

SCHEDULE "A2"

CLAIM OF ERNST & YOUNG LLP AGAINST DIRECTORS AND OFFICERS

THE CLAIMANT AND BACKGROUND TO THE CLAIM

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

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

a) Claims for damages relating to:

- i. Negligent misrepresentation;
- ii. Fraudulent misrepresentation;
- iii. Inducing breach of contract; and
- iv. Injury to Reputation; and

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

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

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

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

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

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

E&Y'S CLAIMS

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

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

(a) Claims for Damages

(I) and (II) Negligent and Fraudulent Misrepresentation

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

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

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

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

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

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

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

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

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

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

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

(III) Inducing Breach of Contract

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

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

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

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

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

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

(IV) Reputational Loss

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

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

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

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

E&Y's DAMAGES

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

NATURE AND CLASS OF CLAIMS

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

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

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

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

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

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

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

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

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Ernst & Young LLP

David Samuel

per Chief Legal Counsel.

June 20, 2012