of the foregoing, such filings and regulatory consents or approvals include:

(i) any required filings, consents and approvals of securities regulatory authorities in Canada;

(ii) a consultation with the Executive of the Hong Kong Securities and Futures Commission that is satisfactory to SFC, the Monitor and the Initial Consenting Noteholders confirming that implementation of the Restructuring Transaction will not result in an obligation arising for Newco, its shareholders, Newco II or any Subsidiary to make a mandatory offer to acquire shares of Greenheart;

(iii) the submission by SFC and each applicable 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, such filings to be in form and substance satisfactory to the Initial Consenting Noteholders; and

(iv) if notification is necessary or desirable under the *Antimonopoly Law of People's Republic of China* and its implementation rules, the submission of all antitrust filings considered necessary or prudent by the Initial Consenting Noteholders and the acceptance and (to the extent required) approval thereof by the competent Chinese authority, each such filing to be in form and substance satisfactory to the Initial Consenting Noteholders;

(e) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, no application shall have been made to any Governmental Entity, and no action or investigation shall have been announced, threatened or commenced by any Governmental Entity, in consequence of or in connection with the Restructuring Transaction that restrains, impedes or prohibits (or if granted could reasonably be expected to restrain, impede or prohibit) the Restructuring Transaction or any material part thereof or requires or purports to require a variation of the Restructuring Transaction, and SFC shall have provided the Initial Consenting Noteholders with a certificate signed by an officer of SFC, without

personal liability on the part of such officer, certifying compliance with this Section 9.1(e) as of the Plan Implementation Date;

Newco and Newco II Matters

(f) the organization, incorporating documents, articles, by-laws and other constating documents of Newco and Newco II (including any shareholders agreement, shareholder rights plan and classes of shares (voting and non-voting)) and any affiliated or related entities formed in connection with the Restructuring Transaction or the Plan, and all definitive legal documentation in connection with all of the foregoing, shall be acceptable to the Initial Consenting Noteholders and in form and in substance reasonably satisfactory to SFC;

(g) the composition of the board of directors of Newco and Newco II and the senior management and officers of Newco and Newco II that will assume office, or that will continue in office, as applicable, on the Plan Implementation Date shall be acceptable to the Initial Consenting Noteholders;

(h) the terms of employment of the senior management and officers of Newco and Newco II shall be acceptable to the Initial Consenting Noteholders;

(i) except as expressly set out in this Plan, neither Newco nor Newco II shall have: (i) issued or authorized the issuance of any shares, notes, options, warrants or other securities of any kind, (ii) become subject to any Encumbrance with respect to its assets or property; (iii) become liable to pay any indebtedness or liability of any kind (other than as expressly set out in section 6.4 hereof); or (iv) entered into any Material agreement;

(j) any securities that are formed in connection with the Plan, including the Newco Shares and the Newco Notes, when issued and delivered pursuant to the Plan, shall be duly authorized, validly issued and fully paid and non-assessable and the issuance and distribution thereof shall be exempt from all prospectus and registration requirements of any applicable securities, corporate or other law, statute, order, decree, consent decree, judgment, rule, regulation, ordinance, notice, policy or other pronouncement having the effect of law applicable in the provinces of Canada;

(k) Newco shall not be a reporting issuer (or equivalent) in any province of Canada or any other jurisdiction;

(l) all of the steps, terms, transactions and documents relating to the conveyance of the SFC Assets to Newco and the further conveyance of the SFC Assets by Newco to Newco II in accordance with the Plan shall be in form and in substance acceptable to SFC and the Initial Consenting Noteholders;

(m) all of the following shall be in form and in substance acceptable to the Initial Consenting Noteholders and reasonably satisfactory to SFC: (i) the Newco Shares; (ii) the Newco Notes (including the aggregate principal amount of the

Newco Notes); (iii) any trust indenture or other document governing the terms of the Newco Notes; and (iv) the number of Newco Shares and Newco Notes to be issued in accordance with this Plan;

Plan Matters

(n) the Indemnified Noteholder Class Action Limit shall be acceptable to the Initial Consenting Noteholders;

(o) the aggregate amount of the Proven Claims held by Ordinary Affected Creditors shall be acceptable to the Initial Consenting Noteholders;

(p) the amount of each of the Unaffected Claims Reserve and the Administration Charge Reserve shall, in each case, be acceptable to SFC, the Monitor and the Initial Consenting Noteholders;

(q) the amount of the Monitor's Post-Implementation Reserve and the amount of any Permitted Continuing Retainers shall be acceptable to the Initial Consenting Noteholders, and the Initial Consenting Noteholders shall be satisfied that all outstanding monetary retainers held by any SFC Advisors (net of any Permitted Continuing Retainers) have been repaid to SFC on the Plan Implementation Date;

(r) **[Intentionally deleted];**

(s) the amount of each of the following shall be acceptable to SFC, the Monitor and the Initial Consenting Noteholders: (i) the aggregate amount of Lien Claims to be satisfied by the return to the applicable Lien Claimants of the applicable secured property in accordance with section 4.2(c)(i) hereof; and (ii) the aggregate amount of Lien Claims to be repaid in cash on the Plan Implementation Date in accordance with section 4.2(c)(ii) hereof;

(t) the aggregate amount of Unaffected Claims, and the aggregate amount of the Claims listed in each subparagraph of the definition of "Unaffected Claims" shall, in each case, be acceptable to SFC, the Monitor and the Initial Consenting Noteholders;

(u) the aggregate amount of Unresolved Claims and the amount of the Unresolved Claims Reserve shall, in each case, be acceptable to the Initial Consenting Noteholders and shall be confirmed in the Sanction Order;

(v) Litigation Trust and the Litigation Trust Agreement shall be in form and in substance acceptable to SFC and the Initial Consenting Noteholders, each acting reasonably, and the Litigation Trust shall be established in a jurisdiction that is acceptable to the Initial Consenting Noteholders and SFC, each acting reasonably;

(w) SFC, the Monitor and the Initial Consenting Noteholders, each acting reasonably, shall be satisfied with the proposed use of proceeds and payments relating to all aspects of the Restructuring Transaction and the Plan, including, without

limitation, any change of control payments, consent fees, transaction fees, third party fees or termination or severance payments, in the aggregate of $500,000 or more, payable by SFC or any Subsidiary to any Person (other than a Governmental Entity) in respect of or in connection with the Restructuring Transaction or the Plan, including without limitation, pursuant to any employment agreement or incentive plan of SFC or any Subsidiary;

(x) SFC, the Monitor and the Initial Consenting Noteholders, each acting reasonably, shall be satisfied with the status and composition of all liabilities, indebtedness and obligations of the Subsidiaries and all releases of the Subsidiaries provided for in the Plan and the Sanction Order shall be binding and effective as of the Plan Implementation Date;

Plan Implementation Date Matters

(y) the steps required to complete and implement the Plan shall be in form and in substance satisfactory to SFC and the Initial Consenting Noteholders;

(z) the Noteholders and the Early Consent Noteholders shall receive, on the Plan Implementation Date, all of the consideration to be distributed to them pursuant to the Plan;

(aa) all of the following shall be in form and in substance satisfactory to SFC and the Initial Consenting Noteholders: (i) all materials filed by SFC with the Court or any court of competent jurisdiction in the United States, Canada, Hong Kong, the PRC or any other jurisdiction that relates to the Restructuring Transaction; (ii) the terms of any court-imposed charges on any of the assets, property or undertaking of any of SFC, including without limitation any of the Charges; (iii) the Initial Order; (iv) the Claims Procedure Order; (v) the Meeting Order; (vi) the Sanction Order; (vii) any other Order granted in connection with the CCAA Proceeding or the Restructuring Transaction by the Court or any other court of competent jurisdiction in Canada, the United States, Hong Kong, the PRC or any other jurisdiction; and (viii) the Plan (as it is approved by the Required Majority and the Sanction Order);

(bb) any and all court-imposed charges on any assets, property or undertaking of SFC, including the Charges, shall be discharged on the Plan Implementation Date on terms acceptable to the Initial Consenting Noteholders and SFC, each acting reasonably;

(cc) SFC shall have paid, in full, the Expense Reimbursement and all fees and costs owing to the SFC Advisors on the Plan Implementation Date, and neither Newco nor Newco II shall have any liability for any fees or expenses due to the SFC Advisors or the Noteholder Advisors either as at or following the Plan Implementation Date;

(dd) SFC or the Subsidiaries shall have paid, in full all fees owing to each of Chandler Fraser Keating Limited and Spencer Stuart on the Plan Implementation Date, and

neither Newco nor Newco II shall have any liability for any fees or expenses due to either Chandler Fraser Keating Limited and Spencer Stuart as at or following the Plan Implementation Date;

(ee) SFC shall have paid all Trustee Claims that are outstanding as of the Plan Implementation Date, and the Initial Consenting Noteholders shall be satisfied that SFC has made adequate provision in the Unaffected Claims Reserve for the payment of all Trustee Claims to be incurred by the Trustees after the Plan Implementation Date in connection with the performance of their respective duties under the Note Indentures or this Plan;

(ff) there shall not exist or have occurred any Material Adverse Effect, and SFC shall have provided the Initial Consenting Noteholders with a certificate signed by an officer of the Company, without any personal liability on the part of such officer, certifying compliance with this section 9.1(ff) as of the Plan Implementation Date;

(gg) there shall have been no breach of the Noteholder Confidentiality Agreements (as defined in the RSA) by SFC or any of the Sino-Forest Representatives (as defined therein) in respect of the applicable Initial Consenting Noteholder;

(hh) the Plan Implementation Date shall have occurred no later than January 15, 2013 (or such later date as may be consented to by SFC and the Initial Consenting Noteholders);

RSA Matters

(ii) all conditions set out in sections 6 and 7 of the RSA shall have been satisfied or waived in accordance with the terms of the RSA;

(jj) the RSA shall not have been terminated;

Other Matters

(kk) the organization, incorporating documents, articles, by-laws and other constating documents of SFC Escrow Co. and all definitive legal documentation in connection with SFC Escrow Co., shall be acceptable to the Initial Consenting Noteholders and the Monitor and in form and in substance reasonably satisfactory to SFC;

(ll) except as expressly set out in this Plan, SFC Escrow Co. shall not have: (i) issued or authorized the issuance of any shares, notes, options, warrants or other securities of any kind, (ii) become subject to any Encumbrance with respect to its assets or property; (iii) acquired any assets or become liable to pay any indebtedness or liability of any kind (other than as expressly set out in this Plan); or (iv) entered into any agreement;

(mm) the Initial Consenting Noteholders shall have completed due diligence in respect of SFC and the Subsidiaries and the results of such due diligence shall be acceptable to the Initial Consenting Noteholders prior to the date for the hearing of the Sanction Order, except in respect of any new material information or events arising or discovered on or after the date of the hearing for the Sanction Order of which the Initial Consenting Noteholders were previously unaware, in respect of which the date for the Initial Consenting Noteholders to complete such due diligence shall be the Plan Implementation Date, provided that "new material information or events" for purposes of this Section 9.1(mm) shall not include any information or events disclosed prior to the date of the hearing for the Sanction Order in a press release issued by SFC, an affidavit filed with the Court by SFC or a Monitor's Report filed with the Court;

(nn) if so requested by the Initial Consenting Noteholders, the Sanction Order shall have been recognized and confirmed as binding and effective pursuant to an order of a court of competent jurisdiction in Canada and any other jurisdiction requested by the Initial Consenting Noteholders, and all applicable appeal periods in respect of any such recognition order shall have expired and any appeals therefrom shall have been disposed of by the applicable appellate court;

(oo) all press releases, disclosure documents and definitive agreements in respect of the Restructuring Transaction or the Plan shall be in form and substance satisfactory to SFC and the Initial Consenting Noteholders, each acting reasonably; and

(pp) Newco and SFC shall have entered into arrangements reasonably satisfactory to SFC and the Initial Consenting Noteholders for ongoing preservation and access to the books and records of SFC and the Subsidiaries in existence as at the Plan Implementation Date, as such access may be reasonably requested by SFC or any Director or Officer in the future in connection with any administrative or legal proceeding, in each such case at the expense of the Person making such request.

For greater certainty, nothing in Article 11 hereof is a condition precedent to the implementation of the Plan.

9.2 Monitor's Certificate of Plan Implementation

Upon delivery of written notice from SFC and Goodmans LLP (on behalf of the Initial Consenting Noteholders) of the satisfaction of the conditions set out in section 9.1, the Monitor shall deliver to Goodmans LLP and SFC a certificate stating that the Plan Implementation Date has occurred and that the Plan and the Sanction Order are effective in accordance with their respective terms. Following the Plan Implementation Date, the Monitor shall file such certificate with the Court.

ARTICLE 10
ALTERNATIVE SALE TRANSACTION

10.1 Alternative Sale Transaction

At any time prior to the Plan Implementation Date (whether prior to or after the granting of the Sanction Order), and subject to the prior written consent of the Initial Consenting Noteholders, SFC may complete a sale of all or substantially all of the SFC Assets on terms that are acceptable to the Initial Consenting Noteholders (an **"Alternative Sale Transaction"**), provided that such Alternative Sale Transaction has been approved by the Court pursuant to section 36 of the CCAA on notice to the service list. In the event that such an Alternative Sale Transaction is completed, the terms and conditions of this Plan shall continue to apply in all respects, subject to the following:

(a) The Newco Shares and Newco Notes shall not be distributed in the manner contemplated herein. Instead, the consideration paid or payable to SFC pursuant to the Alternative Sale Transaction (the **"Alternative Sale Transaction Consideration"**) shall be distributed to the Persons entitled to receive Newco Shares hereunder, and such Persons shall receive the Alternative Sale Transaction Consideration in the same proportions and subject to the same terms and conditions as are applicable to the distribution of Newco Shares hereunder.

(b) All provisions in this Plan that address Newco or Newco II shall be deemed to be ineffective to the extent that they address Newco or Newco II, given that Newco and Newco II will not be required in connection with an Alternative Sale Transaction.

(c) All provisions addressing the Newco Notes shall be deemed to be ineffective to the extent such provisions address the Newco Notes, given that the Newco Notes will not be required in connection with an Alternative Sale Transaction.

(d) All provisions relating to the Newco Shares shall be deemed to address the Alternative Sale Transaction Consideration to the limited extent such provisions address the Newco Shares.

(e) SFC, with the written consent of the Monitor and the Initial Consenting Noteholders, shall be permitted to make such amendments, modifications and supplements to the terms and conditions of this Plan as are necessary to: (i) facilitate the Alternative Sale Transaction; (ii) cause the Alternative Sale Transaction Consideration to be distributed in the same proportions and subject to the same terms and conditions as are subject to the distribution of Newco Shares hereunder; and (iii) complete the Alternative Sale Transaction and distribute the Alternative Sale Transaction Proceeds in a manner that is tax efficient for SFC and the Affected Creditors with Proven Claims, provided in each case that (y) a copy of such amendments, modifications or supplements is filed with the Court and served upon the service list; and (z) the Monitor is satisfied that such amendments, modifications or supplements do not materially alter the

proportionate entitlements of the Affected Creditors, as amongst themselves, to the consideration distributed pursuant to the Plan.

Except for the requirement of obtaining the prior written consent of the Initial Consenting Noteholders with respect to the matters set forth in this section 10.1 and subject to the approval of the Alternative Sale Transaction by the Court pursuant to section 36 of the CCAA (on notice to the service list), once this Plan has been approved by the Required Majority of Affected Creditors, no further meeting, vote or approval of the Affected Creditors shall be required to enable SFC to complete an Alternative Sale Transaction or to amend the Plan in the manner described in this 10.1.

ARTICLE 11
SETTLEMENT OF CLAIMS AGAINST THIRD PARTY DEFENDANTS

11.1 Ernst & Young

(a) Notwithstanding anything to the contrary herein, subject to: (i) the granting of the Sanction Order; (ii) the issuance of the Settlement Trust Order (as may be modified in a manner satisfactory to the parties to the Ernst & Young Settlement and SFC (if occurring on or prior to the Plan Implementation Date), the Monitor and the Initial Consenting Noteholders, as applicable, to the extent, if any, that such modifications affect SFC, the Monitor or the Initial Consenting Noteholders, each acting reasonably); (iii) 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; (iv) any other order necessary to give effect to the Ernst & Young Settlement (the orders referenced in (iii) and (iv) being collectively the "**Ernst & Young Orders**"); (v) 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 (vi) 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**"). 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 a certificate (the "**Monitor's Ernst & Young Settlement Certificate**") stating that (i) Ernst & Young has confirmed that the settlement amount has been paid to the Settlement Trust in accordance with the Ernst & Young Settlement; (ii) the trustee of the Settlement Trust has confirmed that such settlement amount has been received by the Settlement Trust; and (iii) the Ernst & Young Release is in full force and effect in accordance with the Plan. The Monitor shall thereafter file the Monitor's Ernst & Young Settlement Certificate with the Court.

(b) Notwithstanding anything to the contrary herein, upon receipt by the Settlement Trust of the settlement amount in accordance with the Ernst & Young Settlement:

(i) 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; (ii) section 7.3 hereof shall apply to Ernst & Young and the Ernst & Young Claims *mutatis mutandis* on the Ernst & Young Settlement Date; and (iii) 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.

(c) In the event that the Ernst & Young Settlement is not completed in accordance with its terms, the Ernst & Young Release and the injunctions described in section 11.1(b) shall not become effective.

11.2 Named Third Party Defendants

(a) Notwithstanding anything to the contrary in section 12.5(a) or 12.5(b) hereof, at any time prior to 10:00 a.m. (Toronto time) on December 6, 2012 or such later date as agreed in writing by the Monitor, SFC (if on or prior to the Plan Implementation Date) and the Initial Consenting Noteholders, Schedule "A" to this Plan may be amended, restated, modified or supplemented at any time and from time to time to add any Eligible Third Party Defendant as a "Named Third Party Defendant", subject in each case to the prior written consent of such Third Party Defendant, the Initial Consenting Noteholders, counsel to the Ontario Class Action Plaintiffs, the Monitor and, if occurring on or prior to the Plan Implementation Date, SFC. Any such amendment, restatement, modification and/or supplement of Schedule "A" shall be deemed to be effective automatically upon all such required consents being received. The Monitor shall: (A) provide notice to the service list of any such amendment, restatement, modification and/or supplement of Schedule "A"; (B) file a copy thereof with the Court; and (C) post an electronic copy thereof on the Website. All Affected Creditors shall be deemed to consent thereto any and no Court Approval thereof will be required.

(b) Notwithstanding anything to the contrary herein, subject to: (i) the granting of the Sanction Order; (ii) the granting of the applicable Named Third Party Defendant Settlement Order; and (iii) 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. 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 certificate (the "**Monitor's Named Third Party Settlement Certificate**") stating that (i) each of the parties to such Named Third Party Defendant Settlement has confirmed that all conditions precedent thereto have been satisfied or waived; (ii) any settlement funds have been paid and received; and (iii) 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.

(c) Notwithstanding anything to the contrary herein, 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: (i) 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 (ii) section 7.3 hereof 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.

ARTICLE 12
GENERAL

12.1 Binding Effect

On the Plan Implementation Date:

(a) the Plan will become effective at the Effective Time;

(b) the Plan shall be final and binding in accordance with its terms for all purposes on all Persons named or referred to in, or subject to, the Plan and their respective heirs, executors, administrators and other legal representatives, successors and assigns;

(c) each Person named or referred to in, or subject to, the Plan will be deemed to have consented and agreed to all of the provisions of the Plan, in its entirety and shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety.

12.2 Waiver of Defaults

(a) From and after the Plan Implementation Date, all Persons shall be deemed to have waived any and all defaults of SFC then existing or previously committed by SFC, or caused by SFC, the commencement of the CCAA Proceedings by SFC, any matter pertaining to the CCAA Proceedings, any of the provisions in the Plan or steps contemplated in the Plan, or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, indenture, note, lease,

guarantee, agreement for sale or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and SFC, and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under any such agreement shall be deemed to have been rescinded and of no further force or effect, provided that nothing shall be deemed to excuse SFC from performing its obligations under the Plan or be a waiver of defaults by SFC under the Plan and the related documents.

(b) Effective on the Plan Implementation Date, any and all agreements that are assigned to Newco and/or to Newco II as part of the SFC Assets shall be and remain in full force and effect, unamended, as at the Plan Implementation Date, and no Person shall, following the Plan Implementation Date, accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations under, or enforce or exercise any right (including any right of set-off, dilution or other remedy) or make any demand against Newco, Newco II or any Subsidiary under or in respect of any such agreement with Newco, Newco II or any Subsidiary, by reason of:

(i) any event that occurred on or prior to the Plan Implementation Date that would have entitled any Person thereto to enforce those rights or remedies (including defaults or events of default arising as a result of the insolvency of SFC);

(ii) the fact that SFC commenced or completed the CCAA Proceedings;

(iii) the implementation of the Plan, or the completion of any of the steps, transactions or things contemplated by the Plan; or

(iv) any compromises, arrangements, transactions, releases, discharges or injunctions effected pursuant to the Plan or this Order.

12.3 Deeming Provisions

In the Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

12.4 Non-Consummation

SFC reserves the right to revoke or withdraw the Plan at any time prior to the Sanction Date, with the consent of the Monitor and the Initial Consenting Noteholders. If SFC so revokes or withdraws the Plan, or if the Sanction Order is not issued or if the Plan Implementation Date does not occur, (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan, including the fixing or limiting to an amount certain any Claim, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against SFC or any other Person; (ii) prejudice in any manner the rights of SFC or any other Person in any further proceedings involving SFC; or (iii) constitute an admission of any sort by SFC or any other Person.

12.5 Modification of the Plan

(a) SFC may, at any time and from time to time, amend, restate, modify and/or supplement the Plan with the consent of the Monitor and the Initial Consenting Noteholders, provided that: any such amendment, restatement, modification or supplement must be contained in a written document that is filed with the Court and:

(i) if made prior to or at the Meeting: (A) the Monitor, SFC or the Chair (as defined in the Meeting Order) shall communicate the details of any such amendment, restatement, modification and/or supplement to Affected Creditors and other Persons present at the Meeting prior to any vote being taken at the Meeting; (B) SFC shall provide notice to the service list of any such amendment, restatement, modification and/or supplement and shall file a copy thereof with the Court forthwith and in any event prior to the Court hearing in respect of the Sanction Order; and (C) the Monitor shall post an electronic copy of such amendment, restatement, modification and/or supplement on the Website forthwith and in any event prior to the Court hearing in respect of the Sanction Order; and

(ii) if made following the Meeting: (A) SFC shall provide notice to the service list of any such amendment, restatement, modification and/or supplement and shall file a copy thereof with the Court; (B) the Monitor shall post an electronic copy of such amendment, restatement, modification and/or supplement on the Website; and (C) such amendment, restatement, modification and/or supplement shall require the approval of the Court following notice to the Affected Creditors and the Trustees.

(b) Notwithstanding section 12.5(a), any amendment, restatement, modification or supplement may be made by SFC: (i) if prior to the Sanction Date, with the consent of the Monitor and the Initial Consenting Noteholders; and (ii) if after the Sanction Date, with the consent of the Monitor and the Initial Consenting Noteholders and upon approval by the Court, provided in each case that it concerns a matter that, in the opinion of SFC, acting reasonably, is of an administrative nature required to better give effect to the implementation of the Plan and the Sanction Order or to cure any errors, omissions or ambiguities and is not materially adverse to the financial or economic interests of the Affected Creditors or the Trustees.

(c) Any amended, restated, modified or supplementary plan or plans of compromise filed with the Court and, if required by this section, approved by the Court, shall, for all purposes, be and be deemed to be a part of and incorporated in the Plan.

12.6 Actions and Approvals of SFC after Plan Implementation

(a) From and after the Plan Implementation Date, and for the purpose of this Plan only:

(i) if SFC does not have the ability or the capacity pursuant to Applicable Law to provide its agreement, waiver, consent or approval to any matter requiring SFC's agreement, waiver, consent or approval under this Plan, such agreement, waiver consent or approval may be provided by the Monitor; and

(ii) if SFC does not have the ability or the capacity pursuant to Applicable Law to provide its agreement, waiver, consent or approval to any matter requiring SFC's agreement, waiver, consent or approval under this Plan, and the Monitor has been discharged pursuant to an Order, such agreement, waiver consent or approval shall be deemed not to be necessary.

12.7 Consent of the Initial Consenting Noteholders

For the purposes of this Plan, any matter requiring the agreement, waiver, consent or approval of the Initial Consenting Noteholders shall be deemed to have been agreed to, waived, consented to or approved by such Initial Consenting Noteholders if such matter is agreed to, waived, consented to or approved in writing by Goodmans LLP, provided that Goodmans LLP expressly confirms in writing (including by way of e-mail) to the applicable Person that it is providing such agreement, consent or waiver on behalf of Initial Consenting Noteholders. In addition, following the Plan Implementation Date, any matter requiring the agreement, waiver, consent or approval of the Initial Consenting Noteholders shall: (i) be deemed to have been given if agreed to, waived, consented to or approved by Initial Consenting Noteholders in their capacities as holders of Newco Shares, Newco Notes or Litigation Trust Interests (provided that they continue to hold such consideration); and (ii) with respect to any matter concerning the Litigation Trust or the Litigation Trust Claims, be deemed to be given if agreed to, waived, consented to or approved by the Litigation Trustee.

12.8 Claims Not Subject to Compromise

Nothing in this Plan, including section 2.4 hereof, shall prejudice, compromise, release, discharge, cancel, bar or otherwise affect any: (i) Non-Released D&O Claims (except to the extent that such Non-Released D&O Claim is asserted against a Named Director or Officer, in which case section 4.9(g) applies); (ii) Section 5.1(2) D&O Claims or Conspiracy Claims (except that, in accordance with section 4.9(e) hereof, any Section 5.1(2) D&O Claims against Named Directors and Officers and any Conspiracy Claims against Named Directors and Officers shall be limited to recovery from any insurance proceeds payable in respect of such Section 5.1(2) D&O Claims or Conspiracy Claims, as applicable, pursuant to the Insurance Policies, and Persons with any such Section 5.1(2) D&O Claims against Named Directors and Officers or Conspiracy Claims against Named Directors and Officers shall have no right to, and shall not, make any claim or seek any recoveries from any Person, other than enforcing such Persons' rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s)); or (iii) any Claims that are not permitted to be compromised under section 19(2) of the *CCAA*.

12.9 Paramountcy

From and after the Effective Time on the Plan Implementation Date, any conflict between:

(a) the Plan; and

(b) the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, note, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between any Person and SFC and/or the Subsidiaries as at the Plan Implementation Date,

will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction Order, which shall take precedence and priority.

12.10 Foreign Recognition

(a) From and after the Plan Implementation Date, if requested by the Initial Consenting Noteholders or Newco, the Monitor (at the Monitor's election) or Newco (if the Monitor does not so elect) shall and is hereby authorized to seek an order of any court of competent jurisdiction recognizing the Plan and the Sanction Order and confirming the Plan and the Sanction Order as binding and effective in Canada, the United States, and any other jurisdiction so requested by the Initial Consenting Noteholders or Newco, as applicable.

(b) Without limiting the generality of section 12.10(a), as promptly as practicable, but in no event later than the third Business Day following the Plan Implementation Date, a foreign representative of SFC (as agreed by SFC, the Monitor and the Initial Consenting Noteholders) (the "**Foreign Representative**") shall commence a proceeding in a court of competent jurisdiction in the United States seeking recognition of the Plan and the Sanction Order and confirming that the Plan and the Sanction Order are binding and effective in the United States, and the Foreign Representative shall use its best efforts to obtain such recognition order.

12.11 Severability of Plan Provisions

If, prior to the Sanction Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of SFC and with the consent of the Monitor and the Initial Consenting Noteholders, shall have the power to either (a) sever such term or provision from the balance of the Plan and provide SFC with the option to proceed with the implementation of the balance of the Plan as of and with effect from the Plan Implementation Date, or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, and provided that SFC proceeds with the implementation of the Plan, the remainder of the terms and provisions of

the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

12.12 Responsibilities of the Monitor

The Monitor is acting in its capacity as Monitor in the CCAA Proceeding and the Plan with respect to SFC and will not be responsible or liable for any obligations of SFC.

12.13 Different Capacities

Persons who are affected by this Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person will be entitled to participate hereunder, and will be affected hereunder, in each such capacity. Any action taken by or treatment of a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Person, SFC, the Monitor and the Initial Consenting Noteholders in writing, or unless the Person's Claims overlap or are otherwise duplicative.

12.14 Notices

Any notice or other communication to be delivered hereunder must be in writing and reference the Plan and may, subject as hereinafter provided, be made or given by personal delivery, ordinary mail or by facsimile or email addressed to the respective parties as follows:

(a) if to SFC or any Subsidiary:

Sino-Forest Corporation
Room 3815-29 38/F, Sun Hung Kai Centre
30 Harbour Road, Wanchai, Hong Kong

Attention: Mr. Judson Martin, Executive Vice-Chairman and Chief Executive Officer
Fax: +852-2877-0062

with a copy by email or fax (which shall not be deemed notice) to:

Bennett Jones LLP
One First Canadian Place, Suite 3400
Toronto, ON M5X 1A4

Attention: Kevin J. Zych and Raj S. Sahni
Email: zychk@bennettjones.com and sahnir@bennettjones.com
Fax: 416-863-1716

(b) if to the Initial Consenting Noteholders:

c/o Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

Attention: Robert Chadwick and Brendan O'Neill
Email: rchadwick@goodmans.ca and boneill@goodmans.ca
Fax: 416-979-1234

and with a copy by email or fax (which shall not be deemed notice) to:

Hogan Lovells International LLP
11th Floor, One Pacific Place, 88 Queensway
Hong Kong China

Attention: Neil McDonald
Email: neil.mcdonald@hoganlovells.com
Fax: 852-2219-0222

(c) if to the Monitor:

FTI Consulting Canada Inc.
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, ON M5K 1G8

Attention: Greg Watson
Email: greg.watson@fticonsulting.com
Fax: (416) 649-8101

and with a copy by email or fax (which shall not be deemed notice) to:

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

Attention: Derrick Tay
Email: derrick.tay@gowlings.com
Fax: (416) 862-7661

(d) if to Ernst & Young:

Ernst & Young LLP
Ernst & Young Tower
222 Bay Street
P.O. Box 251

Toronto, ON M5K 1J7

Attention: Doris Stamml
Email: doris.stamml@ca.ey.com
Fax: (416) 943-[TBD]

and with a copy by email or fax (which shall not be deemed notice) to:

Lenczner Slaght Royce Smith Griffin
130 Adelaide Street West, Suite 2600
Toronto, Ontario M5H 3P5

Attention: Peter Griffin
Email: pgriffin@litigate.com
Fax: (416) 865-2921

or to such other address as any party may from time to time notify the others in accordance with this section. Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed or sent before 5:00 p.m. (Toronto time) on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

12.15 Further Assurances

SFC, the Subsidiaries and any other Person named or referred to in the Plan will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Plan and to give effect to the transactions contemplated herein.

DATED as of the 3rd day of December, 2012.

SCHEDULE A

NAMED THIRD PARTY DEFENDANTS

1. The Underwriters, together with their respective present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns, excluding any Director or Officer and successors, administrators, heirs and assigns of any Director or Officer in their capacity as such.

2. Ernst & Young LLP (Canada), Ernst & Young Global Limited and all other member firms thereof, together with their respective present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns, excluding any Director or Officer and successors, administrators, heirs and assigns of any Director or Officer in their capacity as such, in the event that the Ernst & Young Settlement is not completed.

3. BDO Limited, together with its respective present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns, excluding any Director or Officer and successors, administrators, heirs and assigns of any Director or Officer in their capacity as such.

Schedule "B"

FORM OF MONITOR'S CERTIFICATE OF PLAN IMPLEMENTATION

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

MONITOR'S CERTIFICATE

(Plan Implementation)

All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Plan of Compromise and Reorganization of Sino-Forest Corporation ("**SFC**") dated December 3, 2012 (the "**Plan**"), which is attached as Schedule "A" to the Order of the Honourable Mr. Justice Morawetz made in these proceedings on the [7th] day of December, 2012 (the "**Order**"), as such Plan may be further amended, varied or supplemented from time to time in accordance with the terms thereof.

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

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

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

DATED at the City of Toronto, in the Province of Ontario, this ■ day of ■ , 201■.

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

By: _____
Name:
Title:

Schedule "C"

Industry Canada / Industrie Canada
Canada Business Corporations Act / Loi canadienne sur les sociétés par actions

FORM 14
ARTICLES OF REORGANIZATION
(SECTION 191)

FORMULAIRE 14
CLAUSES DE RÉORGANISATION
(ARTICLE 191)

1 -- Name of Corporation - Dénomination sociale de la société	2 -- Corporation No. - N° de la société
Sino-Forest Corporation	409023-3

3 -- In accordance with the order for reorganization, the articles of incorporation are amended as follows:

Conformément à l'ordonnance de réorganisation, les statuts constitutifs sont modifiés comme suit :

Please see Schedule A attached hereto.

Signature	Printed Name - Nom en lettres moulées	4 -- Capacity of - En qualité de	5 -- Tel. N°. - N° de tél.

FOR DEPARTMENTAL USE ONLY / À L'USAGE DU MINISTÈRE SEULEMENT

IC3409 (2003/05)

Canada

Schedule A

3. In accordance with the order for reorganization, the articles of continuance of the Corporation dated June 25, 2002, as amended by articles of amendment dated June 22, 2004, are amended as follows:

(a) to decrease the minimum number of directors of the Corporation from three (3) directors to one (1) director;

(b) to create a new class of shares consisting of an unlimited number of "Class A Common Shares" having the following rights, privileges, restrictions and conditions:

The holders of Class A Common Shares are entitled:

(i) to two (2) votes per Class A Common Share at any meeting of shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote;

(ii) subject to the rights, privileges, restrictions and conditions attaching to shares of any other class or series of shares of the Corporation, to receive the remaining property of the Corporation upon dissolution pro rata with the holders of the Common Shares; and

(iii) subject to the rights, privileges, restrictions and conditions attaching to shares of any other class or series of shares of the Corporation, to receive any dividend declared by the directors of the Corporation and payable on the Class A Common Shares.

(c) to delete the rights, privileges, restrictions and conditions attaching to the Common Shares and to substitute therefor the following:

(1) The holders of Common Shares are entitled:

(i) to one (1) vote per Common Share at any meeting of shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote;

(ii) subject to the rights, privileges, restrictions and conditions attaching to shares of any other class or series of shares of the Corporation, to receive the remaining property of the Corporation upon dissolution pro rata with the holders of the Class A Common Shares; and

(iii) subject to the rights, privileges, restrictions and conditions attaching to shares of any other class or series of shares of the Corporation, to receive any dividend declared by the directors of the Corporation and payable on the Common Shares.

(2) At a time to be determined by the board of directors of the Corporation, the Common Shares shall be cancelled and eliminated for no consideration whatsoever, and shall be of no further force and effect, whether surrendered for cancellation or otherwise, and the obligation of the Corporation thereunder or in any way related thereto shall be deemed to

be satisfied and discharged and the holders of the Common Shares shall have no further rights or interest in the Corporation on account thereof and the rights, privileges, restrictions and conditions attached to the Common Shares shall be deleted.

(d) to confirm that the authorized capital of the Corporation consists of an unlimited number of Class A Common Shares, an unlimited number of Common Shares and an unlimited number of Preference Shares, issuable in series.

Schedule "D"

1. Unaffected Claims Reserve:	$1,500,000
2. Unresolved Claims Reserve for Defence Costs:	$8,000,000

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

PLAN SANCTION ORDER

BENNETT JONES LLP
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Rob Staley (LSUC #27115J)
Kevin Zych (LSUC #33129T)
Derek Bell (LSUC #43420J)
Jonathan Bell (LSUC #55457P)
Tel: 416-863-1200
Fax: 416-863-1716

Lawyers for Sino-Forest Corporation

This is Exhibit "D" mentioned and referenced in the Affidavit of Steven J. Toll, sworn before me at the City of Washington, D.C., in the United States, this 3rd day of December 2013.

Notary

My Commission Expires 1/1/2014

Exhibit D

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

SINO-FOREST CORPORATION,

Debtor in a Foreign Proceeding.

FOR PUBLICATION

Chapter 15

Case No. 13-10361 (MG)

MEMORANDUM OPINION GRANTING MOTION TO RECOGNIZE AND ENFORCE ORDER OF ONTARIO COURT APPROVING E&Y SETTLEMENT INCLUDING THIRD-PARTY RELEASE

APPEARANCES:

MILBANK, TWEED, HADLEY & McCLOY LLP
Attorneys to FTI Consulting Canada Inc., as Foreign Representative of the Canadian Proceeding of Sino-Forest Corporation
One Chase Manhattan Plaza
New York, NY 10005-1413
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Jeremy C. Hollembeak, Esq.

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1221 Avenue of the Americas
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Jonathan Cho, Esq.

LOWENSTEIN SANDLER LLP
Chapter 15 Counsel for Class Action Plaintiffs
1251 Avenue of the Americas
New York, NY 10020
By: Michael S. Etkin, Esq.
Tatiana Ingman, Esq.

MARTIN GLENN
UNITED STATES BANKRUPTCY JUDGE

Before the Court is Ernst & Young LLP's ("E&Y") *Motion to Recognize and Enforce Order of Ontario Court Approving E&Y Settlement* (the "Motion"). (ECF Doc. # 18.) The

Motion is supported by a *Memorandum of Law in Support of Motion to Recognize and Enforce Order of Ontario Court Approving Ernst & Young Settlement* (ECF Doc. # 19), along with the *Declaration of Ken Coleman in Support of Petition for Recognition of Foreign Proceedings* (ECF Doc. # 21), which attaches various orders issued by the Canadian courts. Two joinders in the Motion were also filed: (1) *Joinder of Foreign Representative in (I) Motion to Recognize and Enforce Order of Ontario Court Approving Ernst & Young Settlement and (II) Memorandum of Law in Support of Motion to Recognize and Enforce Order of Ontario Court Approving Ernst & Young Settlement* (the "FTI Joinder," ECF Doc. # 22), and (2) *U.S. Class Action Plaintiffs' and Canadian Class Action Plaintiffs' Joinder to the Motion to Recognize and Enforce Order of Ontario Court Approving Ernst & Young Settlement* (the "Class Action Plaintiffs' Joinder," ECF Doc. # 25). A *Notice of Filing of Order of Quebec Court Permanently Staying Class Action Against E&Y* was filed. (ECF Doc. # 26.) Additionally, the *Declaration of Kurt J. Elgie Regarding Notice to the Class* (ECF Doc. # 27), and the *Supplemental Declaration of Kurt J. Elgie Regarding Notice to the Class* (ECF Doc. # 28) were also filed. The Motion is unopposed.

Through the Motion, E&Y seeks entry of an order giving full force and effect in the United States to the March 20, 2013 order (the "Settlement Order") of the Ontario Superior Court of Justice (Commercial List) (the "Ontario Court") in the proceeding (the "Canadian Proceeding") of Sino-Forest Corporation ("SFC") under Canada's *Companies Creditors Arrangement Act* (as amended, the "CCAA"). The Settlement Order approves the settlement of class action claims against E&Y and implements a global release in favor of E&Y (the "E&Y Settlement") under SFC's plan of compromise and reorganization dated December 3, 2012 (the "Plan").

This is the first time this Court has been asked to grant comity in a chapter 15 case to a foreign court order approving a third-party non-debtor release since the Fifth Circuit's decision in *In re Vitro S.A.B. de C.V*, 701 F.3d 1031 (5th Cir. 2012), affirming a bankruptcy court decision declining to grant comity in a chapter 15 case to a Mexican court order that included third-party releases. In a decision preceding the *Vitro* decision, this Court granted comity to a Canadian court order that included third-party releases. *See In re Metcalfe & Mansfield Alternative Investments*, 421 B.R. 685 (Bankr. S.D.N.Y. 2010). *Metcalfe* is almost on all fours with this case, and the Court concludes below that nothing in *Vitro* would require a different result here. Therefore, the Motion to recognize and enforce the Canadian court order is **GRANTED**.

I. BACKGROUND

On February 4, 2013, FTI, as Foreign Representative and Monitor, commenced this case by filing a *Verified Petition for Recognition of Foreign Proceeding and Related Relief* (the "Verified Petition," ECF Doc. # 1). On April 15, 2013, this Court granted the relief requested in the Verified Petition and entered an order (the "Recognition Order," ECF Doc. # 16) (a) recognizing the Canadian Proceeding as a "foreign main proceeding" under section 1517 of the Bankruptcy Code and (b) enforcing in the United States (i) certain provisions of the Ontario Court's Initial Order dated March 30, 2012 (the "Initial Order") and (ii) the Ontario Court's Plan Sanction Order dated December 10, 2012, sanctioning the Plan (the "Plan Sanction Order").

The Motion seeks the recognition and enforcement of the Settlement Order approving the E&Y Settlement, pursuant to which E&Y will pay CAD $117 million to resolve claims asserted against it in class action litigations filed by plaintiffs in Canada (the "Canadian Class Actions") and the United States (the "U.S. Class Action," and together with the Canadian Class Actions,

the "Class Actions") on behalf of all persons and entities, wherever they may reside, who acquired any securities of SFC, including securities acquired in the primary, secondary, and over-the-counter markets (the "Securities Claimants"). Those proceedings were commenced against SFC and certain of its former officers, directors, underwriters, and auditors, including E&Y (together, the "Third Party Defendants"), on the basis of alleged misrepresentations in SFC's financial statements issued before 2011. E&Y, SFC's external auditor from 2007 to 2012, is a named defendant in the Class Actions.

In the course of the Canadian Proceeding, E&Y and the plaintiffs in the Canadian Class Actions successfully negotiated the terms of a settlement that is supported by substantially all constituents in the Canadian Proceeding, including the lead plaintiffs in each of the Class Actions. In addition, the plaintiffs in the U.S. Class Action filed a claim in the Canadian Proceeding, and Canadian counsel for the U.S. plaintiffs appeared on their behalf at the respective hearings on the Plan Sanction Order and the Settlement Order. The terms of the E&Y Settlement provide that following E&Y's CAD $117 million payment into a settlement trust fund (the "Settlement Fund") for the benefit of the Securities Claimants, Article 11.1(a) of the Plan will grant E&Y a global release and the benefit of certain injunctions under the Plan. E&Y also agreed to release all claims, including indemnification claims, it may have against each of SFC and SFC's subsidiaries, officers, and directors. E&Y also relinquished its rights to any distributions under the Plan and agreed to support the Plan's approval.

The Ontario Court approved the E&Y Settlement with the entry of the Settlement Order on March 20, 2013, and on June 26, 2013, the Court of Appeal for Ontario dismissed motions for leave to appeal the Plan Sanction Order and the Settlement Order brought by certain minority

investors in SFC.[1] Both courts specifically found that the approval of the Plan Sanction Order and the Settlement Order was consistent with a prior opinion of the Court of Appeal for Ontario establishing the requirements for third-party releases under the CCAA.[2]

The principal remaining condition that must be satisfied before the E&Y Settlement can be implemented is the recognition and enforcement of the Settlement Order in the United States. The Ontario Court expressly requested this Court's assistance in implementing and enforcing the Settlement Order in this jurisdiction and has authorized E&Y to apply to any appropriate court for the relief requested.

A. The Plan

Article 11.1 of the Plan contains the agreed framework for giving effect to the E&Y Settlement. Article 11.1(a) of the Plan provides that if: (1) the Plan Sanction Order is entered, (2) the Ontario Court approves by order the E&Y Settlement, (3) the Plan Sanction Order and the Settlement Order are enforced in the United States through chapter 15 of the Bankruptcy Code, (4) all orders are final orders not subject to further appeal or challenge, and (5) all other conditions precedent to the E&Y Settlement are met, E&Y will pay CAD $117 million into a settlement trust fund for the benefit of the Securities Claimants in settlement of all claims asserted against it in the Class Actions. Upon that payment, Article 11.1(b) of the Plan provides that E&Y will receive a global release and the benefit of certain injunctions under the Plan. Further, none of the Securities Claimants will be entitled to claim from any Third Party

---

1 These minority investors (the "Objectors") held, in the aggregate, approximately 1.62% of SFC's outstanding equity on June 30, 2011, and first appeared in the Canadian Proceeding shortly before the hearing to consider the sanction of the Plan. E&Y refrained from seeking enforcement of the Settlement Order in the United States until the resolution of the Objectors' motion for leave to appeal the Settlement Order.

2 *ATB Financial v. Metcalfe and Mansfield Alternative Investments II Corp.*, 2008 ONCA 587 at ¶¶ 26-28, 92 O.R. (3d) 513, *leave to appeal refused*, [2008] S.C.C.A. No. 337.

Defendant any portion of damages that corresponds to the liability of E&Y, proven at trial or otherwise, that is the subject of the E&Y Settlement.

At the hearing to consider the sanctioning of the Plan and in entering the Plan Sanction Order, the Ontario Court fully considered and dismissed the Objectors' concerns—which focused on Article 11 of the Plan—and found that the Plan was fair and reasonable and satisfied the applicable test for sanction under the CCAA. Soon after, three of the Objectors filed a notice of motion (the "Sanction Appeal Motion") for leave to appeal those portions of the Plan Sanction Order relating to Article 11 of the Plan, but did not seek an intervening stay of the Plan's implementation. Accordingly, the Plan became effective on January 30, 2013.

B. The E&Y Settlement

The E&Y Settlement principally provides that E&Y will pay CAD $117 million into the Settlement Fund in settlement of all claims asserted against E&Y in the Class Actions, upon satisfaction of certain conditions precedent. Once payment is made, E&Y will benefit from the release and injunction provisions of the Plan as against all parties. The Settlement Fund will be distributed to or for the benefit of eligible Securities Claimants pursuant to a plan of allocation to be submitted to the Ontario Court for approval. Aside from this significant monetary payment and the obvious benefit to affected Canadian and U.S. investors, E&Y has made substantial non-monetary concessions and contributions that further warrant recognition and enforcement of the E&Y Settlement in the United States.

In particular, E&Y also: (1) released all claims, including indemnification claims, asserted against SFC and SFC's subsidiaries, officers, and directors; (2) relinquished all rights to distributions under the Plan; (3) agreed not to seek leave to further appeal a decision relating to equity claims, and a related decision of the Court of Appeal for Ontario, to the Supreme Court of

Canada; (4) voted in favor of the Plan; and (5) supported the entry of the Plan Sanction Order. By making these additional concessions, E&Y not only waived substantial claims which, if allowed, would have diluted recoveries to other creditors, but E&Y also eliminated the expense and delay of litigating these claims in full. Numerous parties, including the Monitor, SFC, and the Ontario Court, have recognized that the deterioration of SFC's assets made an expedited implementation of the Plan essential. Moreover, the Ontario Court observed in a settlement endorsement (the "Settlement Endorsement," attached as Ex. B to Coleman Decl.) that the "unencumbered participation of the SFC subsidiaries is crucial to the restructuring," and the Plan intended to facilitate the subsidiaries' continued operations free from the claims and uncertainty associated with SFC. Settlement Endorsement ¶¶ 68–69. Thus, E&Y's concessions in the E&Y Settlement provided additional benefits to the restructuring effort and removed a potentially substantial obstacle to an expeditious implementation of the Plan.

C. Canadian Court Approval and *ATB Financial*

The Ontario Court approved the E&Y Settlement and entered the Settlement Order on March 20, 2013, following a February 4, 2013 hearing at which the court considered and overruled the objections of the Objectors (who were the only parties who appeared in opposition). In addition, the Ontario Court entered an order, also dated March 20, 2013, denying the Objectors' motion to be appointed as representative of all proposed class members who opposed the E&Y Settlement (the "Representation Dismissal Order").

The Ontario Court's bases for its decision are detailed in the Settlement Endorsement. As a threshold matter, the Ontario Court noted that outstanding litigation claims against third parties are regularly compromised and settled in CCAA proceedings, and in particular that "[i]t is well established that class proceedings can be settled in a CCAA proceeding." Settlement

Endorsement ¶¶ 36–37. It further observed that "[s]uch compromises fully and finally dispose of such claims, and it follows that there are no continuing procedural or other rights in such proceedings . . . *[s]imply put, there are no 'opt-outs' in the CCAA*," thereby making clear that it was considering the approval of the E&Y Settlement within the context of the Canadian Proceeding and the CCAA. *Id.* ¶ 36 (emphasis added). With respect to the E&Y Settlement's release provisions, the Ontario Court noted that "third-party releases are not an uncommon feature of complex restructurings under the CCAA" and considered whether the release in the E&Y Settlement satisfied the applicable standards for third-party releases in CCAA proceedings established by the Court of Appeal for Ontario in *ATB Financial*.

In *ATB Financial*, a decision rendered in connection with the restructuring of the Canadian asset-backed commercial paper market, the Court of Appeal for Ontario held that third-party releases are permissible in CCAA restructurings where there is "a reasonable connection between the third party claim being compromised in the plan and the restructuring achieved by the plan to warrant inclusion of the third party release in the plan." Settlement Endorsement ¶ 50 (citing *ATB Financial* at ¶ 70). As set forth in paragraph 50 of the Settlement Endorsement, in determining whether the requisite nexus exists, a CCAA court must consider the following factors:

> a) Whether the claims to be released are rationally related to the purpose of the plan;
> b) Whether the claims to be released are necessary for the plan of arrangement;
> c) Whether the parties who have claims released against them contributed in a tangible and realistic way; and
> d) Whether the plan will benefit the debtor and the creditors generally.

Id. Further, as set forth in paragraph 49 of the Settlement Endorsement, in considering a settlement within the CCAA context, a court considers the following factors:

> a) Whether the settlement is fair and reasonable;
> b) Whether it provides substantial benefits to the other stakeholders; and

c) Whether it is consistent with the purpose and spirit of the CCAA.

Id. ¶ 49.

The Ontario Court ultimately concluded that "[i]n [its] view, the [E&Y] Settlement is fair and reasonable, provides substantial benefits to relevant stakeholders, and is consistent with the purpose and spirit of the CCAA. In addition, in [its] view, the factors associated with the *ATB Financial* nexus test favour approving the Ernst & Young Release." *Id.* ¶ 66. Accordingly, it granted the Settlement Order and approved the E&Y Settlement including the release.

On April 9, 2013, the Objectors filed a notice of motion for leave to appeal both the Settlement Order and the Representation Dismissal Order with the Court of Appeal for Ontario (the "Settlement Appeal Motion," and with the Sanction Appeal Motion, the "Appeal Motions"). On April 18, 2013, while the Settlement Appeal Motion remained pending, the Objectors separately served in the Ontario Class Action a notice of appeal of the Settlement Order and the Representation Dismissal Order to the Court of Appeal for Ontario (the "Settlement Appeal"). The Objectors are the only parties who sought to appeal any of the Plan Sanction Order, the Settlement Order, and the Representation Dismissal Order. No other party supported these appeals, and several major constituents in the Canadian Proceeding opposed the Appeal Motions and the Settlement Appeal.

The Court of Appeal for Ontario consolidated the Appeal Motions, and on June 26, 2013, the court dismissed the Appeal Motions ("Appeal Endorsement," attached as Ex. C to Coleman Decl.). As for the Sanction Appeal Motion, the Court of Appeal for Ontario held that the Objectors' proposed appeal had been mooted by the intervening implementation of the Plan, but noted that in any event, it saw no basis for interfering with the Ontario Court's decision. The Court of Appeal for Ontario likewise saw no basis for interfering with Ontario Court's decision

with respect to the Settlement Order, agreeing that "the issues raised on this proposed appeal are, at their core, the very issues settled by this court in *ATB Financial*." Appeal Endorsement ¶ 14. Since entry of the Representation Dismissal Order naturally followed from the entry of the Settlement Order, the Court of Appeal for Ontario dismissed the Settlement Appeal Motion.

In addition to the dismissal of the Settlement Appeal Motion, on June 28, 2013, the Court of Appeal for Ontario granted a motion to quash the Settlement Appeal on the basis that the Objectors had no jurisdiction to bring the appeal. According to E&Y, the Objectors intend to file a motion seeking leave to appeal the Court of Appeal for Ontario's orders to the Supreme Court of Canada. As of the filing of this Motion, the Objectors had not followed through on that plan. (Motion ¶ 32.) The Objectors were served with notice of the hearing in this Court seeking recognition and enforcement of the E&Y Settlement, including the release provisions, but they did not file any objections here.

II. DISCUSSION

In *Metcalfe*, 421 B.R. 685, the Court faced an almost identical request for relief. The Court was also asked to enforce a Canadian order granting a non-debtor release and injunction. The Court began by analyzing whether the requested relief could be granted in a plenary case under chapter 11. The Court recognized that under *In re Metromedia Fiber Network, Inc.*, 416 F.3d 136, 141 (2d Cir. 2005), the law in the Second Circuit limits availability of third-party non-debtor releases; they are "proper only in rare cases." While this Court thought that the facts in *Metcalfe* may have satisfied the "rigorous standard established in *Metromedia*," *Metcalfe*, 421 B.R. at 695, it was unclear whether the separate jurisdictional requirement before a bankruptcy court may even consider whether to approve a third-party release in a plenary bankruptcy case could be satisfied. *See In re Johns-Manville Corp.*, 517 F.3d 52 (2d Cir. 2008), *rev'd and*

remanded sub nom. Travelers Indem. Co. v. Bailey, 557 U.S. 137 (2009). After the *Metcalfe* decision, the Second Circuit in dealing with *Manville* on remand from the Supreme Court, adhered to its earlier view that the bankruptcy court in a plenary chapter 11 case lacks jurisdiction to approve third-party releases unless the third-party claims may affect the *res* of the estate. *In re Johns-Manville Corp.*, 600 F.3d 135, 153 & n.13 (2d Cir. 2010). But in *Metcalfe*, the Court held that the correct inquiry in a chapter 15 case was not whether the Canadian orders could be enforced under U.S. law in a plenary chapter 11 case, but whether recognition of the Canadian courts' decision was proper in the exercise of comity in a case under chapter 15. 421 B.R. at 696. The Court explained:

> [W]hatever the precise limits of a bankruptcy court's jurisdiction to approve a third-party non-debtor release and injunction in a plenary chapter 11 case, the important point for present purposes is that the jurisdictional limits derive from the scope of bankruptcy court "related to" jurisdiction under 28 U.S.C. § 1334, and the prudential limits courts have applied in chapter 11 cases under the Bankruptcy Code. This Court is not being asked to approve such provisions in a plenary case; rather, the Court is being asked to order enforcement of provisions approved by the Canadian courts. The correct inquiry, therefore, is whether the foreign orders should be enforced in the United States in this chapter 15 case. . . . [P]rinciples of enforcement of foreign judgments and comity in chapter 15 cases strongly counsel approval of enforcement in the United States of the third-party non-debtor release and injunction provisions included in the Canadian Orders, even if those provisions could not be entered in a plenary chapter 11 case.

Id.

The Court then discussed the principles of comity that underpin chapter 15. *Id.* ("Chapter 15 specifically contemplates that the court should be guided by principles of comity and cooperation with foreign courts in deciding whether to grant the foreign representative additional post-recognition relief."). The Court quoted the seminal comity case, *Hilton v. Guyot*, 159 U.S. 113, 202–03 (1895), where the Supreme Court held that if the foreign forum provides "a full and fair trial abroad before a court of competent jurisdiction, conducting the trial upon regular

proceedings, after due citation or voluntary appearance of the defendant, and under a system of jurisprudence likely to secure an impartial administration of justice between the citizens of its own country and those of other countries, and there is nothing to show either prejudice in the court, or in the system of laws under which it is sitting," the judgment should be enforced and not "tried afresh."

"Federal courts generally extend comity whenever the foreign court had proper jurisdiction and enforcement does not prejudice the rights of United States citizens or violate domestic public policy." *In re Atlas Shipping A/S*, 404 B.R. 726, 733 (Bankr. S.D.N.Y. 2009) (quoting *Victrix S.S. Co., S.A v. Salen Dry Cargo A.B.*, 825 F.2d 709, 713 (2d Cir. 1987)). As the court stated in *JP Morgan Chase Bank v. Altos Hornos de Mexico, S.A.*, 412 F.3d 418, 424 (2d Cir. 2005), "deference to the foreign court is appropriate so long as the foreign proceedings are procedurally fair and . . . do not contravene the laws or public policy of the United States." In analyzing procedural fairness, courts have looked to the following nonexclusive factors:

> (1) Whether creditors of the same class are treated equally in the distribution of assets; (2) whether the liquidators are considered fiduciaries and are held accountable to the court; (3) whether creditors have the rights to submit claims which, if denied, can be submitted to a bankruptcy court for adjudication; (4) whether the liquidators are required to give notice to potential claimants; (5) whether there are provisions for creditors meetings; (6) whether a foreign country's insolvency laws favor its own citizens; (7) whether all assets are marshalled before one body for centralized distribution; and (8) whether there are provisions for an automatic stay and for the lifting of such stays to facilitate the centralization of claims.

Finanz AG Zurich v. Banco Economico S.A., 192 F.3d 240, 249 (2d Cir. 1999); *see also In re Cozumel Caribe, S.A. de C.V.*, 482 B.R. 96, 114–15 (Bankr. S.D.N.Y. 2012).

In *Metcalfe*, focusing specifically on extending comity to orders of Canadian courts, the Court explained that "[t]he U.S. and Canada share the same common law traditions and fundamental principles of law. Canadian courts afford creditors a full and fair opportunity to be

heard in a manner consistent with standards of U.S. due process. U.S. federal courts have repeatedly granted comity to Canadian proceedings." *Metcalfe*, 421 B.R. at 698. Applying the doctrine of comity, and recognizing that the issue of the third-party non-debtor release had been fully and fairly litigated in the Canadian courts, the Court held that it could recognize and enforce the release. *Id.* at 699. The same analysis, with the same conclusion, applies here. The parties to the Canadian proceedings in this case had a full and fair opportunity to litigate the issues, and the trial court reached a reasoned decision that it had the jurisdiction to grant the requested relief and that such relief was appropriate in the circumstances. The Objectors' appeal to the Court of Appeal for Ontario failed. While an additional motion for leave to appeal may be filed in the Supreme Court of Canada, this Court sees no reason to await the outcome of such at motion (if it is made) before ruling on the pending matter; the issues raised are not novel here or in Canada, as this Court's decision in *Metcalfe* demonstrates.

Similar to *Metcalfe*, relief here is proper as "additional assistance" under section 1507 of the Bankruptcy Code.[3] Section 1507 provides as follows:

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[3] E&Y also requests relief under section 1521(a), which provides that "Upon recognition of a foreign proceeding . . . the court may . . . grant *any appropriate relief*—including [under subparagraphs (a)(1)–(7)]." 11 U.S.C. § 1521(a) (emphasis added). In *Vitro*, the Fifth Circuit applied a three-step process in considering similar relief, also requested under sections 1521 and 1507. The court stated:

> We conclude that a court confronted by this situation should first consider the specific relief enumerated under § 1521(a) and (b). If the relief is not explicitly provided for there, a court should then consider whether the requested relief falls more generally under § 1521's grant of any appropriate relief. We understand "appropriate relief" to be relief previously available under Chapter 15's predecessor, § 304. Only if a court determines that the requested relief was not formerly available under § 304 should a court consider whether relief would be appropriate as "additional assistance" under § 1507.

701 F.3d at 1054. This Court has, on a prior occasion, considered relief formerly available under old section 304. *See Atlas Shipping A/S*, 404 B.R. at 726. But while the Fifth Circuit's approach may be appropriate in certain circumstances—*e.g.*, so that "courts begin their analysis in familiar territory," *Vitro*, 701 F.3d at 1057—the Court believes that *Vitro*'s three-step approach is unnecessary here because the Court already decided in *Metcalfe* that the relief sought is available under section 1507. Therefore, the Court declines to decide whether the "any appropriate relief" language in section 1521 would also provide a basis for the relief.

> (a) Subject to the specific limitations stated elsewhere in this chapter the court, if recognition is granted, may provide additional assistance to a foreign representative under this title or under other laws of the United States.
> (b) In determining whether to provide additional assistance under this title or under other laws of the United States, the court shall consider whether such additional assistance, consistent with the principles of comity, will reasonably assure—
> (1) just treatment of all holders of claims against or interests in the debtor's property;
> (2) protection of claim holders in the United States against prejudice and inconvenience in the processing of claims in such foreign proceeding;
> (3) prevention of preferential or fraudulent dispositions of property of the debtor;
> (4) distribution of proceeds of the debtor's property substantially in accordance with the order prescribed by this title; and
> (5) if appropriate, the provision of an opportunity for a fresh start for the individual that such foreign proceeding concerns.

11 U.S.C. § 1507.

"While recognition of the foreign proceeding turns on the objective criteria under § 1517, 'relief [post-recognition] is largely discretionary and turns on subjective factors that embody principles of comity.'" *Metcalfe*, 421 B.R. at 697 (quoting *In re Bear Stearns High–Grade Structured Credit Strategies Master Fund, Ltd.*, 389 B.R. 325, 333 (S.D.N.Y. 2008)). "Once a case is recognized as a foreign main proceeding, chapter 15 specifically contemplates that the court will exercise its discretion consistent with principles of comity." *Atlas Shipping A/S*, 404 B.R. at 738.

While the factors identified in section 1507(b)(1)–(5), required to be considered in determining whether to extend comity in a case under chapter 15, may, in some circumstances, narrow application of the common law rules for extending comity, none of those factors comes into play here.[4] Extending comity here does not affect (1) the just treatment of creditors, (2)

[4] "Because the principle of comity does not limit the legislature's power and is, in the final analysis, simply a rule of construction, it has no application where Congress has indicated otherwise." *Maxwell Commc'n Corp. v. Societe Generale (In re Maxwell Commc'n Corp.)*, 93 F.3d 1036, 1047 (2d Cir.1996). Here, Congress has identified a series of factors to consider in determining whether to extend comity under section 1507; they may narrow

protection of creditors in the United States against prejudice or inconvenience, (3) prevention of preferential or fraudulent disposition of property of the debtor, (4) distribution of proceeds substantially in accordance with Bankruptcy Code priorities, or (5) the opportunity for a fresh start.

Section 1506 nevertheless places a limitation on recognition if doing so is manifestly contrary to U.S. public policy:

> Nothing in this chapter prevents the court from refusing to take an action governed by this chapter if the action would be manifestly contrary to the public policy of the United States.

11 U.S.C. § 1506. But this public policy exception is narrowly construed. *See In re Ephedra Prods. Liab. Litig.*, 349 B.R. 333 (S.D.N.Y. 2006); *see also Vitro*, 701 F.3d at 1069 (stating that "§ 1506 was intended to be read narrowly, a fact that does not sit well with the bankruptcy court's broad description of the fundamental policy at stake as the protection of third party claims in a bankruptcy case") (internal quotation marks omitted). In *Metcalfe*, the Court specifically rejected the argument that section 1506 precludes granting third-party releases in appropriate cases. The Court explained:

> The relief granted in the foreign proceeding and the relief available in a U.S. proceeding need not be identical. A U.S. bankruptcy court is not required to make an independent determination about the propriety of individual acts of a foreign court. The key determination required by this Court is whether the procedures used in Canada meet our fundamental standards of fairness.

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circumstances when comity is appropriate. But as the Court concluded in *Cozumel*, "[i]t is unnecessary here to explore this issue further as the Court concludes that the relief ordered by the Court would be appropriate in any event." 482 B.R. at 114–15 n.16. The factors listed in section 1507(b)(1)–(5), to be considered in deciding whether to extend comity under section 1507, are not included in section 1521(a). Whether it is appropriate, consistent with principles of comity, to grant "any appropriate relief" under section 1521, if granting comity would be inconsistent with the factors in section 1507, need not be addressed in this case. In any event, section 1522 places limitations on relief available under section 1521: relief may be granted "only if the interests of the creditors and other interested entities, including the debtor, are sufficiently protected." 11 U.S.C. 1522(a); *see also Vitro*, 701 F.3d at 1060.

421 B.R. at 697 (citations omitted). In this Circuit, where the third-party releases are not categorically prohibited, it cannot be argued that the issuance of such releases is manifestly contrary to public policy. *See Metromedia*, 416 F.3d at 141.

The Fifth Circuit's decision in *Vitro* does not dictate a different result.[5] The Fifth Circuit, on direct appeal from the bankruptcy court, affirmed the bankruptcy judge's decision refusing to extend comity to a Mexican court order approving a reorganization plan that vitiated guarantees issued by Vitro's U.S.-based affiliates, under loan agreements governed by U.S. law. The Fifth Circuit concluded that the bankruptcy court did not abuse the discretion expressly provided in section 1507(b). *See Vitro*, 701 F.3d at 1042 ("A court's decision to grant comity is . . . reviewed for abuse of discretion."); *id.* at 1069 ("[W]e hold that Vitro has not met its burden of showing that the relief requested under the Plan—a non-consensual discharge of non-debtor guarantors—is substantially in accordance with the circumstances that would warrant such relief in the United States. In so holding, we stress the deferential standard under which we review the bankruptcy court's determination. . . . Our only task is to determine whether the bankruptcy court's decision was reasonable. Having reviewed the record and relevant caselaw, we conclude that the bankruptcy court's decision was reasonable.") (internal citations omitted). The court specifically declined to decide the case on one of the alternative bases of the bankruptcy court's ruling—namely, whether the third-party release was manifestly contrary to public policy. *Id.* at 1070. The Fifth Circuit decision was largely premised on an analysis of section 1507(b)(4)—"distribution of proceeds of the debtor's property substantially in accordance with the order prescribed by this title [11] . . ."—concluding that the bankruptcy court did not abuse its

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[5] Obviously, a decision of the Fifth Circuit is not binding precedent on this Court. But to be clear, as explained below, the Court does not believe that *Vitro* would require a different result here.

discretion in finding that Vitro did not carry its burden under that subsection. *See Vitro*, 701 F.3d at 1065–66. The court distinguished *Vitro* from *Metcalfe*, and many of the same distinguishing facts are present here: the Plan has near unanimous support, that support does not rely on votes by insiders and "the Canadian court's decision to approve the non-debtor release 'reflect[ed] similar sensitivity to the circumstances justifying approving such provisions'" as those considered by U.S. courts. *Id.* at 1068 (quoting *Metcalfe*, 421 B.R. at 698). No one has objected to the relief requested here, and as already stated, the requested relief does not run afoul of any of the subsections of section 1507(b).

III. CONCLUSION

E&Y, supported by the Foreign Representative and the Canadian and U.S. Class Action Plaintiffs, seeks an order granting comity to a Canadian court order approving class action settlements that include a third-party release and injunction in favor of E&Y in return for a payment of CAD $117 million. Broad notice of the motion seeking relief and of the hearing in the bankruptcy court was timely provided. No objections to the requested relief were filed.

This case is virtually on all fours with *Metcalfe*. The procedural posture is almost exactly the same. The Ontario Court has already approved the E&Y Settlement and has asked this Court to assist in its enforcement. The Court of Appeal for Ontario has denied a motion for leave to appeal. While a motion for leave to appeal to the Supreme Court of Canada may be filed, the Court believes that the law in Canada and in the Second Circuit is well settled so there is no reason to wait before ruling. Furthermore, at least one additional ruling is required from the trial court in Canada, seeking approval of a plan of distribution, before the settlement can become final, so this Court's ruling does not provide the last word in any event.

For the reasons explained above, the Court concludes that the requested relief should be approved. Therefore, the Motion is **GRANTED**. A separate order will be entered granting the requested relief.

Dated: November 25, 2013
New York, New York

Martin Glenn

MARTIN GLENN
United States Bankruptcy Judge

This is Exhibit "E" mentioned and referenced in the Affidavit of Steven J. Toll, sworn before me at the City of Washington, D.C., in the United States, this 3rd day of December 2013.

Notary

My Commission Expires 1/1/2014

Exhibit E

MARRERO, J 354

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

DAVID LEAPARD and IMF FINANCE SA on their own behalf and on behalf of all others similarly situated,

Plaintiffs,

v.

ALLEN T.Y. CHAN, DAVID J. HORSLEY, KAI KIT POON, BANC OF AMERICA SECURITIES LLC, CREDIT SUISSE SECURITIES (USA) LLC, SINO-FOREST CORPORATION, ERNST & YOUNG GLOBAL LIMITED, and ERNST & YOUNG LLP,

Defendants.

Case No. 1:12-cv-01726 (VM)

ORDER

Having considered the papers filed in support of David Leapard, IMF Finance SA ("IMF Finance"),and Myong Hyon Yoo (collectively, "Movants") for Appointment as Lead Plaintiff and Appointment of Lead Counsel, pursuant to Section 21D(a)(3)(B) of the Securities Exchange Act of 1934 (the "Exchange Act") as amended by the Private Securities Litigation Reform Act, 15 U.S.C. § 78u-4(a)(3)(B), and for good cause shown, the Court hereby enters the following Order.

I. APPOINTMENT OF LEAD PLAINTIFF AND LEAD COUNSEL

1. Movants have moved the Court to be appointed Lead Plaintiffs in this class action and to approve the counsel retained to be Lead Counsel.

2. Having considered the provisions of § 21D(a)(3)(B) of the Exchange Act, 15 U.S.C. § 78u-4(a)(3)(B), the Court hereby determines that Movants are the most adequate

plaintiff and satisfies the requirements of the PSLRA. The Court hereby appoints Movants as Lead Plaintiffs to represent the interests of the class in this Action.

3. Pursuant to § 21D(a)(3)(B)(v) of the Exchange Act, 15 U.S.C. § 78u-4(a)(3)(B)(v), Movants have selected and retained the law firm of Cohen Milstein Sellers & Toll PLLC to serve as Lead Counsel. The Court approves Movants' selection of Lead Counsel for this Action.

4. Lead Counsel shall have the following responsibilities and duties, to be carried out either personally or through counsel whom Lead Counsel shall designate:

a. to coordinate the briefing and argument of any and all motions;

b. to coordinate the conduct of any and all discovery proceedings;

c. to coordinate the examination of any and all witnesses in depositions;

d. to coordinate the selection of counsel to act as spokesperson at all pretrial conferences;

e. to call meetings of the plaintiffs' counsel as they deem necessary and appropriate from time to time;

f. to coordinate all settlement negotiations with counsel for defendants;

g. to coordinate and direct the pretrial discovery proceedings and the preparation for trial and the trial of this matter and to delegate work responsibilities to selected counsel as may be required;

h. to coordinate the preparation and filings of all pleadings; and

i. to supervise all other matters concerning the prosecution or resolution of the Action.

5. No motion, discovery request, or other pretrial proceedings shall be initiated or filed by any plaintiffs without the approval of Lead Counsel, so as to prevent duplicative pleadings or discovery by plaintiffs. No settlement negotiations shall be conducted without the approval of Lead Counsel.

6. Lead Counsel shall have the responsibility of receiving and disseminating Court orders and notices.

7. Lead Counsel shall be the contact between plaintiffs' counsel and defendants' counsel, as well as the spokespersons for all plaintiffs' counsel, and shall direct and coordinate the activities of plaintiffs' counsel. Lead Counsel shall be the contact between the Court and plaintiffs and their counsel.

IV. NEWLY-FILED OR TRANSFERRED ACTIONS

8. When a case that arises out of the subject matter of this Consolidated Action is hereinafter filed in this Court or transferred from another Court, the Clerk of this Court shall:

a. file a copy of this Order in the separate file for such action;

b. mail a copy of this Order to the attorneys for the plaintiff(s) in the newly filed or transferred case and to any new defendant(s) in the newly filed or transferred case; and

c. make the appropriate entry in the docket for this action.

9. Each new case which arises out of the subject matter of this Consolidated Action that is filed in this Court or transferred to this Court shall be consolidated with this Consolidated Action and this Order shall apply thereto, unless a party objecting to this Order or any provision of this Order shall, within ten (10) days after the date upon which a copy of this Order is served

on counsel for such party, file an application for relief from this Order or any provision herein and this Court deems it appropriate to grant such application.

V. PRESERVATION OF RELEVANT DOCUMENTS

10. During the pendency of this litigation, or until further order of this Court, the parties shall take reasonable steps to preserve all documents within their possession, custody or control, including computer-generated and stored information and materials such as computerized data and electronic mail, containing information that is relevant to or which may lead to the discovery of information relevant to the subject matter of the pending litigation.

IT IS SO ORDERED.

DATED: This 4th day of January, 2013.

Victor Marrero
UNITED STATES DISTRICT JUDGE

This is Exhibit "F" mentioned
and referenced in the Affidavit
of Steven J. Toll, sworn before
me at the City of Washington,
D.C., in the United States, this
2nd day of December 2013.

Notary

My Commission Expires 1/1/2014

Exhibit F

COHEN MILSTEIN

Steven J. Toll
(202) 408-4646
stoll@cohenmilstein.com

January 12, 2012

VIA ELECTRONIC MAIL

Mr. David Leapard
26 Durbin Farms Road
Gray Court, S.C. 29645

Re: Sino-Forest Corp.

Dear David:

Following up on our prior conversations, and your oral agreement to be a name plaintiff in the above case, this letter will confirm our agreement on the terms and conditions upon which Cohen Milstein Sellers & Toll PLLC ("Cohen Milstein") will represent you ("Client") individually and as a representative of a class of purchasers of Sino-Forest common stock on the OTC Market. The purpose of the representation is to seek to recover damages caused to purchasers of the securities as a result of defendants' false and misleading statements during the Class Period.

1. Cohen Milstein will represent the Client in this case. Cohen Milstein presently anticipates that Steven J. Toll currently at $795 per hour; Richard Speirs currently at $725 per hour; and Matthew B. Kaplan currently at $455 per hour will work on the matter. The attorneys who will work on the matter may change as it progresses. In addition, the firm may use paralegals or legal assistants, who currently bill at a rate of $225 to $235 per hour.

2. It is anticipated that these hourly rates may be adjusted periodically. For example, Cohen Milstein usually adjusts its hourly rates in January of each year and expects to continue to do so in the future. Our hourly rates are the rates used by these lawyers in all the cases they handle. The Client will not be billed on any basis at these rates for our representation of the Client in this litigation or otherwise. These are simply the hourly rates that we use to calculate our lodestar, which lodestar will be submitted to the Court at the conclusion of the case

should a recovery be obtained. This matter is being handled by our firm on a contingent fee basis, and thus we receive no compensation unless we are successful in obtaining a recovery for the Class, at which time we would file a motion with the Court requesting an award of attorneys' fees from the recovery.

3. Attorneys' fees for Counsel's efforts in this case will be paid solely from any award that may be granted us by the Court. The Client has no obligation to pay us any legal fees directly.

4. The fee award from the Court will include payment(s) for other firms with whom we may work on the matter, or who may file similar litigations or who may act as local counsel for the lawsuit or lawsuits referred to in this letter, and the amounts that might be awarded among the various firms presently cannot be determined; similarly, the division of work among these firms presently cannot be determined.

5. Counsel will advance and be responsible for the necessary costs and all out-of-pocket disbursements for any litigation that might be filed. Client will not be billed for any expenses incurred by Counsel. Counsel will seek reimbursement for such expenses from the gross recovery, if any. If there is no recovery, Client will not be responsible for the payment of such expenses.

6. Out-of-pocket expenses include, but are not limited to the following: photocopies, photocopying and collating by outside services, long distance telephone, electronic research, travel expenses, deposition transcripts, court filing fees, witness fees and expenses and fees and expenses for experts. Included in these expenses may be administrative expenses for internally incurred costs, such as copying and long distance telephone.

7. Client agrees to cooperate in the preparation and trial of this litigation, to appear on reasonable notice for depositions and court appearances, to provide documents and answer interrogatories as necessary, and to comply with all reasonable requests made of Client in connection with the preparation and presentation of this case. Client will retain and preserve any documents in Client's possession, including electronically stored information, which may be relevant to this litigation and will make such documents and electronically stored information available to counsel as needed.

8. With regard to any matters relating to settlement, Client will be guided by Counsel's views and advice.

If the above confirms our agreement, please sign this letter and return it to me.

Sincerely,

COHEN MILSTEIN SELLERS & TOLL PLLC

By: _____
Steven J. Toll

AGREED TO AND ACCEPTED:

David Leapard
David Leapard

DATED: January 12, 2012

COHEN MILSTEIN

Steven J. Toll
(202) 408-4646
stoll@cohenmilstein.com

October 3, 2011

IMF FINANCE SA
c/o Imad M. Fathallah
2nd Floor Wickhams Cay Road Town
Road Town
British Virgin Islands

Re: *Sino-Forest Corp.*

Dear Imad:

This confirms our agreement on the terms and conditions upon which Cohen Milstein Sellers & Toll PLLC ("Cohen Milstein") will represent you ("Client") individually and as a representative of a class of purchasers of Sino-Forest securities. The purpose of the representation is to seek to recover damages caused to purchasers of the securities as a result of defendants' false and misleading statements or other misconduct during the Class Period.

1. Cohen Milstein will represent the Client in this case. Cohen Milstein presently anticipates that Steven J. Toll currently at $785 per hour; Julie Goldsmith Reiser currently at $530 per hour; and Matthew B. Kaplan currently at $455 per hour will work on the matter. The attorneys who will work on the matter may change as it progresses. In addition, the firm may use paralegals or legal assistants, who currently bill at a rate of $225 to $235 per hour.

2. It is anticipated that these hourly rates may be adjusted periodically. For example, Cohen Milstein usually adjusts its hourly rates in January of each year and expects to continue to do so in the future. Our hourly rates are the rates used by these lawyers in all the cases they handle. The Client will not be billed on any basis at these rates for our representation of the Client in this litigation or otherwise. These are simply the hourly rates that we use to calculate our lodestar, which lodestar will be submitted to the Court at the conclusion of the case should a recovery be obtained. This matter is being handled by our firm on a contingent fee basis, and thus we receive no compensation unless we are successful in obtaining a recovery for the Class, at which time we would file a motion with the Court requesting an award of attorneys' fees from the recovery.

3. Attorneys' fees for Counsel's efforts in this case will be paid solely from any award that may be granted us by the Court. The Client has no obligation to pay us any legal fees directly. Cohen Milstein will discuss with the class representatives any fee application in advance of said fee application being filed with the Court and will seek to obtain the class representatives' approval before it is filed.

4. The fee award from the Court will include payment(s) for other firms with whom we may work on the matter, or who may file similar litigations or who may act as local counsel for the lawsuit or lawsuits referred to in this letter, and the amounts that might be awarded among the various firms presently cannot be determined; similarly, the division of work among these firms presently cannot be determined.

5. Counsel will advance and be responsible for the necessary costs and all out-of-pocket disbursements for any litigation that might be filed. Client will not be billed for any expenses incurred by Counsel. Counsel will seek reimbursement for such expenses from the gross recovery, if any. If there is no recovery, Client will not be responsible for the payment of such expenses.

6. Out-of-pocket expenses include, but are not limited to the following: photocopies, photocopying and collating by outside services, long distance telephone, electronic research, travel expenses, deposition transcripts, court filing fees, witness fees and expenses and fees and expenses for experts. Included in these expenses may be administrative expenses for internally incurred costs, such as copying and long distance telephone.

7. Client agrees to cooperate in the preparation and trial of this litigation, to appear on reasonable notice for depositions and court appearances, to provide documents and answer interrogatories as necessary, and to comply with all reasonable requests made of Client in connection with the preparation and presentation of this case. Client will retain and preserve any documents in Client's possession, including electronically stored information, which may be relevant to this litigation and will make such documents and electronically stored information available to counsel as needed.

8. With regard to any matters relating to settlement, Client will be guided by Counsel's views and advice.

If the above confirms our agreement, please sign this letter and return it to me.

Sincerely,

COHEN MILSTEIN SELLERS & TOLL PLLC

By: _____
Steven J. Toll

AGREED TO AND ACCEPTED:

_____
IMF FINANCE SA
By its authorized representative.
IMAD FATHALLAH
President

Dated: October 4th, 2011

COHEN MILSTEIN

Richard Speirs
(212) 220-2912
rspeirs@cohenmilstein.com

May 10, 2012

VIA E-MAIL AND U.S. MAIL

Mr. Myong Hyon Yoo
R. Afonso Bras 177, Apt. 211
Sao Paulo, SP
Brazil 04511-010

Re: *Sino-Forest Securities Litigation*

Dear Mr. Yoo:

In accordance with our earlier discussions, Cohen Milstein Sellers & Toll PLLC ("CMST") together with other counsel with whom we may associate or who may be appointed by the Court, hereby agree to pursue legal action on behalf of Myong Hyon Yoo in connection with securities fraud claims against the officers and directors of Sino-Forest Corp. or (or "Sino-Forest" or the "Company"), the Company's auditors and possibly others, alleging violations of the securities laws and common law in connection with the purchase and sale of Sino-Forest securities by investors.

In this regard, we will attempt to file the Client's claim as part of a complaint seeking class action status. Throughout this process, we will represent the Client, as a proposed representative of a class of similarly situated purchasers of Sino-Forest securities for the purpose of securing recovery for violations of the securities laws and pursuant to common law for the applicable period.

With regard to our undertaking of this engagement, we specifically and hereby agree as follows:

1. All attorneys' fees and out-of-pocket disbursements for our firms' efforts and services in the Litigation will not be payable by the Client but, rather, shall be paid solely from any award that may be granted to us by the Court. The fee award we request from the Court (exclusive of any reimbursement of expenses, as discussed in paragraph 2) shall not exceed one-third of any recovery. Any payment of fees from the recovery in this matter must be approved by the Court in an amount determined by the Court to be fair and reasonable.

2. We and/or associated attorneys will advance all necessary expenses, costs, and out-of-pocket disbursements for the Litigation, and no part thereof will be charged to or solicited from the Client, and further, reimbursement for same shall be made only from payments from the Defendant(s) as the Court may hereafter approve and order. Expenses shall, for purposes of this agreement, be deducted after the contingent fee is calculated.

3. The Client's obligation in this matter will be to preserve and prevent destruction of all relevant hard copy and electronic documents in its possession, custody, or control, and to provide reasonable assistance to us and/or the Court in locating, copying and authenticating by deposition, affidavit or otherwise, the Client's relevant documents, including qualifying purchase invoices and/or proofs of payment and reimbursement amounts for the relevant products, which may be necessary to prove entitlement to damages. In addition, the Client may be asked to respond to written interrogatories and to give testimony at deposition and/or trial.

4. This agreement may only be modified in a writing executed by the Client and CMST.

5. The Client understands and agrees that CMST will litigate your legal claim consistent with our duty to fairly and adequately represent the interests of the proposed or certified class.

6. The Client further understands and agrees that as a client and class representative the Client is not entitled to share in any attorney fees with CMST, or any other firm representing the Client in this matter.

7. If there are any disagreements regarding the terms of this agreement, or the distribution of funds pursuant to this agreement, those issues shall be governed by the law of the District of Columbia and shall be resolved by mediation or, that failing, arbitration in the District of Columbia.

If this engagement letter meets with your approval, please sign a copy hereof at the space provided below (or have it signed by another representative of the Client) and fax or e-mail it back to us, in addition to returning an original hard copy by regular mail.

Very truly yours,

Cohen Milstein Sellers & Toll PLLC

Richard Speirs

The above engagement letter, including all the contents thereof, is hereby accepted as written, and the entirety thereof has been read, approved and agreed to this 25 day of June 2012.

By: _____
Myong Hyon Yoo

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

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

Plaintiffs

-and-

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF IMAD M. FATHALLAH

I, IMAD M. FATHALLAH, of London, United Kingdom, MAKE OATH AND SAY:

1. I am president of IMF Finance SA ("IMF") one of the lead plaintiffs in the action *Leapard v. Chan, et al.* Case No. 1:12-cv-01726 (AT), currently pending in the United States District Court for the Southern District of New York (the "U.S. Action"), and I have knowledge of the matters herein deposed. I submit this Affidavit in connection with the motion for approval of the proposed Claims and Distribution Protocol and request for counsel fees. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information and I believe such information to be true.

2. IMF is a private investment fund that purchased $500,000.00 (US) Sino-Forest 6.25% Guaranteed Senior Notes due 2017 on October 15, 2010, which were still held on August 25, 2011.

3. I have reviewed the proposed claims process for the distribution of the proceeds from the 117 million (CAD) settlement with Ernst & Young. (the "Claims and Distribution Protocol"). I believe that it provides a fair and reasonable method for distributing the settlement. It awards compensation based on (a) the losses suffered by each claimant attributable to the alleged misrepresentations; and (b) the strengths of different types of claims that the claimant advances against Ernst & Young. This means that persons with stronger claims would receive more on a per dollar basis than persons with weaker claims. I believe this makes a fair distinction among different claims as it reflects the risks of different claims.

4. Under the proposed Claims and Distribution Protocol, my claims against Ernst & Young would be fall within the category of notes purchased between July 17, 2008 and August 25, 2011.

5. I have been advised that IMF's counsel, Cohen Milstein will submit a fee and expense request to be paid from the E&Y Settlement. Counsel has advised me that, to date, they have incurred $1,281,143 (US) in legal fees and $148,920 (US) in unreimbursed out-of-pocket costs. The amounts relate to the class proceedings and the insolvency proceedings in

both the U.S. and Canada, in connection with representing the interests of securities purhasers in the U.S. I am informed the fee request is $2,340,000 (CAD). Based on the factors discussed below, I am satisfied that this amount is fair and reasonable.[1]

6. The fees sought by Cohen Milstein in the litigation are based on the firm's prosecution of the action on a contingent fee basis with the possibility of no recovery particularly given the risks of the litigation and magnitude of the alleged fraud. The fees sought are consistent with the significant risks assumed by counsel in taking on this litigation, both in time expended and out-of-pocket costs over a two year period. I have received periodic updates on this action and it is apparent that the prosecution of this action is highly complex and resource-intensive. The complexity of this litigation is magnified because of the multiple cross jurisdiction proceedings in numerous courts both in Canada and the U.S., and due to the added complexities related to Sino-Forest's insolvency. I am advised by Mr. Speirs and I believe that my counsel has committed a significant amount of time, money and resources to advance this action and will continue to do so as they pursue claims against the other defendants.

7. In addition, I am advised that the amount requested is also less than the average fees typically requested in contingent class action litigation in the U.S. and Canada. The retainer agreement with IMF provides that if there was no recovery, counsel would be paid nothing for the time and resources they committed and risked losing all its out-of-pocket expenses. The retainer also provided that if there is a recovery, such as the Ernst & Young settlement, then counsel would be paid accordingly subject to the Court approving the reasonableness of counsel's fee request.

8. In light of the substantial risks of possibly no recovery for counsel and the substantial commitment of time, money and resources expended by IMF's counsel on behalf of the Class, I support the requested fees.

[1] At the current exchange rate of approximately .95, the fee request in U.S. dollars is $2,223,000.

9. I swear this affidavit in support of the motion for approval of the Claims and Distribution Protocol and approval of Cohen Milstein's request for fees and reimbursement of expenses and for no other or improper purpose.

SWORN TO BEFORE ME at the _____
in the _____on
November ___, 2013.

_____
Commissioner for Taking Affidavits

_____
IMAD M. FATHALLAH, President
IMF Finance SA

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

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

Plaintiffs

-and-

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF DAVID W. LEAPARD

I, DAVID W. LEAPARD, of Gray Court, South Carolina, MAKE OATH AND SAY:

1. I am one of the lead plaintiffs in the action *Leapard v. Chan, et al.* Case No. 1:12-cv-01726 (AT), currently in the United States District Court for the Southern District of New York (the "U.S. Action"), and I have knowledge of the matters herein deposed. I submit this Affidavit in connection with the motion for approval of the proposed Claims and Distribution Protocol and request for counsel fees. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information and I believe such information to be true.

2. On August 5, 2011, I purchased 200 shares of Sino-Forest Corp. ("Sino-Forest") common stock on the over-the-counter market. Those shares_were still held on August 25, 2011 and I have been advised by my counsel that the shares were cancelled pursuant to Sino-Forest's pending insolvency proceeding.

3. I have reviewed the proposed claims process for the distribution of the proceeds from the 117 million (CAD) settlement with Ernst & Young. (the "Claims and Distribution Protocol"). I believe that it provides a fair and reasonable method for distributing the settlement. It awards compensation based on (a) the losses suffered by each claimant attributable to the alleged misrepresentations; and (b) the strengths of different types of claims that the claimant advances against Ernst & Young. This means that persons with stronger claims would receive more on a per dollar basis than persons with weaker claims. I believe this makes a fair distinction among different claims as it reflects the risks of different claims. The distiribution p;rotocol was developed with the assistance and concurrence of my counsel, Cohen Milstein.

4. Under the proposed Claims and Distribution Protocol, my claims against Ernst & Young would be fall within the category of common stock purchasers between March 18, 2008 and August 25, 2011.

5. I have been advised that my counsel, Cohen Milstein will submit a fee and expense request to be paid from the E&Y Settlement. Counsel has advised me that, to date, they have incurred $1,281,143 (US) in legal fees and $148,920 (US) in unreimbursed out-of-

pocket costs. The amounts relate to the class proceedings and the insolvency proceedings in both the U.S. and Canada, in connection with representing the interests of securities purchasers in the U.S. I am informed the fee request is $2,340,000 (CAD). Based on the factors discussed below, I am satisfied that this amount is fair and reasonable.[1]

6. The fees sought by Cohen Milstein in the litigation are based on the firm's prosecution of the action on a contingent fee basis with the possibility of no recovery particularly given the risks of the litigation and magnitude of the alleged fraud. The fees sought are consistent with the significant risks assumed by counsel in taking on this litigation, both in time expended and out-of-pocket costs over a two year period. I have received periodic updates on this action and it is apparent that the prosecution of this action is highly complex and resource-intensive. The complexity of this litigation is magnified because of the multiple cross jurisdiction proceedings in numerous courts both in Canada and the U.S., and due to the added complexities related to Sino-Forest's insolvency. I am advised by Mr. Speirs and I believe that my counsel has committed a significant amount of time, money and resources to advance this action and will continue to do so as they pursue claims against the other defendants.

7. In addition, I am advised that the amount requested is also less than the average fees typically requested in contingent class action litigation in the U.S. and Canada. My retainer agreement with Cohen Milstein provides that if there was no recovery, counsel would be paid nothing for the time and resources they committed and risked losing all its out-of-pocket expenses. The retainer also provided that if there is a recovery, such as the Ernst & Young settlement, then counsel would be paid accordingly subject to the Court approving the reasonableness of counsel's fee request.

8. In light of the substantial risks of possibly no recovery for counsel and the substantial commitment of time, money and resources expended by Cohen Milstein on behalf of the Class, I support the requested fees.

[1] At the current exchange rate of approximately .95, the fee request in U.S. dollars is $2,223,000.

9. I swear this affidavit in support of the motion for approval of the Claims and Distribution Protocol and approval of Cohen Milstein's request for fees and reimbursement of expenses and for no other or improper purpose.

SWORN TO BEFORE ME at the _____
in the _____ on
November 19, 2013.

David W. Leapard
DAVID W. LEAPARD

_____
Commissioner for Taking Affidavits

Linda Gill

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

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

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Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF MYONG HYON YOO

I, MYONG HYON YOO, of Sau Paulo, Brazil, MAKE OATH AND SAY:

1. I am one of the lead plaintiffs in the action *Leapard v. Chan, et al.* Case No. 1:12-cv-01726 (AT), currently in the United States District Court for the Southern District of New York (the "U.S. Action"), and I have knowledge of the matters herein deposed. I submit this Affidavit in connection with the motion for approval of the proposed Claims and Distribution Protocol and request for counsel fees. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information and I believe such information to be true.

2. Between July 7, 2011, and August 16, 2011, I purchased 1,370,000 shares of Sino-Forest Corp. ("Sino-Forest") common stock on the over-the-counter market. Those shares were still held on August 25, 2011 and I have been advised by my counsel that the shares were cancelled pursuant to Sino-Forest's pending insolvency proceeding.

3. I have reviewed the proposed claims process for the distribution of the proceeds from the 117 million (CAD) settlement with Ernst & Young. (the "Claims and Distribution Protocol"). I believe that it provides a fair and reasonable method for distributing the settlement. It awards compensation based on (a) the losses suffered by each claimant attributable to the alleged misrepresentations; and (b) the strengths of different types of claims that the claimant advances against Ernst & Young. This means that persons with stronger claims would receive more on a per dollar basis than persons with weaker claims. I believe this makes a fair distinction among different claims as it reflects the risks of different claims. The distribution protocol was developed with the assistance and concurrence of my counsel, Cohen Milstein.

4. Under the proposed Claims and Distribution Protocol, my claims against Ernst & Young would be fall within the category of common stock purchasers between March 18, 2008 and August 25, 2011.

5. I have been advised that my counsel, Cohen Milstein will submit a fee and expense request to be paid from the E&Y Settlement. Counsel has advised me that, to date, they have incurred $1,281,143 (US) in legal fees and $148,920 (US) in unreimbursed out-of-pocket costs. The amounts relate to the class proceedings and the insolvency proceedings in

both the U.S. and Canada, in connection with representing the interests of securities purchasers in the U.S. I am informed the fee request is $2,340,000 (CAD). Based on the factors discussed below, I am satisfied that this amount is fair and reasonable.[1]

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SWORN TO BEFORE ME at the
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November , 2013.

MYONG HYON YOO

Commissioner for Taking Affidavits

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at Toronto

MOTION RECORD OF THE PLAINTIFFS IN THE U.S. CLASS ACTION

Davies Ward Phillips & Vineberg LLP
40th Floor - 155 Wellington Street West
Toronto, ON M5V 3J7

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Lawyers for the Plaintiffs in the U.S. Class Action