Tab 6

RESTRUCTURING SUPPORT AGREEMENT

This Restructuring Support Agreement dated as of March 30, 2012 (the "**Agreement Date**") among: (a) Sino-Forest Corporation (the "**Company**"), (b) each of the subsidiaries of the Company as listed in **Schedule A** (the "**Direct Subsidiaries**"), and (c) each of the other signatories hereto, to support agreements in the form hereof or to Joinder Agreements attached hereto as **Schedule C** (each a "**Consenting Noteholder**" and collectively the "**Consenting Noteholders**"), with each Consenting Noteholder being a holder of, and/or investment advisor or manager with investment discretion with respect to holdings in, one or more series of Notes, addresses the principal aspects of the restructuring transaction agreed to by the Company and the Consenting Noteholders as described in Section 1 hereof. The Transaction is to be effected pursuant to a plan of compromise or arrangement under the *Companies' Creditors Arrangement Act* (Canada), R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), and, if determined necessary or advisable by the Company in conjunction with the CCAA Plan, and with the consent of the Advisors, the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44 (the "**CBCA**"), in full and final settlement of, among other Claims, all Noteholder Claims (whether directly or pursuant to any guarantee of the Notes provided by any subsidiary of the Company, and any security provided in respect thereof). Capitalized terms used but not otherwise defined in this Agreement have the meanings ascribed thereto in **Schedule B**. The Consenting Noteholders, the Company and the Direct Subsidiaries are collectively referred to as the "**Parties**" and each (including each Consenting Noteholder, individually) is a "**Party**". This agreement and all schedules to this agreement are collectively referred to herein as the "**Agreement**".

1. Transaction

The principal Transaction Terms (which are subject to the other terms and conditions of this Agreement) are as follows:

Restructuring Transaction:

(a) Pursuant to the Plan, and subject to Section 1(i) hereof, the Company will implement the Restructuring Transaction, pursuant to which:

(i) A new company ("**Newco**"), authorized to issue an unlimited number of common shares and having no restrictions on the number of its shareholders, will be incorporated as a private company in the BVI or the Cayman Islands (or any other jurisdiction acceptable to the Initial Consenting Noteholders, and satisfactory to the Company, acting reasonably) and otherwise organized in a manner acceptable to the Initial Consenting Noteholders, and satisfactory to the Company, acting reasonably;

(ii) Except as otherwise provided for herein, pursuant to the Plan, the Company shall convey, assign and transfer all of its right, title and interest in and to all of the Company's properties, assets and rights of every kind and description (including, without limitation, all restricted and unrestricted cash, contracts, real property, receivables or other debt owed

to the Company, Intellectual Property, the Company name and all related marks, all of its shares in its subsidiaries (including, without limitation, all of the shares of the Direct Subsidiaries) and all intercompany debt owed to the Company by any of its Subsidiaries), other than the Excluded Assets, to Newco, free and clear of all Claims, options and interests;

(iii) Pursuant to the Plan, each Noteholder shall receive the following on the Implementation Date of the Restructuring Transaction in full and complete satisfaction of its Noteholder Claims:

(A) its Pro Rata share of 92.5% of the Newco Shares (subject to any dilution in respect of the New Management Plan); plus

(B) its Pro Rata share of the Secured Newco Note; plus

(C) its right to receive the consideration set forth in Section 1(h)(ii)(B) hereof (if any); plus

(D) if applicable to such Noteholder, the Early Consent Consideration set forth in Section 1(b) hereof; and

(iv) On the Implementation Date, the following consideration shall be placed into trust with the Monitor, for the benefit of the Junior Constituents, to be paid to such Junior Constituents in accordance with their respective legal priorities, subject to payment in full of any prior ranking Junior Constituents:

(A) the Contingent Value Rights; plus

(B) the consideration set forth in Section 1(h)(ii) hereof (if any).

Early Consent Consideration:

(b) Each Noteholder (including the Initial Consenting Noteholders) that on or prior to the Consent Date executes (i) this Agreement, (ii) a support agreement in the form hereof or (iii) a Joinder Agreement in the form attached hereto as **Schedule C** (each a "**Consent Date Noteholder**") and provides evidence satisfactory to the Monitor in accordance with Section 2(a) hereof of the Notes held by such Consent Date Noteholder as at the Consent Date shall receive on the Implementation Date, as additional consideration for its Notes, its Pro Rata share of 7.5% of the Newco Shares (the "**Early Consent Consideration**").

Other Plan Matters:

(c) Pursuant to the Plan and the Final Order in respect of the Plan, all Noteholder Claims and Claims of Other Affected Creditors (including Claims of Junior Constituents) with respect to the Company (including, thereby, all class action type claims (whether debt or equity) and related indemnification claims) shall be

forever extinguished as against the Company and its Subsidiaries, without any consideration other than as provided for herein.

(d) Pursuant to the Plan and the Final Order in respect of the Plan, each current or former director or officer of the Company shall be released from any and all claims against them in their capacities as current or former directors or officers of the Company, except that such release shall not apply to or affect any claims that cannot be compromised under section 5.1(2) of the CCAA.

(e) Pursuant to the Plan, the Other Affected Creditors shall receive: (A) in respect of a Restructuring Transaction, the treatment afforded to the Noteholders pursuant to Sections 1(a)(iii)(A)-1(a)(iii)(C) hereof, or such other treatment as is acceptable to the Initial Consenting Noteholders and any Other Affected Creditor, provided that the aggregate amount of the Claims of the Other Affected Creditors shall not exceed $250,000, without the consent of the Company and the Initial Consenting Noteholders, acting reasonably, and (B) in respect of a Sale Transaction, the treatment set forth in Section 1(k) hereof.

(f) The Plan may provide that Noteholders and Other Affected Creditors holding claims less than an amount to be agreed between the Company and the Initial Consenting Noteholders, each acting reasonably, or who agree to reduce their claims for distribution purposes to such amount, will be entitled to receive a cash distribution in respect of such amount pursuant to the Plan in lieu of the other consideration such Persons are entitled to receive pursuant to the Plan.

(g) The Unaffected Claims shall not be impacted by the Plan, provided that the aggregate amount of the Unaffected Claims shall not exceed an amount to be agreed upon between the Company and the Initial Consenting Noteholders, each acting reasonably.

(h) Pursuant to the Plan, the Litigation Trust will be established on the Implementation Date for the benefit of the Noteholders and the Junior Constituents, as follows:

(i) The Litigation Trust shall be funded with $20 million in cash ("the "**Funding Amount**"), which amount shall be funded by the Company into the Litigation Trust on the Implementation Date;

(ii) To the extent that any proceeds are realized by the Litigation Trust as a result of:

(A) claims by the Litigation Trust against, or settlements with, Muddy Waters, LLC or any of its affiliates or subsidiaries (collectively, "**Muddy Waters**") or any Person acting jointly or in concert with Muddy Waters, then 100% of any and all of such proceeds shall be paid to the Monitor pursuant to Section 1(a)(iv) for the benefit of the Junior Constituents only; or

(B) claims by the Litigation Trust against, or settlements with, any Person other than Muddy Waters or any Person acting jointly or in concert with Muddy Waters, then:

(I) for the first $25,000,000 of any such proceeds, 100% of such proceeds shall be paid to the Monitor pursuant to Section 1(a)(iv) for the benefit of the Junior Constituents only; and

(II) for any such proceeds beyond the initial $25,000,000:

i. in the event that the enterprise value of Newco (as determined in accordance with generally accepted principles applied by Chartered Business Valuators or other manner agreed upon between the Company and the Advisors, acting reasonably) ("**Newco EV**") is, at the time that any proceeds are so available for distribution from the Litigation Trust, less than the Aggregate Principal Payment Amount plus Accrued Interest up to and including the CCAA Filing Date for all series of Notes, then 30% of any such proceeds shall in each such case be allocated Pro Rata among the Noteholders (up to a maximum of the difference between: (A) the Aggregate Principal Payment Amount plus Accrued Interest and (B) the Newco EV), and 70% of any such proceeds shall be paid to the Monitor pursuant to Section 1(a)(iv) for the benefit of the Junior Constituents; and

ii. in the event that Newco EV is, at the time that any proceeds are so available for distribution from the Litigation Trust, greater than the Aggregate Principal Payment Amount plus Accrued Interest up to and including the CCAA Filing Date for all series of Notes, then 100% of any such proceeds shall be paid to the Monitor pursuant to Section 1(a)(iv) for the benefit of the Junior Constituents only, and the Noteholders shall not be entitled to receive any distributions from the Litigation Trust.

Alternative Sale Transaction:

(i) Pursuant to the Sale Process Procedures, the Company shall simultaneously pursue a sale process for all or substantially all of the assets of the Company

(other than the Excluded Assets), and shall consummate a sale of all or substantially all of its assets pursuant to such process, and in lieu of the Restructuring Transaction, provided that any such sale is on terms acceptable to the Company and (i) shall be implemented pursuant to a Plan under the CCAA, and if determined necessary or advisable by the Company, the CBCA, (ii) complies with the terms, conditions and deadlines of the Sale Process Procedures, the Sale Process Order, this Agreement and the Plan, (iii) provides for a cash payment equal to the Aggregate Principal Payment Amount (being, as defined, 85% of the aggregate principal amount of the Notes outstanding as of the CCAA Filing Date, (iv) provides for a cash payment of all Accrued Interest on the Notes up to and including the CCAA Filing Date, and (v) provides for payment of the Expense Reimbursement; or (vi) is otherwise acceptable to the Company and the Initial Consenting Noteholders (any such sale on such terms, being a "**Sale Transaction**").

(j) In the event of a Sale Transaction, each Noteholder shall receive the following on the Implementation Date in full and complete satisfaction of its Noteholder Claims:

(i) a cash payment equal to all Accrued Interest due in respect of its Notes up to and including the CCAA Filing Date; plus

(ii) cash payment equal to its Pro Rata share of 82% of the principal amount of its Notes; plus

(iii) if applicable to such Noteholder, its Pro Rata share of the Early Consent Consideration (which in the case of a Sale Transaction shall be paid in the form of a cash payment to each Consent Date Noteholder in an amount equal to its Pro Rata share of 3% of the principal amount of its Notes). For greater certainty, the total amount payable under Sections 1(j)(ii) and 1(j)(iii) shall in no case exceed the Aggregate Principal Payment Amount.

(k) In the event of a Sale Transaction, on the Implementation Date, in full and complete satisfaction of its Claims, each Other Affected Creditor shall receive the following:

(i) a cash payment equal to its Pro Rata share of any and all net sale proceeds realized after payment of the amounts set forth in Section 1(j) hereof ("**Excess Net Proceeds**"), up to an amount not exceeding its proven Claim.

(l) In the event of a Sale Transaction, on the Implementation Date, the following consideration shall be placed into trust with the Monitor, for the benefit of the Junior Constituents:

(i) any remaining Excess Net Proceeds after payment of the amounts set forth in Section 1(k); plus

(ii) the consideration set forth in Section 1(h)(ii) hereof (if any),

and/or such other consideration permitted by the Sale Process Procedures.

2. The Consenting Noteholder's Representations and Warranties

Each Consenting Noteholder hereby represents and warrants, severally and not jointly, to the Company and the Direct Subsidiaries (and acknowledges that each of the Company and the Direct Subsidiaries are relying upon such representations and warranties) that:

(a) As of Agreement Date: it (i) either is the sole legal and beneficial owner of the principal amount of Notes disclosed to the Advisors as of such date or has the investment and voting discretion with respect to the principal amount of Notes disclosed to the Advisors as of such date (the amount of Notes disclosed to the Advisors by such Consenting Noteholder as of such date being the "**Relevant Notes**"; the accrued and unpaid interest and any other amount that such Consenting Noteholder is entitled to claim pursuant to the Relevant Notes is its "**Debt**"); (ii) has the power and authority to bind the beneficial owner(s) of such Notes to the terms of this Agreement; (iii) has authorized and instructed the Advisors to advise the Company, in writing, of the aggregate amount of each series of Notes held by the Consenting Noteholders collectively as of the date hereof, and shall cause the Advisors to promptly (and in any event, within five (5) Business Days) notify the Company or its advisors of any change (upon actual knowledge of such change) to the aggregate holdings of Notes held by the Consenting Noteholders, as well as update any writing delivered to the Company in respect thereof; and (iv) has authorized and instructed the Advisors to advise the Monitor, in writing, of the individual principal amount of each series of Notes held by it as of the date hereof, and shall cause the Advisors to promptly (and in any event, within five (5) Business Days) notify the Monitor or its advisors of any change (upon actual knowledge of such change) to the principal amount of Notes held by it, as well as update any writing delivered to the Monitor in respect thereof.

(b) To the best of its knowledge after due inquiry, there is no proceeding, claim or investigation pending before any court, regulatory body, tribunal, agency, government or legislative body, or threatened against it or any of its properties that, individually or in the aggregate, would reasonably be expected to impair the Consenting Noteholder's ability to execute and deliver this Agreement and to comply with its terms.

(c) The Debt held by the Consenting Noteholder is not subject to any liens, charges, encumbrances, obligations or other restrictions that would reasonably be expected to adversely affect its ability to perform its obligations under this Agreement.

(d) Except as contemplated by this Agreement, the Consenting Noteholder has not deposited any of its Relevant Notes into a voting trust, or granted (or permitted

to be granted) any proxies or powers of attorney or attorney in fact, or entered into a voting agreement, understanding or arrangement, with respect to the voting of its Relevant Notes where such trust, grant, agreement, understanding or arrangement would in any manner restrict the ability of the Consenting Noteholder to comply with its obligations under this Agreement.

(e) It (i) is a sophisticated party with sufficient knowledge and experience to properly evaluate the terms and conditions of this Agreement; (ii) has conducted its own analysis and made its own decision, in the exercise of its independent judgment, to enter into this Agreement; (iii) has obtained such independent advice in this regard as it deemed appropriate; and (iv) has not relied on the analysis or the decision of any Person other than its own members, employees, representatives or independent advisors (it being recognized that the Advisors are not the advisor to any individual holder of the Notes, including any Initial Consenting Noteholder or Consenting Noteholder, on an individual basis).

(f) The execution, delivery and performance by the Consenting Noteholder of its obligations under this Agreement:

(i) are within its corporate, partnership, limited partnership or similar power, as applicable;

(ii) have been duly authorized, by all necessary corporate, partnership, limited partnership or similar action, as applicable, including all necessary consents of the holders of its equity or other participating interests where required; and

(iii) do not (A) contravene its certificate of incorporation, articles, by-laws, membership agreement, limited partnership agreement or other constating documents, as applicable, (B) violate any judgment, order, notice, decree, statute, law, ordinance, rule or regulation applicable to it or any of its assets, or (C) conflict with or result in the breach of, or constitute a default under, or require a consent under, any contract material to the Consenting Noteholder.

(g) This Agreement constitutes a valid and binding obligation of the Consenting Noteholder enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally or by general principles of equity, whether asserted in a proceeding in equity or law.

(h) It is an accredited investor within the meaning of the rules of the United States Securities and Exchange Commission under the *Securities Act of 1933*, as amended, and the regulations promulgated thereunder, as modified by The Dodd-Frank Wall Street Reform and Consumer Protection Act.

(i) It is an "accredited investor", as such term is defined in National Instrument 45-106 – *Prospectus and Registration Exemptions* of the Canadian Securities

Administrators ("**NI 45-106**") and it was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106.

(j) It is resident in the jurisdiction indicated on its signature page to this Agreement.

3. The Company's and the Direct Subsidiaries' Representations and Warranties

The Company and each of the Direct Subsidiaries hereby represent and warrant, severally and not jointly, to each Consenting Noteholder (and the Company and each of the Direct Subsidiaries acknowledge that each Consenting Noteholder is relying upon such representations and warranties) that:

(a) To the best of its knowledge after due inquiry, except as disclosed in the Data Room, there is no proceeding, claim or investigation pending before any court, regulatory body, tribunal, agency, government or legislative body, or threatened against it or any of the Subsidiaries or properties that, individually or in the aggregate, would reasonably be expected to impair the ability of the Company or any of the Direct Subsidiaries to execute and deliver this Agreement and to comply with its terms, or which, if the Transaction was consummated, would result in a Material Adverse Effect.

(b) The execution, delivery and performance by the Company and each of the Direct Subsidiaries of this Agreement:

(i) are within its corporate, partnership, limited partnership or similar power, as applicable;

(ii) have been duly authorized by all necessary corporate, partnership, limited partnership or similar action, as applicable, including all necessary consents of the holders of its equity or other participating interests, where required; and

(iii) do not (A) contravene its or any of the Subsidiaries' certificate of incorporation, articles of amalgamation, by-laws or limited partnership agreement or other constating documents, as applicable, (B) violate any judgment, order, notice, decree, statute, law, ordinance, rule or regulation applicable to it or any of the Subsidiaries, properties or assets, or (C) result in the creation or imposition of any lien or encumbrance upon any of the property of the Company or any of its Subsidiaries.

(c) This Agreement constitutes a valid and binding obligation of the Company and each of the Direct Subsidiaries enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally or by general principles of equity, whether asserted in a proceeding in equity or law.

(d) To the knowledge of the Company, neither the Company nor any of its Subsidiaries has any material liability for borrowed money other than pursuant to those banking and other lending agreements that are disclosed in the Data Room.

(e) Except as disclosed in the Information, the Company has filed with the applicable securities regulators all documents required to be filed by it under Applicable Securities Laws except to the extent that such a failure to file would not be Material.

(f) Except as disclosed in the Information, no order halting or suspending trading in securities of the Company or prohibiting the sale of such securities has been issued to and is outstanding against the Company, and to the knowledge of the Company, and except as may be related to matters disclosed in the Information, no other investigations or proceedings for such purpose are pending or threatened.

(g) the Company has delivered or otherwise made available to the Advisors complete copies of all employment agreements for the Executive Officers, all of which are in full force and effect, and there have been no extension, supplements or amendments thereto other than as disclosed in the Data Room.

(h) The board of directors of the Company has: (i) reviewed the Transaction Terms; (ii) determined, in its business judgment, that the transactions contemplated by the Transaction Terms are in the best interests of the Company; (iii) resolved to recommend approval of this Agreement and the transactions and agreements contemplated hereby to the Noteholders and Other Affected Creditors; and (iv) approved this Agreement and the implementation of the Transaction Terms.

(i) Other than pursuant to this Agreement and any Joinder thereto, there are no agreements between the Company and any Noteholder with respect to any restructuring or recapitalization matters.

4. Consenting Noteholders' Covenants and Consents

Each Consenting Noteholder covenants and agrees as follows:

(a) Each Consenting Noteholder consents and agrees to the terms and conditions of, and the transactions contemplated by, this Agreement.

(b) Each Consenting Noteholder agrees to:

(i) vote (or cause to be voted) all of its Debt in all votes and in each vote in favour of the approval, consent, ratification and adoption of the Plan and the Restructuring Transaction or Sale Transaction contemplated thereby, as the case may be (and any actions required in furtherance of the foregoing);

(ii) support the approval of the Plan as promptly as practicable by the Court; and

(iii) instruct the Advisors to support the making of Initial Order and the Sale Process Order and any other matters relating thereto, and all other motions filed by the Company in furtherance of the transactions contemplated by this Agreement; provided in each case, that such orders and motions are in form and substance satisfactory to the Advisors and/or the Initial Consenting Noteholders.

(c) Each Consenting Noteholder agrees not to sell, assign, pledge or hypothecate (except with respect to security generally applying to its investments which does not adversely affect such Consenting Noteholder's ability to perform its obligations under this Agreement) or otherwise transfer (a "**Transfer**"), between the Agreement Date and the Termination Date, any Relevant Notes (or any rights or interests in respect thereof, including, but not limited to, the right to vote) held by such Consenting Noteholder, except to a transferee, who (i) is already a Consenting Noteholder if the representations and warranties of such transferee Consenting Noteholder in Section 2 remain true and correct after such Transfer; or (ii) contemporaneously with any such Transfer, agrees to be fully bound as a signatory Consenting Noteholder hereunder in respect of the Notes that are the subject of the Transfer, by executing and delivering to the Company, with a copy to the Advisors, a Joinder Agreement, the form of which is attached hereto as **Schedule C**. For greater certainty, where the transferee is not already a Consenting Noteholder, such transferee shall be bound by the terms of this Agreement only in respect of the Relevant Notes that are the subject of the Transfer, and not in respect of any other Notes of the transferee. Each Consenting Noteholder hereby agrees to provide the Company and the Advisors with written notice and, in the case of a Transfer pursuant to subparagraph (ii) of this Section 4(c), a fully executed copy of the Joinder Agreement, within three (3) Business Days following any Transfer to a transferee described in (i) or (ii) of this Section 4(c). Any transfer that does not comply with this Section 4(c) shall be void *ab initio*. For greater certainty, where a Consenting Noteholder assigns all of its Relevant Notes pursuant to this Section 4(c), this Agreement shall continue to be binding upon such Consenting Noteholder with respect to any Notes it subsequently acquires.

(d) Each Consenting Noteholder agrees, to the extent it effects a Transfer of any of its Relevant Notes in accordance with Section 4(c) hereof after 5:00 p.m. (Toronto time) on the Record Date and is entitled to vote on the adoption and approval of the Transaction and the Plan, to vote all of the Relevant Notes that are the subject of the Transfer on behalf of the transferee in all votes and in each vote in favour of the approval, consent, ratification and adoption of the Transaction and the Plan (and any actions required in furtherance thereof).

(e) Except as contemplated by this Agreement, each Consenting Noteholder agrees not to deposit any of its Relevant Notes into a voting trust, or grant (or permit to

be granted) any proxies or powers of attorney or attorney in fact, or enter into a voting agreement, understanding or arrangement, with respect to the voting of any of its Relevant Notes if such trust, grant, agreement, understanding or arrangement would in any manner restrict the ability of the Consenting Noteholder to comply with its obligations under this Agreement.

(f) Each Consenting Noteholder agrees that it shall:

(i) not accelerate or enforce or take any action or initiate any proceeding to accelerate or enforce the payment or repayment of any of its Debt (including for greater certainty any due and unpaid interest on its Relevant Notes), whether against the Company or any Subsidiary or any property of any of them;

(ii) execute any and all documents and perform any and all commercially reasonable acts required by this Agreement to satisfy its obligations hereunder including any consent, approval or waiver requested by the Company, acting reasonably;

(iii) forbear from exercising, or directing the Trustee to exercise, any default-related rights, remedies, powers or privileges, or from instituting any enforcement actions or collection actions with respect to any obligations under the Note Indentures, whether against the Company or any Subsidiary or any property of any of them and

(iv) (A) not object to, delay, impede or take any other action to interfere with the acceptance or implementation of the Transaction; (B) not propose, file, support or vote (or cause to vote) any of its Debt in favour of any alternative offer, restructuring, liquidation, workout or plan of compromise or arrangement or reorganization of or for the Company or any of its Subsidiaries that is inconsistent with the Plan or this Agreement; (C) vote (or cause to vote) any of its Debt against and oppose any proceeding under the CCAA or any other legislation in Canada or elsewhere, or any alternative offer, restructuring, liquidation, workout or plan of compromise or arrangement or reorganization of or for the Company or any of its Subsidiaries, in each case that is inconsistent with the Plan or this Agreement; or (D) not take, or omit to take, any action, directly or indirectly, that is materially inconsistent with, or is intended or is likely to interfere with the consummation of, the Transaction, except as and only to the extent required by applicable Law or by any stock exchange rules, by any other regulatory authority having jurisdiction over the Consenting Noteholder or by any court of competent jurisdiction.

The Consenting Noteholders acknowledge and agree that the Subsidiaries are direct beneficiaries of this Section 4(f) and may raise any defense (including, without limitation, any estoppel) or pursue any claim or remedy for any breach of this Section 4(f) or any action taken by any

Noteholder or Trustee in contravention of this Section 4(f).

5. Company's and the Direct Subsidiaries' Covenants and Consents

The Company and each of the Direct Subsidiaries covenants and agrees as follows:

(a) The Company and each Direct Subsidiary consents and agrees to the terms and conditions of, and the transactions contemplated by, this Agreement.

(b) Immediately upon this Agreement being executed by the Company and the Direct Subsidiaries and the Initial Consenting Noteholders, the Company will (i) cause to be issued a press release or other public disclosure in form and in substance reasonably acceptable to the Advisors that discloses the material provisions of the Transaction Terms and all such other information as the Company is required to disclose under the terms of the Noteholder Confidentiality Agreements, subject to the terms of Section 9 hereof, and (ii) file a copy of this Agreement on SEDAR, which shall be redacted to remove any information disclosing the identity or holdings of any Noteholders.

(c) The Company and the Direct Subsidiaries shall pursue the completion of the Transaction in good faith by way of the Plan, in accordance with the Transaction Terms, and in respect of a Restructuring Transaction or a Sale Transaction as the case may be, and shall use commercially reasonable efforts (including recommending to Noteholders and any other Person entitled to vote on the Plan that they vote to approve the Plan and taking all reasonable actions necessary to obtain any regulatory approvals for the Transaction) to achieve the following timeline (which may be amended by the Company with the consent of the Initial Consenting Noteholders or the Advisors, each acting reasonably):

(i) the initiation of proceedings pursuant to the CCAA (the "**CCAA Proceedings**"), as evidenced by filing the application seeking the Initial Order and the Sale Process Order with the Court, by no later than March 30, 2012;

(ii) approval of the Initial Order by the Court by no later than March 30, 2012;

(iii) approval of the Sale Process Order by the Court by no later than April 5, 2012; and

(iv) If no Approved Bidders are selected pursuant to the Sale Process Procedure in accordance with the terms thereof:

(A) filing of the Meeting Order and Plan by no later July 16, 2012;

(B) meeting of the Noteholders by no later than August 27, 2012;

(C) sanction of the Plan by the Court by no later than August 31, 2012; and

(D) implementation of the Plan by no later than the Outside Date.

(d) The Company shall provide draft copies of all motions or applications and other documents that the Company intends to file with the Court in connection with the Initial Order, the Sale Process Order, the Meeting Order, the Final Order, the Restructuring Transaction, any Sale Transaction, the Plan, and the transactions contemplated by any of the foregoing, to the Advisors at least two (2) Business Days prior to the date when the Company intends to file such documents (except in exigent circumstances where the Company shall provide the documents within such time prior to the filing as is practicable), and such filings shall in each case, when filed, be in form and substance acceptable to the Advisors, acting reasonably.

(e) Subject to any order of the Court, the Company and the Direct Subsidiaries shall (and shall cause each of the Subsidiaries, as required, to) (i) pursue, support and use commercially reasonable efforts to complete the Transaction in good faith, (ii) do all things that are reasonably necessary and appropriate in furtherance of, and to consummate and make effective, the Transaction, including, without limitation, using commercially reasonable efforts to satisfy the conditions precedent set forth in this Agreement, (iii) as soon as practicable following the date hereof, in cooperation with the Initial Consenting Noteholders and the Advisors, make all such filings and seek all such consents, approvals, permits and authorizations with any Governmental Entities or third parties whose consent is required in connection with the Transaction and use commercially reasonable efforts to obtain any and all required regulatory and/or third party approvals for or in connection with the Transaction and (iv) not take any action, directly or indirectly, that is materially inconsistent with, or is intended or is likely to interfere with the consummation of, the Transaction, except as required by applicable Law or by any stock exchange rules, or by any other Governmental Entity having jurisdiction over the Company or any of its Subsidiaries.

(f) Except as provided for in the Transaction Terms or as otherwise agreed to in writing by the Initial Consenting Noteholders, the Company shall not make any payment or pay any consideration of any nature or kind whatsoever on account of any amounts owing under the Notes.

(g) Except as contemplated by this Agreement, including pursuant to the Plan, the Company shall not (and shall cause each of the Subsidiaries not to) amend or modify any terms or conditions of the Note Indentures.

(h) Following a reasonable advance written request (which can be made by way of e-mail and, in terms of reasonable notice, shall in no event require more than five (5) Business Days notice and no less than two (2) Business Days notice) by any of the Advisors or any Initial Consenting Noteholder to any officer, director or employee of the Company or the Subsidiaries, and Allen Chan, with a copy in each case to any of Houlihan Lokey, Bennett Jones or the Chief Executive

Officer, the Company and the Direct Subsidiaries shall (subject, with respect to any confidential information to be provided to an Initial Consenting Noteholder or any of its representatives and affiliates, to the Initial Consenting Noteholder having executed, and its representatives and affiliates being bound by, a confidentiality agreement acceptable to the Company and the Advisors, acting reasonably):

(i) provide the Initial Consenting Noteholder (or its representatives and affiliates, as the case may be) or the Advisor, as the case may be, with access at reasonable times to the Company's and its Subsidiaries' premises, assets, accounts, books and records for use in connection with the Transaction; and

(ii) make Houlihan Lokey and any other advisor to the Company or the Subsidiaries, the officers, directors and employees of the Company and the Subsidiaries, and Allen Chan, available at reasonable times and places for any discussions with the Initial Consenting Noteholder (or its representatives and affiliates, as the case may be) or the Advisor, as the case may be.

(i) The Company shall assist the Initial Consenting Noteholders in their search for and selection of directors for the board of directors of Newco to be formed in connection with the Restructuring Transaction, and for any new senior management of Newco, to be put in place on the Implementation Date, including by establishing a search committee appointed by the Initial Consenting Noteholders, hiring a search firm chosen by the Initial Consenting Noteholders and paying all costs and expenses in respect of the search and selection process, including all reasonable costs associated with the search firm and all reasonable and documented out-of-pocket fees and expenses incurred by any Initial Consenting Noteholder in connection with such search and selection process.

(j) The Company shall, within thirty (30) days following the date of this Agreement, provide the Advisors with a detailed budget (including any financial retainers provided to its advisors) reflecting the Company's current best estimate of (i) the costs of completing the Transaction, including any material fees anticipated to be payable in connection with the Transaction (to professionals, employees, officers, directors, third parties or otherwise on the Implementation Date or otherwise) and (ii) the anticipated fees of the professional advisors to the Company (including, but not limited to, their legal advisors, auditors, and the Board of Directors' counsel and financial advisors) for all matters being addressed by such professionals, which shall include general descriptions of the work being or to be performed by each of these professionals (the "**Restructuring Budget**"). The Company shall update the Restructuring Budget on a monthly basis to reflect any changes in the Company's current best estimate of the costs of completing the Transaction, and to report on the actual amount of each such professional's fees for the preceding month.

(k) The Company shall pay the reasonable and documented fees of the Advisors and Conyers, Dill & Pearman LLP pursuant to their respective engagement letters with the Company within ten (10) Business Days following the receipt of any invoice from any such party.

(l) The Company shall keep the Advisors reasonably informed regarding any material discussions with any Person (other than the legal and financial advisors to the Company, the Initial Consenting Noteholders and their legal and financial advisors) with respect to the Transaction and shall provide the Advisors with an opportunity for a representative of the Advisors or the Initial Consenting Noteholders (subject to confidentiality restrictions) to participate in such material discussions. Notwithstanding the foregoing, with respect to a Sale Transaction, the Company may provide such information and opportunities as and to the extent set out in the Sale Process Procedures.

(m) Except to the extent they are to be continued pursuant to and in compliance with the Sale Process Procedures, the Company and the Direct Subsidiaries shall, and shall cause its Representatives and the Subsidiaries to, immediately terminate any existing solicitations, discussions or negotiations with any Person (other than the Initial Consenting Noteholders and their legal and financial advisors) that has made, indicated any interest in or may reasonably be expected to propose, any other transaction. The Company and the Direct Subsidiaries agree not to (and shall cause each of the Subsidiaries not to) release any party from any standstill covenant to which it is a party, or amend, waive or modify in any way any such standstill covenant.

(n) Other than through and in accordance with the Sale Process Procedures, the Company and the Direct Subsidiaries shall not (and shall cause each of the Subsidiaries not to), directly or indirectly through any Representative or any of the Subsidiaries: (i) solicit, initiate, knowingly facilitate or knowingly encourage (including by way of furnishing information or entering into any agreement) any inquiries or proposals regarding any transaction that is an alternative to the Transaction (an "**Other Transaction**"); (ii) participate in any substantive discussions or negotiations with any person (other than the Initial Consenting Noteholders and the Advisors) regarding any Other Transaction; (iii) accept, approve, endorse or recommend or propose publicly to accept, approve, endorse or recommend any Other Transaction; or (iv) enter into, or publicly propose to enter into, any agreement in respect of any Other Transaction; provided, however, that notwithstanding anything to the contrary in this Section 5(n), the Company may, after consulting with the Advisors, consider an Other Transaction if:

(i) the Company and each of the Direct Subsidiaries is in compliance, in all material respects, with all terms and conditions of this Agreement; and

(ii) (A) such Other Transaction is based on a proposal received from an arm's length third party that none of the Company or any Subsidiary has,

directly or indirectly through any Representative, solicited, initiated, knowingly facilitated or knowingly encouraged; and

(B) such Other Transaction provides for either:

(I) the repayment in full in cash of the principal amount of the Notes, all Accrued Interest and the Expense Reimbursement on closing of the Other Transaction; or

(II) is determined by the Company and its advisors to be financially superior for the Noteholders and can be implemented through a plan of arrangement with the support of the Initial Consenting Noteholders

provided for greater certainty that nothing in this Section 5(n) shall prohibit or restrict in any way the Company's rights under the Sale Procedure Process to solicit, discuss and negotiate a potential Sale Transaction with any other Person, all in each case in accordance with the terms of the Sale Process Procedures.

(o) Except in respect of an Other Transaction that is obtained through and in accordance with the Sale Process Procedures, (i) the Company shall promptly (and in any event within 24 hours following receipt by any of the Companies) notify the Advisors, at first orally and thereafter in writing, of any proposal in respect of any Other Transaction, in each case received after the Agreement Date, of which it or any of its Representatives are or become aware, or any amendments to such proposal in respect of any Other Transaction, any request for discussions or negotiations, or any request for non-public information relating to the Company or any of its Subsidiaries in connection with such Other Transaction or for access to the books or records of any the Company or any of its Subsidiaries by any Person that informs the Company or any of its Subsidiaries that it is considering making, or has made, a proposal with respect to any Other Transaction and any amendment thereto; and the Company shall promptly provide to the Advisors a description of the material terms and conditions of any such proposed Other Transaction or request; (ii) the Company the Direct Subsidiaries shall not, and shall cause its Representatives and the Subsidiaries not to, participate in any discussions with any Person that has delivered a proposal in respect of any Other Transaction, without providing reasonable notice to the Advisors and an opportunity for the Advisors or the Initial Consenting Noteholders to participate in any such discussions; and (iii) the Company shall keep the Advisors informed of any material change to the material terms of any such proposed Other Transaction.

(p) The Company and the Direct Subsidiaries shall not and shall cause the Subsidiaries not to materially increase compensation or severance entitlements or other benefits payable to directors, officers or employees, or pay any bonuses whatsoever, other than as required by law, or pursuant to the terms of existing

incentive plans or employment contracts, true and complete copies of which have been delivered or otherwise made available to the Advisors prior to the date hereof. Other than those outlined in the Data Room, there shall be no change of control payments paid by the Company or any of its Subsidiaries under any employment agreement, incentive plan or any other Material agreements as a result of the Transaction.

(q) The Company and the Direct Subsidiaries shall not and shall cause each of the Subsidiaries not to amalgamate, merge or consolidate with, or sell all or substantially all of its assets to, one or more other Persons, or enter into any other transaction of similar effect under the laws of any jurisdiction, or change the nature of its business or the corporate or capital structure, except as contemplated by this Agreement or with the consent of the Advisors.

(r) The Company and the Direct Subsidiaries shall not and shall cause each of the Subsidiaries not to (i) prepay, redeem prior to maturity, defease, repurchase or make other prepayments in respect of any indebtedness other than payments permitted or as required hereby, (ii) directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any indebtedness of any kind whatsoever (except for indebtedness that is incurred in the Ordinary Course which is in compliance with the covenants set out in the Note Indentures), (iii) create, incur, assume or otherwise cause or suffer to exist or become effective any lien, charge, mortgage, hypothec or security interest of any kind whatsoever on, over or against any of its assets or property (except for any lien, charge, mortgage, hypothec or security interest that is incurred in the Ordinary Course and that is not Material); (iv) issue, grant, sell, pledge or otherwise encumber or agree to issue, grant, sell, pledge or otherwise encumber any securities of the Company, the Direct Subsidiaries or any of the other Subsidiaries, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, securities of the Company, the Direct Subsidiaries or any of the other Subsidiaries, except in the Ordinary Course which is in compliance with the covenants set out in the Note Indentures; or (v) enter into any new secured or unsecured lending or credit facilities of any kind, without the consent of the Advisors except to replace existing lending or credit facilities and provided that the aggregate amount of such facilities does not exceed the aggregate amount of the Company's lending and credit facilities as at the date hereof; provided, however, that nothing in this Section 5(r) shall preclude any Subsidiary organized under the laws of the PRC from obtaining additional lending or credit facilities if doing so is determined to be in the Ordinary Course of such Subsidiary and, provided further, that the Advisors are informed of, and consent to, any such lending or credit facilities.

(s) Other than as contemplated and permitted by this Agreement, the Company and the Direct Subsidiaries shall not and shall cause each of the Subsidiaries not to, outside of the Ordinary Course, sell, transfer, lease, license or otherwise dispose of all or any part of its property, assets or undertaking (including, without limitation, by way of any loan transaction) with a value of over US$10,000,000

at any one time or in any series of transactions aggregating over US$30,000,000 (whether voluntarily or involuntarily) during the term of this Agreement, except on terms acceptable to the Initial Consenting Noteholders or the Advisors, acting reasonably.

(t) The Company and the Direct Subsidiaries shall and shall cause each of the Subsidiaries to (i) operate its business in the Ordinary Course and in a manner that is intended to preserve or enhance the value of such Person, to the extent possible having regard to such Person's financial condition, and (ii) shall not enter into any Material agreement outside the Ordinary Course, except as contemplated by this Agreement and the Sale Process Procedures and except with respect to any other transactions or potential transactions disclosed to the Advisors prior to the execution of this Agreement or with the prior written consent of the Initial Consenting Noteholders or the Advisors, which consent shall not be unreasonably withheld.

(u) The Company and the Direct Subsidiaries shall use reasonable commercial efforts, and shall cause the Subsidiaries to use reasonable commercial efforts, to maintain appropriate insurance coverage in amounts and on terms that are customary in the industry of the Company and its Subsidiaries, provided that such insurance is available on reasonable commercial terms.

(v) Except as may be provided for as part of the Transaction Terms, the Company and the Direct Subsidiaries shall not, and shall cause the Subsidiaries not to, directly or indirectly, declare, make or pay any dividend, charge, fee or other distribution, whether by way of cash or other consideration, to or with respect to any of its issued and outstanding shares (or any rights issued in respect thereof), provided that (x) the foregoing shall not limit the ability of any Restricted Subsidiary to pay dividends or make other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary to the extent that such limitation would violate provisions of the Note Indentures, and (y) the Company and its Subsidiaries shall be entitled to engage in intercompany transactions that are in the Ordinary Course or that are necessary and appropriate to preserve the value of the business or to carry out the repatriation of onshore cash referenced in subsection 5(x) below.

(w) The Company shall, from and after the date hereof, cause its subsidiaries to maintain a minimum aggregate cash balance (outside of Canada) of the aggregate of: (i) US$125,000,000 (ii) the amount by which cash received (net of associated expenses) from the sale of Thai redwood timber exceeds US$46,000,000 less (iii) the amount by which cash received (net of associated expenses) from the sale of Thai redwood timber is less than US$46,000,000.

(x) Subject to the other terms and conditions of this Agreement, the Company and its management shall identify, implement and monitor both short-term and long-term liquidity generating initiatives and all reasonable steps to monetize assets for the repayment of the indebtedness of the Company and its Subsidiaries. In

this regard, and subject to the need of the Company and its Subsidiaries to prioritize efforts relating to the orderly management of its PRC tax affairs and the reorganization of the ownership structure of its BVI purchased plantations, and the other terms and conditions of this Agreement, the Company and its management shall take all reasonable steps (including but not limited to seeking all necessary SAFE and other regulatory approvals) to repatriate to the Company or its offshore Subsidiaries in a timely manner all onshore cash in excess of the projected onshore operating requirements of the Company and its Subsidiaries.

(y) The Company shall produce a rolling 90-day cash flow forecast and shall discuss the receipts and disbursements for same with the Advisors, and shall consult with the Advisors regarding the matters referenced in subsections (w), (x) and (z) on no less than a bi-weekly basis.

(z) The Company shall keep the Advisors reasonably informed regarding any material discussions with any Person (other than legal and financial advisors to the Company) with respect to any material transactions concerning the Company and its Subsidiaries and shall provide the Advisors with an opportunity for a representative of the Advisors or of the Initial Consenting Noteholders (subject to any confidentially restrictions) to participate in such material discussions.

(aa) The Company shall keep the Advisors reasonably informed regarding any material discussions with the Ontario Securities Commission or the Royal Canadian Mounted Police concerning the Company or the Subsidiaries, or any director or officer thereof.

(bb) The Company shall forthwith expand its engagement of FTI Consulting (Hong Kong) Ltd. ("**FTI HK**") and shall instruct FTI HK to: (i) attend at the premises of its Subsidiaries in Hong Kong and the PRC (including its Sino-Wood and Sino-Panel divisions) to monitor and report on operations, cash management functions (including the collection and disbursement of cash in such operations); and (ii) provide such information and reports as may be requested by the Company, the Monitor or any of the Advisors, acting reasonably (provided that all such information shall be subject to the confidentiality agreements and undertakings executed by the parties and any such information provided by FTI HK to the Advisors or the Monitor shall be made available to the Company).

(cc) In the event that, after having received information and/or reports from FTI HK pursuant to Section 5(bb), the Initial Consenting Noteholders are not satisfied with the operations and management of the Company's Subsidiaries, the Initial Consenting Noteholders shall have the right to notify the Company that, in their view, additional operational, management or other expertise is required in respect of the Subsidiaries (or any of them), and to require the appointment within thirty (30) days of one or more Persons having such expertise, the identity of which shall be acceptable to the Company and the Initial Consenting Noteholders.

(dd) Any new additions to the board of directors of the Company shall be acceptable to the Initial Consenting Noteholders.

(ee) The Company shall cause its BVI Subsidiaries to carry out commercially reasonable and prudent procedures with respect to the screening and evaluating of new timber contracts (including, without limitation, with respect to the identity and creditworthiness of the contractual counterparties, and also verification of legal chain of title, plantation rights certificates, and valuation, as the case may be) through its BVI /AI structure (the "**BVI Structure**") (as distinct from its Wholly Foreign-Owned Entity Structure), which procedures shall be periodically reviewed and discussed with the Advisors (the "**BVI Timber Diligence Procedures**").

(ff) The Company shall cause its BVI Subsidiaries not to invest funds held by its AIs in the BVI Structure in new timber contracts for the BVI entities except in accordance with the BVI Timber Diligence Procedures, or in a manner otherwise acceptable to the Advisors.

(gg) The Company and its Subsidiaries shall not directly or indirectly enter into any contract for the sale or purchase of timber (including with any AI or supplier) through the BVI Structure with a value of more than US$5,000,000 at any one time or for any series of transactions aggregating over US$10,000,000 without the consent of the advisors.

(hh) The Company and its Subsidiaries shall make commercially reasonable efforts to collect all accounts receivable (including all accounts receivable payable by any AI) in the BVI Structure; and shall keep the Advisors informed of their efforts and status regarding same.

6. Conditions Precedent to Noteholder's Support Obligations

(a) Subject to Section 6(b), the obligation of the Consenting Noteholder to vote in favour of the Plan pursuant to Section 4(b)(i) shall be subject to the reasonable satisfaction of the following conditions prior to the Voting Deadline, each of which, if not satisfied prior to the Voting Deadline, can only be waived by the Initial Consenting Noteholders:

(i) the Initial Order, the Sale Process Order, the Meeting Order, the Plan and the proposed Final Order in respect of the Plan, and all other material filings by or on behalf of the Companies, or Orders entered by the Court, in the CCAA Proceedings to date, shall have been filed, and the Orders shall have been entered, in form and substance acceptable to the Advisors, acting reasonably;

(ii) the terms and conditions of the Plan shall be consistent with this Agreement or otherwise acceptable to the Initial Consenting Noteholders, acting reasonably (including, without limitation, all terms and conditions of the Litigation Trust and the Contingent Value Rights);

(iii) the Initial Consenting Noteholders shall be satisfied with the results of due diligence concerning the Company, its Subsidiaries and their businesses;

(iv) the Company and each of the Direct Subsidiaries shall have complied in all material respects with each covenant in this Agreement that is to be performed on or before the date that is three (3) Business Days prior to the Voting Deadline, including without limitation, by having complied with the timeline set forth in Section 5(c) hereof (as the same may have been amended with the consent of the Initial Consenting Noteholders or the Advisors, acting reasonably), and the Company shall have provided the Advisors with a certificate signed by an officer of the Company certifying compliance with this Section 6(iv) as of the date that is three (3) Business Days prior to the Voting Deadline;

(v) the Restructuring Budget shall be in form and substance acceptable to the Initial Consenting Noteholders, acting reasonably;

(vi) there shall have been no appointment of any new senior executive officers of the Company or any of its Subsidiaries or members of the board of directors of the Company, or any chief restructuring officer of the Company, unless such appointment, including its terms, was on terms satisfactory to the Initial Consenting Noteholders, acting reasonably;

(vii) the composition of the board of directors of Newco and the senior management and officers of Newco to be appointed on the Implementation Date shall be acceptable to the Initial Consenting Noteholders;

(viii) the terms of any New Management Plan shall be acceptable to the Initial Consenting Noteholders;

(ix) the representations and warranties of the Company and the Direct Subsidiaries set forth in this Agreement shall be true and correct in all respects without regard to any materiality or Material Adverse Effect qualifications contained in them as of the date that is three (3) Business Days prior to the Voting Deadline with the same force and effect as if made at and as of such date (except to the extent such representations and warranties are by their terms given as of a specified date, in which case such representations and warranties shall be true and correct in all respects as of such date), in each case except (A) as such representations and warranties may be affected by the occurrence of events or transactions contemplated by this Agreement, and (B) where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, and the Company shall have provided the Advisors with a certificate signed by an officer of the Company certifying compliance with this Section 6(a)(ix) as of the date that is three (3) Business Days prior to the Voting Deadline;

(x) there shall not exist or have occurred any Material Adverse Effect, and the Company shall have provided the Advisors with a certificate signed by an officer of the Company certifying compliance with this Section 6(x) as of the date that is three (3) Business Days prior to the Voting Deadline;

(xi) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, and no action shall have been announced, threatened or commenced by any Governmental Entity in consequence of or in connection with the Transaction that restrains or impedes, or prohibits (or if granted could reasonably be expected to restrain, impede or inhibit) the Transaction or any material part thereof or requires or purports to require a material variation of the Transaction, and the Company shall have provided the Advisors with a certificate signed by an officer of the Company certifying compliance with this Section 6(a)(xi) as of the date that is three (3) Business Days prior to the Voting Deadline; and

(xii) there shall have been no breach of the Noteholder Confidentiality Agreements by the Company or any of the Sino-Forest Representatives (as defined therein) in respect of that Consenting Noteholder.

(b) Notwithstanding Section 6(a), if the Company has, in compliance with the Sale Process Procedures, entered into a definitive agreement with respect to a Sale Transaction prior to the Voting Deadline, the obligation of the Consenting Noteholder to vote in favour of the Plan in respect of such Sale Transaction pursuant to Section 4(b)(i) shall be subject to the reasonable satisfaction of only the conditions precedent set forth in Sections 6(a)(i), 6(a)(ii), 6(a)(iv), 6(a)(xi) and 6(a)(xii) prior to the Voting Deadline, which, if not satisfied prior to the Voting Deadline, can only be waived by the Initial Consenting Noteholders.

7. Conditions Precedent to Restructuring

(a) Subject to Section 7(b), the Transaction shall be subject to the reasonable satisfaction of the following conditions prior to or at the time on which the Transaction is implemented (the "**Effective Time**"), each of which, if not satisfied on or prior to the Effective Date, can only be waived by the Initial Consenting Noteholders; provided, however that (A) the conditions in sub-clauses 7(a)(i) to 7(a)(iii), 7(a)(v) to 7(a)(viii), 7(a)(xi) and 7(a)(xvii) below shall also be for the benefit of the Company and (B) if not satisfied on or prior to the Effective Time, can only be waived by both the Company and the Initial Consenting Noteholders:

(i) (v) the Plan shall have been approved by the applicable stakeholders of the Company as and to the extent required by the Court or otherwise, any such requirement being acceptable to the Company and the Initial Consenting Noteholders, each acting reasonably; (w) the Plan shall have been approved by the Court and the Final Order shall be in full force and effect

prior to August 31, 2012 in respect of a Restructuring Transaction, and prior to the Outside Date in respect of a Sale Transaction; (x) the Plan shall have been approved by the applicable stakeholders and the Court in a form consistent with this Agreement or otherwise acceptable to the Company and the Initial Consenting Noteholders, each acting reasonably; (y) the Final Order shall have been entered by the Court in a form consistent with this Agreement or otherwise acceptable to the Company and the Initial Consenting Noteholders, each acting reasonably; and (z) the Implementation Date shall have occurred no later than the Outside Date;

(ii) all press releases, disclosure documents and definitive agreements in respect of the Transaction shall be in a form and substance satisfactory to the Company and the Initial Consenting Noteholders, each acting reasonably;

(iii) the new memorandum and articles of association, by-laws and other constating documents of Newco (including, without limitation, any shareholders agreement, shareholder rights plan, classes of shares (voting and non-voting)) or any affiliated or related entities to be formed in connection with the Transaction, as applicable, and all definitive legal documentation in connection with all of the foregoing shall be acceptable to the Initial Consenting Noteholders and in form and substance reasonably satisfactory to the Company;

(iv) the composition of the board of directors of Newco and the senior management and officers of Newco shall have been put in place on the Implementation Date and shall be acceptable to the Initial Consenting Noteholders;

(v) the terms of the New Management Plan, together with the terms of employment for the senior executive officers of Newco, shall have been put in place on the Implementation Date and shall be acceptable to the Initial Consenting Noteholders, and reasonably satisfactory to the Company;

(vi) the terms of the Litigation Trust and the Contingent Value Rights shall be satisfactory to the Company and the Initial Consenting Noteholders, each acting reasonably;

(vii) all Material filings under applicable Laws that are required in connection with the Transaction shall have been made and any Material regulatory consents or approvals that are required in connection with the Transaction shall have been obtained (including, without limitation, any required consent(s) of the Ontario Securities Commission) and, in the case of waiting or suspensory periods, such waiting or suspensory periods shall have expired or been terminated;

(viii) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, and no action shall have been announced, threatened or commenced by any Governmental Entity, in consequence of or in connection with the Transaction that restrains or impedes, or prohibits (or if granted could reasonably be expected to restrain, impede or inhibit) the Transaction or any material part thereof or requires or purports to require a material variation of the Transaction and the Company shall have provided the Consenting Noteholders with a certificate signed by an officer of the Company certifying compliance with this Section 7(a)(viii) as at the Effective Time;

(ix) the representations and warranties of the Company and the Direct Subsidiaries set forth in this Agreement shall be true and correct in all respects without regard to any materiality or Material Adverse Effect qualifications contained in them as of the Effective Time with the same force and effect as if made at and as of such date (except to the extent such representations and warranties are by their terms given as of a specified date, in which case such representations and warranties shall be true and correct in all respects as of such date), in each case except (A) as such representations and warranties may be affected by the occurrence of events or transactions contemplated by this Agreement, and (B) where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, and the Company shall have provided the Consenting Noteholders with a certificate signed by an officer of the Company certifying compliance with this Section 7(a)(ix) as at the Effective Time;

(x) there shall not exist or have occurred any Material Adverse Effect, and the Company shall have provided the Consenting Noteholders with a certificate signed by an officer of the Company certifying compliance with this Section 7(a)(x) as at the Effective Time;

(xi) all securities of the Company, Newco and any affiliated or related entities that are formed in connection with the Transaction, when issued and delivered, shall be duly authorized, validly issued and fully paid and non-assessable and the issuance thereof shall be exempt from all prospectus and registration requirements and resale restrictions of applicable Securities Legislation;

(xii) the Noteholders shall have received the consideration described in the Transaction Terms on the Implementation Date;

(xiii) in the case of a Restructuring Transaction all Existing Shares, Equity Interests, including all existing options, warrants, deferred share units and restricted share units held by current directors and officers or other third parties, and all Equity Claims shall have been cancelled or extinguished or

otherwise dealt with to the satisfaction of the Initial Consenting Noteholders, acting reasonably to ensure that no rights in respect thereof attach to the assets and property conveyed to Newco pursuant to the Restructuring Transaction;

(xiv) the Initial Consenting Noteholders, acting reasonably, shall be satisfied with the use of proceeds and payments relating to all aspects of the Transaction, including, without limitation, any change of control payments, consent fees, transaction fees or third party fees, in the aggregate of $500,000 or more, payable by the Company or any Subsidiary to any Person (other than a Governmental Entity) in respect of or in connection with the Transaction, including without limitation, pursuant to any employment agreement or incentive plan of the Company or any Subsidiary;

(xv) the Company shall have paid the Expense Reimbursement in full on the Implementation Date, and Newco shall have no liability for any fees or expenses due to the Company's legal, financial or advisors either as at or following the Implementation Date;

(xvi) the Company and the Direct Subsidiaries shall have complied in all material respects with each covenant in this Agreement that is to be performed on or before the Effective Time, and the Company shall have provided the Consenting Noteholders with a certificate signed by an officer of the Company certifying compliance with this Section 7(a)(xvi) as at the Effective Time; and

(xvii) any Sale Transaction shall be on terms and conditions consistent with this Agreement or otherwise acceptable to the Company and the Initial Consenting Noteholders, each acting reasonably.

(b) Notwithstanding Section 7(a), if the Company has, in compliance with the Sale Process Procedures, entered into a definitive agreement with respect to a Sale Transaction, such Sale Transaction shall be subject to the reasonable satisfaction of only the conditions in Sections 7(a)(i), 7(a)(ii), 7(a)(vii), 7(a)(viii), 7(a)(xii), 7(a)(xv), 7(a)(xvi) and 7(a)(xvii), prior to or at the Effective Time, each of which, if not satisfied on or prior to the Effective Date, can only be waived by the Initial Consenting Noteholders; provided, however that (A) the condition in Sections 7(a)(i), 7(a)(vii), 7(a)(viii) and 7(a)(xvii) shall also be for the benefit of the Company and (B) if not satisfied on or prior to the Effective Time, can only be waived by both the Company and the Initial Consenting Noteholders.

8. Conditions Precedent to Company's Obligations

The obligations of the Company under this Agreement shall be subject to the reasonable satisfaction of the following conditions, each of which, if not satisfied, can only be waived by the Company:

(a) the Consenting Noteholders shall have complied in all material respects with each of their covenants in this Agreement that is to be performed on or before the Implementation Date; and

(b) the representations and warranties of the Consenting Noteholders set forth in this Agreement shall be true and correct in all material respects without regard to any materiality qualifications contained in them as of the Implementation Date with the same force and effect as if made at and as of such time, except that representations and warranties that are given as of a specified date shall be true and correct in all material respects as of such date.

9. Press Releases and Public Disclosure Concerning Transaction

(a) No press release or other public disclosure concerning the transactions contemplated herein shall be made by the Company or any of its Representatives or Subsidiaries without the prior consent of the Advisors (such consent not to be unreasonably withheld) except as, and only to the extent that, the disclosure is required (as determined by the Company) by applicable Law or by any stock exchange rules on which its securities or those of any of its affiliates are traded, by any other regulatory authority having jurisdiction over the Company or any Direct Subsidiary, or by any court of competent jurisdiction; provided, however, that the Company shall provide the Advisors with a copy of such disclosure in advance of any release and an opportunity to consult with the Company as to the contents, and to provide comments thereon, and provided further that any such disclosure shall in all cases also comply with the terms and conditions set forth in Section 16 hereof and in any of the applicable Noteholder Confidentiality Agreements.

(b) Notwithstanding the foregoing and subject to Section 16 hereof, no information with respect to the principal amount of Notes or the number of Common Shares held or managed by any individual Consenting Noteholder or the identity of any individual Consenting Noteholder shall be disclosed by the Company or any of its Representatives or Subsidiaries in any press release or other public disclosure concerning the transactions contemplated herein.

(c) No press release or other public disclosure concerning the transactions contemplated herein shall be made by any Consenting Noteholder without the prior consent of the Company (such consent not to be unreasonably withheld) except as, and only to the extent that, the disclosure is required (as determined by the Consenting Noteholder) by applicable Law or by any stock exchange rules on which its securities or those of any of its affiliates are traded, by any other regulatory authority having jurisdiction over the Consenting Noteholder, or by any court of competent jurisdiction; provided, however, that the Consenting Noteholder shall provide the Company with a copy of such disclosure in advance of any release and an opportunity to consult with the Consenting Noteholder as to the contents, and to provide comments thereon, and provided further that any

such disclosure shall also comply with the terms of any applicable Noteholder Confidentiality Agreement.

(d) To the extent that there is a conflict between the provisions of this Section 9 and a Noteholder Confidentiality Agreement, the provisions of the Noteholder Confidentiality Agreement shall govern.

10. Further Assurances

Each Party shall do all such things in its control, take all such actions as are commercially reasonable, deliver to the other Parties such further information and documents and execute and deliver to the other Parties such further instruments and agreements as another Party shall reasonably request to consummate or confirm the transactions provided for in this Agreement, to accomplish the purpose of this Agreement or to assure to the other Party the benefits of this Agreement.

11. Consenting Noteholders' Termination Events

This Agreement may be terminated by the delivery to the Company and the Advisors of a written notice in accordance with Section 17(q) hereof by Initial Consenting Noteholders holding at least 66 2/3% of the aggregate principal amount of Relevant Notes held by the Initial Consenting Noteholders collectively, in the exercise of their sole discretion, or in the case of Sections 11(j) and (k) by, but only in respect of, any Initial Consenting Noteholder individually, upon the occurrence and, if applicable, continuation uncured (where such event is curable) for three (3) Business Days after receipt of such notice of any of the following events:

(a) failure by the Company to comply with any of the deadlines set forth in Section 5(c) hereof (including if the Implementation Date has not occurred by the Outside Date), as the same may have been amended with the consent of the Initial Consenting Noteholders or the Advisors;

(b) failure by the Company or any of the Direct Subsidiaries to comply in all material respects with, or default by the Company or any of the Direct Subsidiaries in the performance or observance of, any material term, condition, covenant or agreement set forth in this Agreement, which, if capable of being cured, is not cured within five (5) Business Days after the receipt of written notice of such failure or default;

(c) failure by the Company or any of the Direct Subsidiaries to comply with or satisfy any condition precedent set forth in Section 6 or 7 of this Agreement;

(d) if any representation, warranty or other statement of the Company or any of the Direct Subsidiaries made or deemed to be made in this Agreement shall prove untrue in any respect as of the date when made, except where the failure of such representations and warranties or other statements to be so true and correct, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect;

(e) the issuance of any preliminary or final decision, order or decree by a Governmental Entity, the making of an application to any Governmental Entity, or commencement of an action by any Governmental Entity, in consequence of or in connection with the Transaction, in each case which restrains, impedes or prohibits the Transaction or any material part thereof or requires or purports to require a material variation of the Transaction;

(f) the CCAA Proceedings are dismissed, terminated, or stayed or the Company whether voluntarily or involuntarily, commences or undergoes a receivership, liquidation, bankruptcy, debt enforcement proceeding or a proceeding under the CCAA, the *Bankruptcy and Insolvency Act* (Canada) or *Winding-Up and Restructuring Act* (Canada), or under any foreign insolvency law, or any of the Subsidiaries become subject to voluntary or involuntary liquidation proceedings, unless any such event occurs with the prior written consent of the Initial Consenting Noteholders;

(g) the appointment of a receiver, interim receiver, receiver and manager, trustee in bankruptcy, liquidator or administrator in respect of the Company, or any of its Subsidiaries, unless such event occurs with the prior written consent of the Initial Consenting Noteholders;

(h) the amendment, modification or filing of a pleading by the Company, or any of its Subsidiaries, seeking to amend or modify this Agreement, any of the Transaction Terms, the Initial Order, the Sale Process Order, the Sale Process Procedures, the Plan, or any other document related to any of the foregoing or otherwise filed in the CCAA Proceedings, in a manner not acceptable to the Initial Consenting Noteholders, acting reasonably;

(i) if there are any new additions to the board of directors of the Company that are not acceptable to the Initial Consenting Noteholders;

(j) if the Company and the Initial Consenting Noteholders cannot agree on the Person(s) to be appointed by the Company or any of its Subsidiaries pursuant to Section 5(cc) hereof; or

(k) if the Company fails to comply with its obligations under Section 5(h).

12. Companies' Termination Events

(a) This Agreement may be terminated by the delivery to the Consenting Noteholders (with a copy to the Advisors) of a written notice in accordance with Section 17(q) by the Company, in the exercise of its sole discretion, upon the occurrence and continuation of any of the following events:

(i) the issuance of any preliminary or final decision, order or decree by a Governmental Entity, the making of an application to any Governmental Entity, or commencement of an action by any Governmental Entity, in consequence of or in connection with the Transaction, in each case which

restrains, impedes or prohibits the Transaction or any material part thereof or requires or purports to require a material variation of the Transaction; or

(ii) if the Implementation Date has not occurred on or before the Outside Date;

(b) This Agreement may be terminated as to a breaching Consenting Noteholder (the "**Breaching Noteholder**") only, by delivery to such Breaching Noteholder of a written notice in accordance with Section 17(q) by the Company, in the exercise of its sole discretion and provided that the Company is not in default hereunder, upon the occurrence and continuation uncured (where such event is curable) for three Business Days after the receipt of such notice, of any of the following events:

(i) failure by the Breaching Noteholder to comply in all material respects with, or default by the Breaching Noteholder in the performance or observance of, any material term, condition, covenant or agreement set forth in this Agreement which is not cured within five (5) Business Days after the receipt of written notice of such failure or default; or

(ii) if any representation, warranty or other statement of the Breaching Noteholder made or deemed to be made in this Agreement shall prove untrue in any material respect as of the date when made,

and the Breaching Noteholder shall thereupon no longer be a Consenting Noteholder.

13. Mutual Termination

This Agreement, and the obligations of all Parties hereunder, may be terminated by mutual agreement among (a) the Company, (b) the Direct Subsidiaries and (c) Initial Consenting Noteholders holding at least 66 2/3% of the aggregate principal amount of Relevant Notes held by the Initial Consenting Noteholders collectively.

14. Effect of Termination

(a) Upon termination of this Agreement pursuant to Sections 11(a) to 11(i) Section 12(a) or Section 13 hereof, this Agreement shall be of no further force and effect and each Party hereto shall be automatically and simultaneously released from its commitments, undertakings, and agreements under or related to this Agreement, except for the rights, agreements, commitments and obligations under Sections 9(b), 14, 16 and 17, all of which shall survive the termination, and each Party shall have the rights and remedies that it would have had it not entered into this Agreement and shall, subject to the CCAA Proceedings and the terms of any Court orders made therein, be entitled to take all actions, whether with respect to the Transaction or otherwise, that it would have been entitled to take had it not entered into this Agreement.

(b) Upon termination of this Agreement by the Company and the Direct Subsidiaries with respect to a Breaching Noteholder under Section 12(b), or by an Objecting Noteholder under Section 17(o), or by an individual Initial Consenting Noteholder under Section 11(j) or 11(k) (an "**Individual Noteholder**") this Agreement shall be of no further force or effect with respect to such Breaching Noteholder, Objecting Noteholder or Individual Noteholder, as applicable, and all rights, obligations, commitments, undertakings, and agreements under or related to this Agreement of or in respect of such Breaching Noteholder, Objecting Noteholder or Individual Noteholder, as applicable, shall be of no further force or effect, except for the rights and obligations under Sections 9(b), 14, 16 and 17, all of which shall survive such termination, and each of the Company, the Direct Subsidiaries and such Breaching Noteholder, Objecting Noteholder or Individual Noteholder, as applicable, shall have the rights and remedies that it would have had it not entered into this Agreement and shall, subject to the CCAA Proceedings and the terms of any Court orders made therein, be entitled to take all actions, whether with respect to the Transaction or otherwise, that it would have been entitled to take had it not entered into this Agreement.

(c) Upon the occurrence of any termination of this Agreement, any and all consents, votes or support tendered prior to such termination by (i) the Consenting Noteholders in the case of termination pursuant to Section 11, Section 12(a) or Section 13 hereof, (ii) the Breaching Noteholder(s) in the case of a termination pursuant to Section 12(b), (iii) the Objecting Noteholder(s) in the case of termination pursuant to Section 17(o), or (iv) the Individual Noteholder in the case of termination pursuant to Section 11(j) or 11(k) shall be deemed, for all purposes, to be null and void from the first instance and shall not be considered or otherwise used in any manner by the Parties in connection with the Transaction, this Agreement, the CCAA Proceedings or otherwise.

15. Termination Upon the Implementation Date

This Agreement shall terminate automatically without any further required action or notice on the Implementation Date (immediately following the Effective Time). The Company shall pay the Expense Reimbursement on the Implementation Date (prior to the Effective Time). For greater certainty, the representations, warranties and covenants herein shall not survive and shall be of no further force or effect from and after the Implementation Date, provided that the rights, agreements, commitments and obligations under Sections 9(b), 16 and 17 shall survive the Implementation Date.

16. Confidentiality

The Company and each Direct Subsidiary agree, on its own behalf and on behalf of its Representatives and Subsidiaries, to maintain the confidentiality of the identity and, to the extent known, specific holdings of each Consenting Noteholder; provided, however, that such information may be disclosed: (a) to the Company's directors, trustees, executives, officers, auditors, and employees and financial and legal advisors or other agents (collectively referred to

herein as the "**Representatives**" and individually as a "**Representative**") and provided further that each such Representative is informed of, and agrees to abide by, this confidentiality provision; and (b) to Persons in response to, and to the extent required by, (i) any subpoena, or other legal process, including, without limitation, by the Court or applicable rules, regulations or procedures of the Court, (ii) any Governmental Entity, or (iii) applicable Law; provided that, if the Company or its Representatives are required to disclose the identity or the specific holdings of a Consenting Noteholder in the manner set out in the preceding sentence, the Company shall provide such Consenting Noteholder with prompt written notice of any such requirement so that such Consenting Noteholder may (at the Consenting Noteholder's expense) seek a protective order or other appropriate remedy or waiver of compliance with the provisions of this Agreement; and provided further, however, that each Consenting Noteholder agrees, (c) to the existence and factual details of this Agreement (other than the identity and, to the extent known, specific holdings of, any Consenting Noteholder) being set out in any public disclosure, including, without limitation, press releases and court materials, produced by the Company in connection with the Transaction and in accordance with this Agreement and the terms of any applicable Noteholder Confidentiality Agreement; and (d) to this Agreement being filed and/or available for inspection by the public to the extent required by law, and in any case in accordance with this Agreement and the terms of any Noteholder Confidentiality Agreement.

17. Miscellaneous

(a) Notwithstanding anything herein to the contrary, this Agreement applies only to each Consenting Noteholder's Debt and to each Consenting Noteholder solely with respect to its legal and/or beneficial ownership of, or its investment and voting discretion over its Debt (and not, for greater certainty, to any other securities, loans or obligations that may be held, acquired or sold by such Consenting Noteholder or any client of such Consenting Noteholder whose funds or accounts are managed by such Consenting Noteholder) and, without limiting the generality of the foregoing, shall not apply to:

(i) any securities, loans or other obligations (including the Notes) that may be held, acquired or sold by, or any activities, services or businesses conducted or provided by, any group or business unit within or affiliate of a Consenting Noteholder (A) that has not been involved in and is not acting at the direction of or with knowledge of the affairs of the Company and/or its Subsidiaries provided by any Person involved in the Transaction discussions or (B) is on the other side of an information firewall with respect to the officers, partners and employees of such Consenting Noteholder who have been working on the Transaction and is not acting at the direction of or with knowledge of the affairs of the Company and/or its Subsidiaries provided by any officers, partners and employees of such Consenting Noteholder who have been working on the Transaction;

(ii) any securities, loans or other obligations that may be beneficially owned by clients of a Consenting Noteholder, including accounts or funds managed by the Consenting Noteholder, that are not Notes or Debt; or

(iii) any securities, loans or other obligations (including Notes) that may be beneficially owned by clients of a Consenting Noteholder that are not managed or administered by the Consenting Noteholder.

(b) Subject to Section 4 hereof with respect to Consenting Noteholders' Relevant Notes and Debt and to the provisions of any applicable Noteholder Confidentiality Agreement, nothing in this Agreement is intended to preclude any of the Consenting Noteholders from engaging in any securities transactions.

(c) This Agreement shall in no way be construed to preclude any Consenting Noteholder from acquiring additional Notes ("**Additional Notes**"). If a Consenting Noteholder acquires Additional Notes after the date hereof, the Consenting Noteholder shall be bound by the terms of this Agreement in respect of such Additional Notes, and such Additional Notes shall constitute Relevant Notes for purposes of this Agreement.

(d) At any time, a Noteholder that is not a Consenting Noteholder may agree with the Company and the Direct Subsidiaries to become a Party to this Agreement by executing and delivering to the Company, with a copy to the Advisors, a Joinder Agreement substantially in the form of **Schedule C**.

(e) The headings of the Sections of this Agreement have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

(f) 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.

(g) Unless otherwise specifically indicated, all sums of money referred to in this Agreement are expressed in lawful money of the United States.

(h) This Agreement, the Noteholder Confidentiality Agreements and any other agreements contemplated by or entered into pursuant to this Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both oral and written, among the Parties with respect to the subject matter hereof.

(i) The agreements, representations and obligations of the Company and the Direct Subsidiaries are, in all respects, several and not joint and several. The Company and the Direct Subsidiaries acknowledge and agree that any waiver or consent that the Consenting Noteholders may make on or after the date hereof has been made by the Consenting Noteholders in reliance upon, and in consideration for, the covenants, agreements, representations and warranties of the Company and the Direct Subsidiaries hereunder.

(j) The agreements, representations and obligations of the Consenting Noteholders under this Agreement are, in all respects, several (in proportion to the percentage

of the aggregate principal amount of Notes represented by a Consenting Noteholder's Relevant Notes) and not joint and several. Each Consenting Noteholder acknowledges and agrees that any waiver or consent that the Company may make on or after the date hereof has been made by the Company in reliance upon, and in consideration for, the covenants, agreements, representations and warranties of the Consenting Noteholders hereunder.

(k) Any Person signing this Agreement in a representative capacity (i) represents and warrants that he/she is authorized to sign this Agreement on behalf of the Party he/she represents and that his/her signature upon this Agreement will bind the represented Party to the terms hereof, and (ii) acknowledges that the other Parties hereto have relied upon such representation and warranty.

(l) Except as otherwise expressly provided herein, for the purposes of this Agreement, any matter requiring the agreement, waiver, consent or approval under this Agreement of (i) the Consenting Noteholders shall require the agreement, waiver, consent or approval of Consenting Noteholders representing at least a majority of the aggregate principal amount of Relevant Notes held by the Consenting Noteholders, and for (ii) the Initial Consenting Noteholders shall require the agreement, waiver, consent or approval of Initial Consenting Noteholders representing at least 66 2/3% of the aggregate principal amount of Relevant Notes held by the Initial Consenting Noteholders. The Company shall be entitled to rely on written confirmation from the Advisors that the Consenting Noteholders or the Initial Consenting Noteholders, as applicable, representing at least the foregoing aggregate principal amount of Relevant Notes held by the Consenting Noteholders or the Initial Consenting Noteholders, as applicable, have agreed, waived, consented to or approved a particular matter.

(m) Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes have agreed, approved or consented to any amendment, waiver or consent to be given under this Agreement or under any documents related thereto, or have directed the taking of any action provided herein or in any of the documents related thereto to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes, Notes directly or indirectly owned by the Company or any of its Subsidiaries shall be deemed not to be outstanding.

(n) This Agreement may be modified, amended or supplemented as to any matter by an instrument in writing signed by the Company, the Direct Subsidiaries and Initial Consenting Noteholders (as determined in accordance with Section 17(l)).

(o) Notwithstanding anything to the contrary herein, if this Agreement is amended, modified or supplemented or any matter herein is approved, consented to or waived: (i) in a manner that materially adversely affects the consideration to be provided to the Noteholders as set forth in Section 1 hereof to be provided to Noteholders; (ii) or that limits an Individual Noteholder's ability to exercise the termination rights set forth in Sections 11(i) and 11(k) hereof; or (iii) such that

the Outside Date is extended beyond November 30, 2012, then any Consenting Noteholder that objects to any such amendment, modification, supplement, approval, consent or waiver may terminate its obligations under this Agreement upon five (5) Business Days' written notice to the other Parties hereto (each, an "**Objecting Noteholder**") and shall thereupon no longer be a Consenting Noteholder. For greater certainty, an Objecting Noteholder shall not be entitled to receive any consideration provided to Consent Date Noteholders hereunder.

(p) Time is of the essence in the performance of the Parties' respective obligations. Any date, time or period referred to in this Agreement shall be of the essence, except to the extent to which the Parties agree in writing to vary any date, time or period, in which event the varied date, time or period shall be of the essence.

(q) All notices and other communications which may be or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be deemed to be validly given if served personally or by facsimile transmission, in each case addressed to the particular Party:

(i) if to the Company or any Direct 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

(ii) if to the Consenting Noteholders, at the address set forth for each Consenting Noteholder beside its signature hereto;

with a copy by email or fax (which shall not be deemed notice) to:

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
Facsimile:	416-979-1234

and with a copy by email or fax (which shall not be deemed notice) to:

Hogan Lovells LLP
11th Floor, One Pacific Place, 88 Queensway
Hong Kong China

Attention:	Neil McDonald
Email:	neil.mcdonald@hoganlovells.com
Facsimile:	852-2219-0222

or at such other address of which any Party may, from time to time, advise the other Parties by notice in writing given in accordance with the foregoing. The date of receipt of any such notice shall be deemed to be the date of delivery or transmission thereof.

(r) If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the terms of this Agreement remain as originally contemplated to the fullest extent possible.

(s) This Agreement shall be binding upon and enure to the benefit of the Parties hereto and each of their respective successors, assigns, heirs and personal representatives, provided that no Party may assign, delegate or otherwise transfer any of its rights, interests or obligations under this Agreement without the prior written consent of the other Parties hereto, except that each Consenting Noteholder is permitted to assign, delegate or otherwise transfer any of its rights, interests or obligations under this Agreement as set forth in Section 4(c).

(t) This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to principles of conflicts of law. Each Party submits to the jurisdiction of the courts of the Province of Ontario in any action or proceeding arising out of or relating to this Agreement.

(u) The Parties waive any right to trial by jury in any proceeding arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement, present or future, and whether sounding in contract, tort or otherwise. Any Party may file a copy of this provision with any court as written evidence of the knowing, voluntary and bargained for agreement between the Parties irrevocably to waive trial by jury, and that any proceeding whatsoever between them relating to this Agreement or any of the transactions contemplated by this Agreement shall instead be tried by a judge or judges sitting without a jury.

(v) No director, officer or employee of the Company or any of its Subsidiaries or any of their legal, financial or other advisors shall have any personal liability to any of the Consenting Noteholders under this Agreement. No director, officer or employee of any of the Consenting Noteholders or any of the Advisors shall have any personal liability to the Company or any of its Subsidiaries under this Agreement.

(w) It is understood and agreed by the Parties that money damages would be an insufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief as a remedy of any such breach including, without limitation, an order of the Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder.

(x) All rights, powers, and remedies provided under this Agreement or otherwise in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any right, power, or remedy thereof by any Party shall not preclude the simultaneous or later exercise of any other such right, power, or remedy by such Party.

(y) No condition in this Agreement shall be enforceable by a Party if any failure to satisfy such condition results from an action, error or omissions by or within the control of such Party.

(z) Where any representation or warranty of the Company and the Direct Subsidiaries contained in this Agreement is expressly qualified by reference to the knowledge of the Company, it refers to the actual knowledge, after due inquiry, of the Executive Vice Chairman and Chief Executive Officer and the Chief Financial Officer of the Company, and does not include the knowledge or awareness of any other individual or any constructive, implied or imputed knowledge.

(aa) Unless expressly stated herein, this Agreement shall be solely for the benefit of the Parties, and no other person or entity shall be a third-party beneficiary hereof.

(bb) This Agreement may be signed in counterparts, each of which, when taken together, shall be deemed an original. Execution of this Agreement is effective if a signature is delivered by facsimile transmission or electronic (e.g., pdf) transmission.

[Remainder of this page intentionally left blank; next page is signature page]

This Agreement has been agreed and accepted on the date first written above.

SINO-FOREST CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-PANEL HOLDINGS LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-GLOBAL HOLDINGS INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-PANEL CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-WOOD PARTNERS, LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-CAPITAL GLOBAL INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-FOREST INTERNATIONAL (BARBADOS) CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-FOREST RESOURCES INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

STRICTLY CONFIDENTIAL

Name of Consenting Noteholder: _____

Per: _____
Name:
Title:

Jurisdiction of residence for legal purposes:

_____

Email:

_____

Address:

_____

_____

_____

_____

STRICTLY CONFIDENTIAL

SCHEDULE A

DIRECT SUBSIDIARIES

Sino-Panel Holdings Limited
Sino-Global Holdings Inc.
Sino-Panel Corporation
Sino-Wood Partners, Limited
Sino-Capital Global Inc.
Sino-Forest International (Barbados) Corporation)
Sino-Forest Resources Inc. [Preferred shares held by SFC]

SCHEDULE B

DEFINITIONS

Definition	Section or Page Number
"Additional Notes"	Section 17(c)
"Agreement"	Page 1 (1st paragraph)
"Agreement Date"	Page 1 (1st paragraph)
"Breaching Noteholder"	Section 12(b)
"BVI Timber Diligence Procedures"	Section 5(ee)
"CBCA"	Page 1 (1st paragraph)
"CCAA"	Page 1 (1st paragraph)
"CCAA Proceedings"	Section 5(c)(i)
"Company"	Page 1 (1st paragraph)
"Consent Date Noteholder"	Section 1(b)
"Consenting Noteholder(s)"	Page 1 (1st paragraph)
"Debt"	Section 2(a)
"Early Consent Consideration"	Section 1(b)
"Effective Time"	Section 7
"Excess Net Proceeds"	Section 1(k)(i)
"FTI HK"	Section 55(bb)
"Funding Amount"	Section 1(h)(i)
"Individual Noteholder"	Section 14(b)
"Muddy Waters"	Section 1(h)(ii)(A)
"Newco"	Section 1(a)(i)
"Newco EV"	Section 1(h)(ii)(B)(II)

Definition	Section or Page Number
"NI 45-106"	Section 2(i)
"Objecting Noteholder"	Section 17(o)
"Party" or "Parties"	Page 1 (1st paragraph)
"Relevant Notes"	Section 2(a)
"Representative(s)"	Section 16
"Restructuring Budget"	Section 5(j)
"Sale Transaction"	Section 1(i)
"Transfer"	Section 4(c)

In addition, the following terms used in this Agreement shall have the following meanings:

"**2013 Note Indenture**" means the indenture dated as of July 23, 2008, by and between the Company, the entities listed as subsidiary guarantors thereto, and The Bank of New York Mellon, as trustee, as amended, modified or supplemented prior to the date hereof.

"**2014 Note Indenture**" means the indenture dated as of July 27, 2009 entered into by and between the Company, the subsidiary guarantors thereto, and Law Debenture Trust Company of New York, as trustee, as amended, modified or supplemented prior to the date hereof.

"2016 Note Indentures" means the indenture dated as of December 17, 2009, by and between the Company, the entities listed as subsidiary guarantors thereto, and The Bank of New York Mellon, as trustee, as amended, modified or supplemented prior to the date hereof.

"**2017 Note Indenture**" means the indenture dated as of October 21, 2010, by and between the Company, the subsidiary guarantors thereto, and Law Debenture Trust Company of New York, as trustee, as amended, modified or supplemented prior to the date hereof.

"**2013 Notes**" means the US$345,000,000 of 5.00% Convertible Senior Notes Due 2013 issued pursuant to the 2013 Note Indenture.

"**2014 Notes**" means the US$399,517,000 of 10.25% Guaranteed Senior Notes Due 2014 issued pursuant to the 2014 Note Indenture.

"**2016 Notes**" means the US$460,000,000 of 4.25% Convertible Senior Notes Due 2016 issued pursuant to the 2016 Note Indenture.

"**2017 Notes**" means the US$600,000,000 of 6.25% Guaranteed Senior Notes Due 2017 issued

pursuant to the 2017 Note Indenture.

"**2013 and 2016 Trustee**" means The Bank of New York Mellon, in its capacity as trustee for the 2013 Notes and the 2016 Notes.

"**2014 and 2017 Trustee**" means Law Debenture Trust Company of New York, in its capacity as trustee for the 2014 Notes and the 2017 Notes.

"**Accrued Interest**" means, in respect of any series of Notes, all accrued and unpaid interest on the Notes, at the regular rates provided therefor pursuant Note Indentures, up to and including the CCAA Filing Date.

"**Advisors**" means Goodmans and Hogan Lovells, in their capacity as legal advisors to the Initial Consenting Noteholders, and Moelis, in its capacity as financial advisor to the Initial Consenting Noteholders.

"**Aggregate Principal Payment Amount**" means 85% of the aggregate principal amount of all Notes outstanding as at the CCAA Filing Date.

"**AIs**" means the authorized intermediaries of the Company and/or any of its Subsidiaries.

"**Applicable Securities Laws**" means all applicable securities, corporate and other laws, rules, regulations, notices and policies in the Provinces of Canada.

"**Business Day**" means each day other than a Saturday or Sunday or a statutory or civic holiday that banks are open for business in Toronto, Ontario.

"**BVI**" means the British Virgin Islands.

"**Capital Stock**" shall have the meaning given to the term in the Note Indentures, as applicable.

"**CCAA Filing Date**" means the date on which the Initial Order is granted by the Court in respect of the Company pursuant to the CCAA.

"**Claim**" means any right or claim of any Person against the Company in any capacity, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind whatsoever of the Company, and any interest accrued thereon or costs payable in respect thereof, whether at law or in equity, including arising by reason of the commission of a tort (intentional or unintentional), any breach of duty (including any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to property or assets or to a trust, constructive trust or deemed trust (statutory, express, implied, resulting, or otherwise) against any property or assets, any taxes and together with any security enforcement costs or legal costs associated with any such claim, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, by surety, by warranty, or otherwise, and whether or not such right is executory or anticipatory in nature, including any claim arising from or caused by the termination, disclaimer, resiliation, assignment or repudiation by the Company of any contract, lease or other agreement, whether written or oral, any claim made or asserted

against the Company through any affiliate, subsidiary, associated or related person, or any right or ability of any Person to advance a claim for an accounting, reconciliation, contribution, indemnity, restitution or otherwise with respect to any matter, grievance, action (including any class action or proceeding before an administrative tribunal), cause or chose in action, whether existing at present or commenced in the future, and includes, without limitation (i) any other claims of any kind that, if unsecured, would have been claims provable in bankruptcy within the meaning of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 had the Company become bankrupt on the CCAA Filing Date, including any other claims arising from or caused by, directly or indirectly, the implementation of, or any action taken pursuant to, the Initial Order or the CCAA Proceedings, and (ii) Equity Claims.

"**Common Shares**" means the common shares in the capital of the Company.

"**Companies**" means, collectively, the Company and all of the Subsidiaries.

"**Consent Date**" means May 15, 2012.

"**Contingent Value Rights**" means the rights to be issued by Newco to a trustee on behalf of the Junior Constituents pursuant to the Restructuring Transaction and the Plan, pursuant to which the Junior Constituents will receive the right to receive 15% of any amounts realized in excess of $1.8 billion plus Accrued Interest up to and including the CCAA Filing Date upon a Newco "liquidity event" that occurs, or is deemed to occur, within 7 years of the Implementation Date, which rights shall not be transferable. In lieu of paying any cash amount that may be due to the Junior Constituents in respect of the Contingent Value Rights, Newco shall be entitled to elect to pay in securities of Newco (or the form of consideration being paid to the shareholders of Newco in connection with the Newco "liquidity event"). The definitive terms of the Contingent Value Rights, including the definition of a Newco "liquidity event" shall be determined by the Company and the Initial Consenting Noteholders, acting reasonably.

"**Court**" means the Ontario Superior Court of Justice, Commercial List.

"**Creditor**" means any Person having a Claim and includes, without limitation, the transferee or assignee of a Claim or a trustee, liquidator, receiver, receiver and manager, or other Person acting on behalf of such Person.

"**Data Room**" means the virtual data room maintained by the Company through the facilities of Merrill Corporation, as of March 29, 2012, as the same may be supplemented after the Agreement Date on notice to the Advisors.

"**Equity Claim**" has the meaning set forth in section 2(1) of the CCAA.

"**Equity Interest**" has the meaning set forth in section 2(1) of the CCAA.

"**Excluded Assets**" means cash equal to, and for purposes of, the Funding Amount, the rights of the Company to be transferred to the Litigation Trust and any other assets and rights of the Company that are not transferred to Newco as determined by the Company and the Initial Consenting Noteholders and identified in the Plan.

"**Executive Officers**" means Judson Martin, Kai Kit Poon, David J. Horsley, Chen Hua, Zhao Wei Mao, Thomas M. Maradin, Xu Ni, Alfred Hung and George Ho.

"**Existing Shares**" means the Common Shares of the Company issued and outstanding at any applicable time prior to the Effective Time.

"**Expense Reimbursement**" the reasonable and documented fees and expenses of the Advisors and Conyers, Dill & Pearman LLP, pursuant to their respective engagement letters with the Company, and other advisors as may be agreed to by the Company.

"**Final Order**" means the order of the Court approving the Plan, which shall be in form and substance satisfactory to the Company and the Initial Consenting Noteholders, each acting reasonably, and as the same may be amended by the Court or with the consent of the Company and the Initial Consenting Noteholders, each acting reasonably.

"**GAAP**" means generally accepted accounting principles as applied in Canada.

"**Goodmans**" means Goodmans LLP.

"**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.

"**Hogan Lovells**" means Hogan Lovells LLP.

"**Implementation Date**" means the date on which the Transaction is implemented.

"**Information**" means information set forth or incorporated in the Companies' public disclosure documents filed with the applicable securities regulators under the Securities Legislation, as applicable, since December 31, 2009.

"Initial Consenting Noteholders" means the Consenting Noteholders who executed this Agreement on the date written on the first page of this Agreement.

"**Initial Order**" means the initial order of the Court to be entered in the CCAA Proceedings, which shall be in form and substance satisfactory to the Company and the Initial Consenting Noteholders, each acting reasonably, and as the same may be amended by the Court or with the consent of the Company and the Initial Consenting Noteholders, each acting reasonably.

"**Intellectual Property**" means: (i) Canadian and non-Canadian patents, and applications for either 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 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.

"**Junior Constituent**" means any Person holding a Claim (including an Equity Claim) or right against the Company which is, either pursuant to any contract or otherwise pursuant to any applicable law (including, without limitation, the CCAA) subordinate in priority to the Noteholder Claims or otherwise not entitled to any distribution pursuant to the Plan until the Noteholder Claims have been paid in full, but only in respect of such Claim or right of such Person.

"**Law**" or "**Laws**" means any 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.

"**Litigation Trust**" means the litigation trust to be established pursuant to the Plan pursuant to which all claims of the Company and its Subsidiaries against any Person shall be transferred on the Implementation Date, the terms and conditions of which (including without limitation, as to the selection of counsel, the trustee, governance, the allocation of funding among claims to be pursued, and provisions prohibiting claims over or any liability against the Company, its Subsidiaries, Newco or its subsidiaries) shall be satisfactory to the Company and the Initial Consenting Noteholders, acting reasonably.

"**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 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 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 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 Companies (taken as a whole), (B) any change in the forestry industry generally, which does not have a Material disproportionate effect on the Companies (taken as a whole) (relative to other industry participants operating primarily in the PRC), (C) actions and omissions of any of the Companies required pursuant to this Agreement or taken with the prior written consent of the Initial Consenting Noteholders, (D) the effects of compliance with this Agreement, including on the operating performance of the Companies, (E) the negotiation, execution, delivery, performance, consummation, potential consummation or public announcement of this Agreement or the transactions contemplated by this Agreement, (F) any change in U.S. or Canadian interest rates or currency exchange rates unless such change has a Material disproportionate effect on the 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 Companies (taken as a whole).

"**Meeting Order**" means the Order of the Court establishing the procedures for voting on the Plan, which shall be in form and substance satisfactory to the Company and the Initial Consenting Noteholders, each acting reasonably, and as the same may be amended by the Court or with the consent of the Company and the Initial Consenting Noteholders, each acting reasonably.

"**Moelis**" means, collectively, Moelis & Company LLC and Moelis and Company Asia Limited, in their capacity as financial advisor to the Initial Consenting Noteholders.

"**Monitor**" means the monitor to be appointed by the Court pursuant to the Initial Order.

"**New Management Plan**" means the new management incentive plan and director compensation plan in respect of Newco, on terms and conditions acceptable to the Initial Consenting Noteholders.

"**Newco Shares**" means the common shares of Newco that are issued and outstanding as of the Effective Time.

"**Note Indentures**" means collectively the 2013 Note Indenture, the 2014 Note Indenture, the 2016 Note Indenture, and the 2017 Note Indenture.

"**Noteholder Claim**" means any Claim of any Person (including, without limitation, any current or former Noteholder or trustee, agent or intermediary) in respect of or in relation to the Notes, including without limitation, all principal, Accrued Interest and any other amounts payable pursuant to the Notes, the Note Indentures and any agreement or instrument pursuant or ancillary thereto (including any security or pledge in respect thereof), and any claims or rights of any Person against any Subsidiary under, pursuant to or in respect of any guarantee, indemnity or similar agreement in respect of the Notes.

"**Noteholder Confidentiality Agreements**" means, collectively, any and all the confidentiality and non-disclosure agreements that have been entered into and are binding upon a Consenting Noteholder and the Company.

"**Noteholders**" means, collectively, the holders of the Notes, and "**Noteholder**" means any

individual holder of any of the Notes.

"**Notes**" means, collectively, the 2013 Notes, the 2014 Notes, the 2016 Notes, and the 2017 Notes.

"**Ordinary Course**" means, with respect to an action taken or to be taken by the Company, or any of its Subsidiaries, that such action is consistent with the past practices of the Company, or the particular Subsidiary or Subsidiaries, as applicable, and was taken or is to be taken in the ordinary course of the normal day-to-day operations of the Company, or those particular Subsidiaries or Subsidiary, as applicable.

"**Other Affected Creditors**" means any Creditor (for greater certainty, not including Junior Constituents) other than: (i) a Creditor who has a Noteholder Claim, but only in respect of and to the extent of such Noteholder Claim, or (ii) a Creditor who has an Unaffected Claim, but only in respect of and to the extent of such Unaffected Claim.

"**Outside Date**" means November 30, 2012, as the same may be amended with the consent of the Initial Consenting Noteholders.

"**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 the plan of compromise or arrangement to be filed by the Company under the CCAA and, if determined necessary or advisable by the Company in conjunction with the CCAA Plan, and with the consent of the Advisors, the *Canada Business Corporations Act* for purposes of implementing the Restructuring Transaction or the Sale Transaction, as the case may be and in each case in accordance with the Transaction Terms, and as the same may be amended by the Court or with the consent of the Company and the Initial Consenting Noteholders, each acting reasonably.

"**PRC**" means the People's Republic of China.

"Pro Rata" means, unless otherwise defined in the Agreement, (i) in the case of a Noteholder, the principal amount of Notes held by such Noteholder as of the Record Date in relation to the aggregate principal amount of Notes held by all Noteholders as of the Record Date, and (ii) in the in the case of a Consent Date Noteholder, the principal amount of Notes held by such Consent Date Noteholder as of the Record Date in relation to the aggregate principal amount of Notes held by all Consent Date Noteholders as of the Record Date.

"**Record Date**" means the record date for Noteholder Claims and Claims of Other Affected Creditors to be established in the CCAA Proceedings, which date shall be acceptable to the Company and the Initial Consenting Noteholders, each acting reasonably.

"Restricted Subsidiary" shall have the meaning given to the term in the Note Indentures, as applicable.

"**Restructuring Transaction**" means the restructuring transaction described by Section 1(a) hereof pursuant to which the restructuring of the Company is to be effectuated pursuant to, and in accordance with, the Plan and this Agreement.

"**SAFE**" means State Administration of Foreign Exchange (China).

"**Sale Process Order**" means the order of the Court approving the Sale Process Procedures, substantially in the form appended as **Schedule D** hereto, which shall be in form and substance satisfactory to the Company and the Initial Consenting Noteholders, each acting reasonably, and as the same may be amended by the Court or with the consent of the Company and the Initial Consenting Noteholders, each acting reasonably.

"**Sale Process Procedures**" means the sale and investor solicitation procedures for the sale of all or substantially all of the assets of the Company appended to the Sale Process Order as Schedule "A" which shall in form and substance be satisfactory to the Initial Consenting Noteholders, acting reasonably, and as the same may be amended by the Court or with the consent of the Company and the Initial Consenting Noteholders.

"**Secured Newco Note**" means that certain secured note (or other debt instrument) to be issued by Newco on the Implementation Date under an indenture (or other similar instrument), on terms and conditions acceptable to the Initial Consenting Noteholders, and in form and substance satisfactory to the Company, and as the same may be amended in accordance with its terms.

"**Securities Legislation**" means all applicable Laws, regulations, rules, policies or instruments of any securities commission, stock exchange or like body in Canada, the United States, Hong Kong or the PRC.

"**Subsidiaries**" means all direct and indirect subsidiaries of the Company (including the Direct Subsidiaries and the subsidiaries thereof), except for Greenheart Group Limited and its subsidiaries.

"**Termination Date**" means the date on which this Agreement is terminated in accordance with the provisions hereof.

"**Transaction**" means the Restructuring Transaction or the Sale Transaction, as the case may be.

"**Transaction Terms**" means the terms set out in Section 1 of this Agreement.

"**Trustee**" means each of the 2014 and 2017 Trustee and the 2013 and 2016 Trustee.

"**Unaffected Claims**" means (i) any Claims of any employee, officer or director of the Company in respect of any wages, vacation pay, bonuses or other remuneration payable to such Person by the Company; (ii) any Claims in respect of which a Charge is granted pursuant to the Initial Order; (iii) any Claim required to be paid in priority to Noteholder Claims, including in accordance with section 6(3), (5) or (6) of the CCAA; and (iv) any Claim, other than a Noteholder Claim, which is secured by a lien or encumbrance on the property of the Company, which lien is valid, perfected and enforceable pursuant to applicable law, to the extent of and limited to the value of such property.

"**Voting Deadline**" means the date on which votes are due in respect of the Plan, as established by the Meeting Order to be entered in the CCAA proceedings, as the same may be amended by Order of the Court or with the consent of the Company and the Initial Consenting Noteholders, each acting reasonably.

SCHEDULE C

JOINDER AGREEMENT

This Joinder to the Support Agreement (this "**Joinder Agreement**") is made as of ____, 2012, by and among _____ (the "**Consenting Party**"), the Company (as defined below) and the Direct Subsidiaries (as defined therein) in consideration of the mutual covenants herein contained and benefits to be derived herefrom.

WITNESSETH:

WHEREAS, reference is made to a certain Support Agreement dated as of March 30, 2012 by and among the Initial Consenting Noteholders (as defined therein), the Direct Subsidiaries (as defined therein) and Sino-Forest Corporation (the "**Company**"), as amended, modified, supplemented or restated and in effect from time to time, the "**Support Agreement**"). All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Support Agreement;

WHEREAS, the Consenting Party desires to become a party to, and to be bound by the terms of, the Support Agreement; and

WHEREAS, pursuant to the terms of the Support Agreement, in order for the Consenting Party to become party to the Support Agreement, the Consenting Party is required to execute this Joinder Agreement;

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Joinder and Assumption of Obligations

Effective as of the date of this Joinder Agreement, the Consenting Party hereby acknowledges that the Consenting Party has received and reviewed a copy of the Support Agreement, and hereby:

(a) acknowledges and agrees to:

(i) join in the execution of, and become a party to, the Support Agreement as a Consenting Noteholder thereunder, as indicated with its signature below;

(ii) subject to subsection (iii) below, be bound by all agreements of the Consenting Noteholders under the Support Agreement with the same force and effect as if such Consenting Party was a signatory to the Support Agreement and was expressly named as a party therein; and

(iii) assume all rights and interests and perform all applicable duties and obligations of the Consenting Noteholders under the Support Agreement

other than those expressed therein to be solely the rights, interests, duties and obligations of the Initial Consenting Noteholders; and

(b) confirms each representation and warranty of the Consenting Noteholders under the Support Agreement with the same force and effect as if such Consenting Party was a signatory to the Support Agreement and was expressly named as a party therein.

2. Binding Effect

Except as specifically amended by this Joinder Agreement, all of the terms and conditions of the Support Agreement shall remain in full force and effect as in effect prior to the date hereof.

3. Miscellaneous

(a) This Joinder Agreement may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument. Delivery of an executed signature page of this Joinder Agreement by email or facsimile transmission will be effective as delivery of a manually executed counterpart hereof.

(b) This Joinder Agreement expresses the entire understanding of the parties with respect to the transactions contemplated hereby. No prior negotiations or discussions shall limit, modify, or otherwise affect the provisions hereof.

(c) Any determination that any provision of this Joinder Agreement or any application hereof is invalid, illegal or unenforceable in any respect and in any instance shall not affect the validity, legality, or enforceability of such provision in any other instance, or the validity, legality or enforceability of any other provisions of this Joinder Agreement.

(d) This Joinder Agreement shall be governed by, construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein (excluding any conflict of laws rule or principle which might refer such construction to the laws of another jurisdiction) and all actions or proceedings arising out of or relating to this Joinder Agreement shall be heard and determined exclusively in the courts of the Province of Ontario.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, each of the undersigned has caused this Joinder Agreement to be duly executed and delivered by its proper and duly authorized officer as of the date first written above.

STRICTLY CONFIDENTIAL

Name of Consenting Noteholder: _____

Per: _____
Name:
Title:

Jurisdiction of residence for legal purposes:

_____

Email:

_____

Address:

_____

_____

_____

_____

Securities subject to this Support Agreement	**6.25% Notes**	**10.25% Notes**	**4.25% Notes**	**5% Notes**
Original Face Amount of Notes on [•], 2012				

STRICTLY CONFIDENTIAL

STRICTLY CONFIDENTIAL

Accepted and agreed to as of the date first above written.

SINO-FOREST CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-PANEL HOLDINGS LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-GLOBAL HOLDINGS INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-PANEL CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-WOOD PARTNERS, LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-CAPITAL GLOBAL INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-FOREST INTERNATIONAL (BARBADOS) CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

SINO-FOREST RESOURCES INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE D

FORM OF SALE PROCESS ORDER

Tab 7

Court File No. CV-12-129667-00-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 OR ARRANGEMENT OF SINO-FOREST CORPORATION

RESPONDING FACTUM OF ERNST & YOUNG LLP

(Motion Re: Stay of Proceedings returnable May 8, 2012)

May 4, 2012

LENCZNER SLAGHT ROYCE SMITH GRIFFIN LLP
Barristers
Suite 2600
130 Adelaide Street West
Toronto ON M5H 3P5

Peter H. Griffin (19527Q)
Tel: (416) 865-2921
Fax: (416) 865-3558
Email: pgriffin@litigate.com
Peter J. Osborne (33420C)
Tel: (416) 865-3094
Fax: (416) 865-3974
Email: posborne@litigate.com
Shara N. Roy (49950H)
Tel: (416) 865-2942
Fax: (416) 865-3973
Email: sroy@litigate.com

Lawyers for the Responding Party,
Ernst & Young LLP

TO: THE ATTACHED SERVICE LIST

April 27, 2012

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 OR ARRANGEMENT OF SINO-FOREST CORPORATION

SERVICE LIST

TO: **BENNETT JONES LLP**
3400 One First Canadian Place,
P.O. Box 130
Toronto, Ontario M5X 1A4

Robert W. Staley
Tel: 416.777.4857
Fax: 416.863.1716
Email: staleyr@bennettjones.com

Kevin Zych
Tel: 416.777.5738
Email: zychk@bennettjones.com

Derek J. Bell
Tel: 416.777.4638
Email: belld@bennettjones.com

Raj S. Sahni
Tel: 416.777.4804
Email: sahnir@bennettjones.com

Jonathan Bell
Tel: 416.777.6511
Email: bellj@bennettjones.com

Sean Zweig
Tel: 416.777.6254
Email: zweigs@bennettjones.com

Lawyers for the Applicant, Sino-Forest Corporation

AND TO: **GOWLING LAFLEUR HENDERSON LLP**
1 First Canadian Place
100 King Street West, Suite 1600
Toronto, Ontario M5X 1G5

Derrick Tay
Tel: 416.369.7330
Fax: 416.862.7661
Email: derrick.tay@gowlings.com

Clifton Prophet
Tel: 416.862.3509
Email: Clifton.prophet@gowlings.com

Jennifer Stam
Tel: 416.862.5697
Email: Jennifer.stam@gowlings.com

Jason McMurtrie
Tel: 416.862.5627
Email: Jason.mcmurtrie@gowlings.com

Lawyers for the Monitor

April 27, 2012

AND TO: **FTI CONSULTING CANADA INC.**
T-D Waterhouse Tower
79 Wellington Street West
Toronto-Dominion Centre, Suite 2010,
P.O. Box 104
Toronto, Ontario M5K 1G8

Greg Watson
Tel: 416.649.8100
Fax: 416.649.8101
Email: greg.watson@fticonsulting.com

Jodi Porepa
Tel: 416.649.8070
Email: Jodi.porepa@fticonsulting.com

Monitor

AND TO: **BAKER MCKENZIE LLP**
Brookfield Place
2100-181 Bay Street
Toronto, Ontario M5J 2T3

John Pirie
Tel: 416.865.2325
Fax: 416.863.6275
Email: john.pirie@bakermckenzie.com

David Gadsden
Tel: 416.865.6983
Email: david.gadsden@bakermckenzie.com

Lawyers for Poyry (Beijing) Consulting Company Limited

AND TO: **AFFLECK GREENE MCMURTY LLP**
365 Bay Street, Suite 200
Toronto, Ontario M5H 2V1

Peter Greene
Tel: 416.360.2800
Fax: 416.360.8767
Email: pgreene@agmlawyers.com

Kenneth Dekker
Tel: 416.360.6902
Fax: 416.360.5960
Email: kdekker@agmlawyers.com

Michelle E. Booth
Tel: 416.360.1175
Fax: 416.360.5960
Email: mbooth@agmlawyers.com

Lawyers for BDO

AND TO: **TORYS LLP**
79 Wellington Street West
Suite 3000, Box 270
Toronto-Dominion Centre
Toronto, Ontario M5K 1N2

John Fabello
Tel: 416.865.8228
Fax: 416.865.7380
Email: jfabello@torys.com

David Bish
Tel: 416.865.7353
Email: dbish@torys.com

Andrew Gray
Tel: 416.865.7630
Email: agray@torys.com

Lawyers for the Underwriters named in Class Actions

April 27, 2012

AND TO: **LENCZNER SLAGHT ROYCE SMITH GRIFFIN LLP**
Suite 2600, 130 Adelaide Street West
Toronto, Ontario M5H 3P5

Peter H. Griffin
Tel: 416.865.9500
Fax: 416.865.3558
Email: pgriffin@litigate.com

Peter J. Osborne
Tel: 416.865.3094
Fax: 416.865.3974
Email: posborne@litigate.com

Linda L. Fuerst
Tel: 416.865.3091
Fax: 416.865.2869
Email: lfuerst@litigate.com

Shara Roy
Tel: 416.865.2942
Fax: 416.865.3973
Email: sroy@litigate.com

Lawyers for Ernst & Young

AND TO: **MERCHANT LAW GROUP LLP**
Saskatchewan Drive Plaza
100-2401 Saskatchewan Drive
Regina, Saskatchewan S4P 4H8

E.F. Anthony Merchant, Q.C.
Tel: 306.359.7777
Fax: 306.522.3299
tmerchant@merchantlaw.com

Lawyers for the Plaintiffs re Saskatchewan action

AND TO: **GOODMANS LLP**
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

Benjamin Zarnett
Tel: 416.597.4204
Fax: 416.979.1234
Email: bzarnett@goodmans.ca

Robert Chadwick
Tel: 416.597.4285
Email: rchadwick@goodmans.ca

Brendan O'Neill
Tel: 416.979.2211
Email: boneill@goodmans.ca

Caroline Descours
Tel: 416.597.6275
Email: cdescours@goodmans.ca

Lawyers for Ad Hoc Committee of Bondholders

AND TO: **ONTARIO SECURITIES COMMISSION**
Suite 1900, 20 Queen Street West
Toronto, Ontario M5H 3S8

Hugh Craig
Senior Litigation Counsel
Tel: 416.593.8259
Email: hcraig@osc.gov.on.ca

April 27, 2012

AND TO: **OSLER, HOSKIN & HARCOURT LLP**
1 First Canadian Place
100 King Street West
Suite 6100, P.O. Box 50
Toronto, Ontario M5X 1B8

Larry Lowenstein
Tel: 416.862.6454
Fax: 416.862.6666
Email: llowenstein@osler.com

Edward Sellers
Tel: 416.862.5959
Email: esellers@osler.com

Geoffrey Grove
Tel: (416) 862-4264
Email: ggrove@osler.com

Lawyers for the Board of Directors of Sino-Forest Corporation

AND TO: **SISKINDS LLP**
680 Waterloo Street
P.O. Box 2520
London, Ontario N6A 3V8

A. Dimitri Lascaris
Tel: 519.660.7844
Fax: 519.672.6065
Email: dimitri.lascaris@siskinds.com

Charles M. Wright
Tel: 519.660.7753
Email: Charles.wright@siskinds.com

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

AND TO: **COHEN MILSTEIN SELLERS & TOLL PLC**
1100 New York, Ave., N.W.
West Tower, Suite 500
Washington, D.C. 20005

Steven J. Toll
Tel: 202.408.4600
Fax: 202.408.4699
Email: stoll@cohenmilstein.com

Matthew B. Kaplan
Tel: 202.408.4600
Email: mkaplan@cohenmilstein.com

Attorneys for the Plaintiff and the Proposed Class re New York action

AND TO: **KOSKIE MINSKY LLP**
20 Queen Street West, Suite 900
Toronto, Ontario M5H 3R3

Kirk M. Baert
Tel: 416.595.2117
Fax: 416.204.2899
Email: kbaert@kmlaw.ca

Jonathan Ptak
Tel: 416.595.2149
Fax: 416.204.2903
Email: jptak@kmlaw.ca

Jonathan Bida
Tel: 416.595.2072
Fax: 416.204.2907
Email: jbida@kmlaw.ca

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

April 27, 2012

AND TO: **COHEN MILSTEIN SELLERS & TOLL PLC**
88 Pine Street, 14th Floor
New York, NY 10005

Richard S. Speirs
Tel: 212.838.7797
Fax: 212.838.7745
Email: rspeirs@cohenmilstein.com

Kenneth M. Rehns
Tel: 212.838.7797
Email: krehns@cohenmilstein.com

Attorneys for the Plaintiff and the Proposed Class re New York action

AND TO: **THOMPSON HINE LLP**
335 Madison Avenue – 12th Floor
New York, New York 10017-4611

Yesenia D. Batista
Tel: 212.908.3912
Fax: 212.344.6101
Email: yesenia.batista@thompsonhine.com

Irving Apar
Tel: 212.908.3964
Email: irving.apar@thompsonhine.com

Curtis L. Tuggle
3900 Key Center, 127 Public Square
Cleveland, Ohio 44114
Tel: 216.566.5904
Fax: 216.566.5800
Email: Curtis.tuggle@thompsonhine.com

Lawyers for Senior Note Indenture Trustee

AND TO: **LAW DEBENTURE TRUST COMPANY OF NEW YORK**
400 Madison Avenue – 4th Floor
New York, New York 10017

Anthony A. Bocchino, Jr.
Tel: 646-747-1255
Fax: 212.750.1361
Email: anthony.bocchino@lawdeb.com

Senior Note Indenture Trustee

AND TO: **THE BANK OF NEW YORK MELLON**
Global Corporate Trust
101 Barclay Street – 4th Floor East
New York, New York 10286

David M. Kerr, Vice President
Tel: 212.815.5650
Fax: 732.667.9322
Email: david.m.kerr@bnymellon.com

Convertible Note Indenture Trustee

April 27, 2012

AND TO: **THE BANK OF NEW YORK MELLON**
320 Bay Street, 11th Floor
Toronto, Ontario M5H 4A6

George Bragg
Tel: 416.933.8505
Fax: 416.360.1711 / 416.360.1737
Email: George.bragg@bnymellon.com

Convertible Note Indenture Trustee

AND TO: **WARDLE DALEY BERNSTEIN LLP**
2104 - 401 Bay Street, P.O. Box 21
Toronto Ontario M5H 2Y4

Peter Wardle
Tel: 416.351.2771
Fax: 416.351.9196
Email: pwardle@wdblaw.ca

Simon Bieber
Tel: : 416.351.2781
Email: sbieber@wdblaw.ca

Lawyers for David Horsley

AND TO: **THE BANK OF NEW YORK MELLON**
12/F Three Pacific Place
1 Queen's Road East, Hong Kong

Marelize Coetzee, Vice President
Relationship Manager, Default Administration Group – APAC
Tel: 852.2840.6626
Mobile: 852.9538.5010
Email: marelize.coetzee@bnymellon.com

Tin Wan Chung
Tel: 852.2840.6617
Fax: 852.2295-3283
Email: tin.chung@bnymellon.com

Grace Lau
Email: grace.lau@bnymellon.com

Convertible Note Indenture Trustee

AND TO: **LINKLATERS LLP**
10th Floor, Alexandra House
18 Chater Road
Hong Kong China

Melvin Sng
Tel: 852 2901 5234
Fax: 852 2810 8133
Email: Melvin.Sng@linklaters.com

Lawyers for Sino-Forest Corporation (Hong Kong)

April 27, 2012

AND TO: **LINKLATERS LLP**
10th Floor, Alexandra House
18 Chater Road
Hong Kong China

Hyung Ahn
Tel: 852 2842 4199
Fax: 852 2810 8133
Email: hyung.ahn@linklaters.com

Samantha Kim
Tel: 852.2842 4197
Email: Samantha.Kim@Linklaters.com

Jon Gray
Tel: 852.2842.4188
Email: Jon.Gray@linklaters.com

Lawyers for Sino-Forest Corporation (U.S.)

AND TO: **KING AND WOOD MALLESONS**
9th Floor, Hutchison House
Central, Hong Kong Island
Hong Kong (SAR)

Edward Xu
Tel: 852.2848.4848
Fax: 852.2845.2995
Email: Edward.Xu@hk.kwm.com

Helena Huang
Tel: 852.2848.4848
Email: Helena.huang@kingandwood.com

Tata Sun
Tel: 852.2848.4848
Email: tata.sun@kingandwood.com

Lawyers for Sino-Forest Corporation (PRC)

AND TO: **APPLEBY GLOBAL**
Jayla Place, Wickham's Cay1
P.O. Box 3190, Road Town
Tortola VG1110 BVI

Eliot Simpson
Tel: 284.852.5321
Fax: 284.494.7279
Email: esimpson@applebyglobal.com

Andrew Willins
Tel: 284 852 5323
Email: awillins@applebyglobal.com

Andrew Jowett
Tel: 284 852 5316
Email: ajowett@applebyglobal.com

Lawyers for Sino-Forest Corporation (BVI)

AND TO: **THORNTON GROUT FINNEGAN LLP**
Suite 3200, 100 Wellington Street West
P. O. Box 329, Toronto-Dominion Centre
Toronto, Ontario M5K 1K7

James H. Grout
Tel: 416.304.0557
Fax: 416.304.1313
Email: jgrout@tgf.ca

Lawyers for the Ontario Securities Commission

AND TO: **McCARTHY TETRAULT LLP**
Suite 2500, 1000 De La Gauchetiere St. West
Montreal, Québec, H3B 0A2

Alain N. Tardif
Tel: 514.397.4274
Fax : 514.875.6246
Email: atardif@mccarthy.ca

Mason Poplaw
Tel: 514.397.4155
Email: mpoplaw@mccarthy.ca

Céline Legendre
Tel: 514.397.7848
Email: clegendre@mccarthy.ca

Lawyers for Ernst & Young

AND TO: **CHAITONS LLP**
5000 Yonge Street, 10th Floor
Toronto, Ontario M2N 7E9

Harvey G. Chaiton
Tel: 416.218.1129
Fax: 416.218.1849
Email: Harvey@chaitons.com

Lawyers for the Law Debenture Trust Company of New York

AND TO: **MILLER THOMSON LLP**
Scotia Plaza, 40 King Street West
Suite 5800
Toronto, Ontario M5H 3S1

Jay M. Hoffman
Tel: 416.595.8508
Fax: 416.595.8695
Email: jhoffman@millerthomson.com

Joseph Marin
Tel: 416.595.8579
Email: jmarin@millerthomson.com

Emily Cole
Tel: 416.595.8640
Email: ecole@millerthomson.com
Lawyers for Allen Chan

AND TO: **PALIARE ROLAND ROSENBERG ROTHSTEIN LLP**
250 University Ave, Suite 501
Toronto, Ontario M5H 3E5

Ken Rosenberg
Tel: 416.646.4304
Fax: 416.646.4301
Email: ken.rosenberg@paliareroland.com

Massimo (Max) Starnino
Tel: 416.646.7431
Email: max.starnino@paliareroland.com

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

AND TO: **DEPARTMENT OF JUSTICE**
130 King Street West
Toronto, Ontario M5X 1K6

Diane Winters, General Counsel
Tel: 416.973.3172
Fax: 416.973.0810
Email: diane.winters@justice.gc.ca

Lawyers for Canada Revenue Agency

AND TO: **FASKEN MARTINEAU LLP**
333 Bay Street, Suite 2400,
Bay-Adelaide Centre, Box 20
Toronto, Ontario M5H 2T6

Stuart Brotman
Tel: 416.865.5419
Fax: 416.364.7813
Email: sbrotman@fasken.com

Conor O'Neill
Tel: 416 865 4517
Email: coneill@fasken.com

Canadian Lawyers for the Convertible Note Indenture Trustee (The Bank of New York Mellon)

April 27, 2012

AND TO: **EMMET, MARVIN & MARTIN, LLP**
120 Broadway, 32nd Floor
New York, NY 10271

Margery A. Colloff
Tel: 212.238.3068 or 212.653.1746
Fax: 212.238.3100
Email: mcolloff@emmetmarvin.com

U.S. Lawyers for the Convertible Note Indenture Trustee (The Bank of New York Mellon)

T991329\TOR_LAW\ 7884118\13

Court File No. CV-12-129667-00-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 OR ARRANGEMENT OF SINO-FOREST CORPORATION

RESPONDING FACTUM OF ERNST & YOUNG LLP
(Motion Re: Stay of Proceedings returnable May 8, 2012)

PART I - OVERVIEW

1. The Applicant, Sino-Forest Corporation ("Sino-Forest" or the "Company"), brings this motion to seek advice and directions on the scope of the stay of proceedings (the "Stay") granted by this Honourable Court by order dated March 30, 2012 (the "Initial Order"), in connection with the Company filing for protection under the *Companies' Creditors Arrangement Act* (the "*CCAA*"):

(a) to confirm or clarify (to the extent necessary) that the Stay applies to all claims and all defendants in the litigation to which Sino-Forest is a defendant (the "Class Actions"), including the Ontario action identified in Court File No. CV-11-431153-CP (the "Ontario Class Action") and the Quebec action identified in Court File No. 200-06-000132 (the "Quebec Class Action"); or

(b) in the alternative, that the Stay granted in the Initial Order be extended, *nunc pro tunc*, to include all claims and all defendants in the Class Actions.

2. Ernst & Young LLP ("E&Y") supports Sino-Forest's motion. The Stay did or should apply to all other defendants, including E&Y, in the Class Actions,:

(a) the *CCAA* is remedial legislation to be given large and liberal interpretation;

(b) the Court has broad powers to effect the purposes of the *CCAA*, including to maintain the *status quo* and facilitate restructuring;

(c) the language of the Initial Order – staying litigation "in respect of" Sino-Forest and its Business and Property – is broad and captures litigation against third party defendants;

(d) the claims against the third party defendants in the Class Actions, including E&Y, are necessarily derivative of the claims against the Company; and

(e) allowing the Class Actions to proceed against the third parties would be prejudicial to the Company as well as E&Y and is not in the best interests of stakeholders.

3. In a corollary motion, counsel for a self-styled Ad Hoc Committee of Purchasers of the Applicant's Securities, including the proposed representative plaintiffs in the Ontario Class Action, (the "Ontario Plaintiffs") seek to lift the Stay for the purposes of a proposed settlement with Pöyry (Beijing) Consulting Company Ltd. ("Pöyry"). Pöyry is one of several defendants in the Class Actions.

4. The Ontario Plaintiffs have failed to discharge their heavy burden to show why lifting the Stay for the purposes of the Pöyry settlement is necessary or in the best interests of stakeholders.

In any event, the Pöyry settlement was completed following the Company's *CCAA* application and in violation of this Court's Initial Order staying the proceedings, at least as against Sino-Forest.

PART II - THE FACTS

5. During the periods relevant to the Class Actions, E&Y was retained as Sino-Forest's auditor – from 2007 until it resigned on April 5, 2012.

Reference: Affidavit of W. Judson Martin sworn April 23, 2012 ("April 23 Martin Affidavit") , Motion Record of Sino-Forest Corporation, at para. 13, Tab 2

6. On June 2, 2011, a short-seller, Muddy Waters LLC and its principal, Carson Block, issued a report which purported to reveal alleged fraud at the Company and cast various aspersions on the Company's advisors. In the wake of that report, Sino-Forest's share price plummeted and Muddy Waters and Carson Block profited handsomely from their short position.

Reference: Affidavit of W. Judson Martin sworn March 30, 2012, at para, 114 ("March 30 Martin Affidavit") attached as Exhibit A to Affidavit of W. Judson Martin sworn April 23, 2012, Motion Record of Sino-Forest Corporation, Tab 2

7. E&Y was served with a multitude of class action claims in numerous jurisdictions including Ontario and Quebec. In Ontario alone, E&Y was served with four competing proposed class actions. Following a carriage motion, an uneasy peace was brokered between two law firms and a number of proposed representative plaintiffs were absorbed into what is now the Ontario Class Action.

Reference: April 23 Martin Affidavit, Motion Record of Sino-Forest Corporation, Tab 2, at paras. 7-8

Smith v. Sino-Forest Corporation, 2012 ONSC 24 attached as Exhibit D to the Affidavit of Daniel Bach sworn April 11, 2012, Motion Record of the Proposed Representative Plaintiffs, Tab 2

8. The plaintiffs in the Class Action claim damages in the aggregate, and against all defendants, of $9.2 billion on behalf of resident and non-resident shareholders and noteholders. The causes of action alleged are both statutory, under the *Securities Act (Ontario)*, and at common law, claiming for negligence and negligent misrepresentations to primary and secondary market purchasers. The central claim is that Sino-Forest and its advisors, including the auditors and underwriters, misrepresented that the Company's financial statements complied with generally accepted accounting principles. The claims against E&Y and the other third party defendants are that they failed in their gatekeeping function.

Reference: Proposed Fresh and Amended Statement of Claim, attached as Exhibit B to the Affidavit of Daniel Bach sworn April 11, 2012 ("April 11 Bach Affidavit"), Motion Record of the Proposed Representative Plaintiffs, Tab 2

9. On March 30, 2012, this Court granted the Initial Order, which stayed the proceedings. On April 13, 2012, this Court extended the Stay until June 1, 2012.

Reference: April 23 Martin Affidavit, Motion Record of Sino-Forest Corporation, Tab 2, at para. 5

10. E&Y has contractual claims of indemnification against Sino-Forest and its subsidiaries for all relevant years, in respect of its annual audits as well as related to prospectus and note offerings. E&Y also has statutory and common law claims of contribution and/or indemnity against Sino-Forest and its subsidiaries for all relevant years. It appears that similar claims for contribution and indemnity have been or will be made by the defendant underwriters and the Company's former auditors BDO.

Reference: April 23 Martin Affidavit at paras. 13-15, Exhibits H and I, Motion Record of Sino-Forest Corporation, Tabs, 2 2-H, 2-I

Exhibits A-J to the Affidavit of Christina Shiels sworn April 24, 2012, Motion Record of E&Y, Tabs 1A-J

11. The evidence filed by the Company demonstrates clearly that it is not in the interest of its stakeholders for management's time and effort to be diverted from the restructuring and sales process to the Class Actions at this critical time. It is submitted that this would inevitably occur if the Class Actions were permitted to continue against the other defendants.

Reference: Motion Record of Sino-Forest Corporation, Notice of Motion Tab 1

April 23 Martin Affidavit, Motion Record of Sino-Forest Corporation, Tab 2, at para. 25

12. It would also be prejudicial to Sino-Forest for the Class Actions to continue without them should the *CCAA* restructuring fail. The likely result would be to force the company back into the Class Actions at a later stage in the litigation or for there to be a parallel proceeding. This raises the spectre of duplication, inconsistent findings and wasted judicial resources.

13. Given the nature of the gatekeeping claims against E&Y and the other third party defendants, the Company's participation in any Class Action is of central importance. It would be prejudicial to E&Y and the other defendants to proceed without the Company.

PART III - THE LAW

A. The *CCAA* is Broad and Purposive

14. The *CCAA* is remedial legislation which should be given a large and liberal interpretation:

> The modern approach to interpretation of the Act in accordance with its nature and purpose militates against a narrow interpretation and towards one that facilitates and encourages compromises and arrangements.

Reference: *ATB Financial v. Metcalfe and Mansfield Alternative Investments II Corp.*, [2008] O.J. No. 3164 (C.A.) at paras. 44 and 74-95 [*Metcalfe and Mansfield*], EY Brief of Authorities, Tab 1

15. The Court has broad discretion to stay proceedings on terms it sees fit:

> The Court has always had an inherent jurisdiction to grant a stay of proceedings whenever it is just and convenient to do so, in order to control its process or prevent an abuse of that process.

Reference: *Campeau v. Olympia & York Developments*, [1992] O.J. No. 1946 at 4 (Gen. Div.) [*Campeau*], EY Brief of Authorities, Tab 2

16. The Court's jurisdiction in granting a stay in the context of the *CCAA* extends to both preserving the *status quo* and facilitating a restructuring.

Reference: *Re Stelco Inc.*, [2005] O.J. No. 1171 (C.A.) at para. 36, EY Brief of Authorities, Tab 3

B. The Stay Applies or Should Apply to all Third Parties

17. The Courts have held that, in certain circumstances, these goals may be more properly accomplished by staying all aspects of proceedings where the applicant company is a defendant.

Reference: *Campeau, supra*

Timminco Limited (Re)., 2012 ONSC 2515 (S.C.J.) at para. 23 [*Timminco*], EY Brief of Authorities, Tab 4

18. The language of the Initial Order is broad enough to apply to E&Y and the third party defendants. The Stay is not limited to proceedings "against" the Company. The Stay expressly applies to all proceedings "against or in respect of" Sino-Forest and its Business or 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 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. [Emphasis Added]
>
> **Reference:** Initial Order dated March 30, 2012; see also paras. 18-20 and 24

19. The words "in respect of" have been given a very broad interpretation by the Supreme Court of Canada:

> The words "in respect of" are, in my opinion, words of the widest possible scope. They import such meanings as "in relation to", "with reference to", or "in connection with". The phrase "in respect of" is probably the widest of any expression intended to convey some connection between two related subject matters.
>
> **Reference:** *Sarvanis v. Canada*, 2002 SCC 28 at para. 20, EY Brief of Authorities, Tab 5

20. Where an action against the applicant and third parties arises from the same "nucleus of operative facts", a stay may apply to those third parties.

> **Reference:** *Menegon v. Philip Services Corp.*, [1999] O.J. No. 4080 at para. 29 (S.C.J.), EY Brief of Authorities, Tab 6

21. In *Campeau*, the action stemmed from a series of real estate transactions and shareholder agreements between the plaintiffs and the defendant, Olympia & York. National Bank of Canada was named as a co-defendant as a result of alleged misconduct by its representative on the Board of Directors of the plaintiff Campeau Corporation. The plaintiffs sought damages of $1 billion.

22. Olympia & York filed for *CCAA* protection and the plaintiffs' claim was stayed against Olympia & York. National Bank of Canada sought to have the stay apply to it as well. National

Bank argued that Olympia & York was central to the claims made by the plaintiffs and that the action could not proceed without them. The Court agreed:

> While there may not be a great deal of prejudice to National Bank in allowing the action to proceed against it, I am satisfied that there is little likelihood of the action proceeding very far or very effectively unless and until Olympia & York – whose alleged misdeeds are the real focal point of the attack on both sets of defendants – is able to participate.
>
> **Reference:** *Campeau, supra*, at 6

23. This Court recently reached a similar conclusion in *Timminco*. There, the *CCAA* applicants were also defendants in an uncertified or proposed class proceeding. The co-defendant to the class proceeding was a third party consulting firm (Photon). The plaintiff sought to lift the stay against the applicants and Photon in order to seek leave to appeal to the Supreme Court of Canada from an order that part of the proposed action was statute-barred. In the alternative, the plaintiff sought to have the appeal proceed against the defendant Photon only.

24. Morawetz J. held that it made sense that the stay the proceedings applied to Photon as well as the applicants, and that to do otherwise would be wasteful of judicial resources:

> With respect to the claim against Photon, as pointed out by their counsel, it makes no sense to lift the stay only as against Photon and leave it in place with respect to the Timminco Entities. As counsel submits, the Timminco Entities have an interest in both the legal issues and the factual issues that may be advanced if Mr. Penneyfeather proceeds as against Photon, as any such issues as are determined in Timminco's absence may cause unfairness to Timminco, particularly, if Mr. Penneyfeather later seeks to rely on those findings as against Timminco. I am in agreement with counsel's submission that to make such an order would be prejudicial to Timminco's business and property. In addition, I accept the submission that it would also be unfair to Photon to require it to answer Mr. Penneyfeather's allegations in the absence of Timminco as counsel has indicated that Photon will necessarily rely on documents and information produced by Timminco as part of its own defence.

> I am also in agreement with the submission that it would be wasteful of judicial resources to permit the class proceedings to proceed as against Photon but not Timminco as, in addition to the duplicative use of court time, there would be the possibility of inconsistent findings on similar or identical factual issues and legal issues. For these reasons, I have concluded that it is not appropriate to lift the stay as against Photon. [Emphasis added]
>
> **Reference:** *Timminco, supra* at para. 23-24

25. These principles are apt to the Class Actions. It is alleged misdeeds of Sino-Forest and its officers and directors that are at the heart of the plaintiffs' actions. The claims against E&Y and the other advisors are, generally, that they are alleged to have failed in their "gatekeeper" function to detect those misdeeds.

> **Reference:** Proposed Fresh and Amended Statement of Claim, attached as Exhibit B to the Bach Affidavit, Motion Record of the Proposed Representative Plaintiffs, Tab 2

26. All aspects of the Class Actions, including the claims against E&Y, are "in respect of" the Company and arise from the same nucleus of operative facts.

27. In the absence of the Company or any of its officers or directors, the Class Actions cannot be effectively prosecuted or defended. The Class Actions are in their infancy. Certification has not been granted in any of the actions. If the Class Actions were stayed against the Company (and its officers and directors), but not against the other defendants, it could lead to an absurd and prejudicial result for the plaintiffs, the Company and the other defendants.

28. In addition to any prejudice to E&Y in defending the Class Actions, failing to stay the proceedings against it would also affect E&Y's claims for contribution and indemnity against the Company. E&Y has contractual, statutory and common law claims of contribution and indemnity against the Company for the yearly audits as well as the prospectus and note offerings.

EY's claims for indemnification are not limited to engagement letters entered into between it and the Company on or after September 2010.

29. In these circumstances, it is fair and efficient that the stay extend to the third party defendants in the Class Action, including E&Y. It accomplishes the goals of the *CCAA* to maintain the *status quo* and facilitate the restructuring, by focusing the Company's (and the stakeholders') time and resources on the *CCAA* process.

C. The Stay Should Not be Lifted for the Purposes of the Poyry Settlement

30. The Ontario Plaintiffs seek to have the stay lifted for the purposes of having a settlement with one of the defendants, Pöyry, approved. In the Ontario Class Action, the plaintiff is required to obtain: (a) leave; (b) court approval of a notice process; (c) certification of the action against Pöyry; and (d) an order that the settlement is fair to the proposed class.

31. E&Y filed a factum dated April 19, 2012 in respect of the lifting of the stay for the Pöyry settlement process. E&Y relies upon that factum for the purposes of this motion.

32. Following that factum, counsel for the Ontario Plaintiffs filed a supplementary affidavit of Daniel Bach sworn April 26, 2012, purporting to clarify the answers he gave on cross-examination and in answers to undertakings.

Reference: Affidavit of Daniel Bach sworn April 26, 2012 ("April 26 Bach Affidavit"), Motion Record of the Proposed Representative Plaintiffs, Tab 1

Cross-Examination of Daniel Bach on his Affidavit sworn April 11, 2012, held on April 17, 2012, Responding Brief of E&Y for Motion Returnable April 20, 2012, Tab 1

Answers to Undertakings and Refusals given on Cross-Examination of Daniel Bach on his Affidavit sworn April 11, 2012, held on April 17, 2012 ("Bach Answers to Undertakings"), Responding Brief of E&Y for Motion Returnable April 20, 2012, Tab 2

33. Mr. Bach purported to clarify that the Pöyry settlement agreement was finalized prior to the date of the Initial Order, although:

(a) It was not executed by all parties until April 2, 2012;

Reference: Bach Answers to Undertakings, Qs 209, 218 at pages 53-54, Responding Brief of E&Y for Motion Returnable April 20, 2012, Tab 2

(b) A "material term" of the contract was amended on March 26, 2012, following the signature of some parties on March 22, 2012;

Reference: Bach Answers to Undertakings, Qs 211, 212 and 215 at page 54, Responding Brief of E&Y for Motion Returnable April 20, 2012, Tab 2

(c) Not until after the Initial Order was made (on March 30, 2012 at 4:54pm and 5:51pm respectively) did two (2) signatories sign or indicate that they would sign the materially amended agreement; and

Reference: Bach Answers to Undertakings, Qs 211, 212 and 215 at page 54, Responding Brief of E&Y for Motion Returnable April 20, 2012, Tab 2

April 12 Bach Affidavit at paras. 18-20 and at Tabs G and H, Motion Record of the Proposed Representative Plaintiffs, Tabs 1, 1G-H

(d) It is entirely unclear why Jonathan Bida signed the agreement on April 2, 2012 on behalf of Koskie Minsky LLP in the absence of Kirk Baert, but did not sign it earlier.

34. In these circumstances, the Ontario Plaintiffs have failed to show why it is in the best interests of stakeholders that the Stay be lifted for the purposes of its unilateral settlement with one of the parties. It also sets an unfair and prejudicial precedent for these *CCAA* proceedings.

PART IV - ORDER REQUESTED

35. E&Y seeks the following order:

(a) the Initial Order stayed all actions against the third party, E&Y, in the proceedings in which the Applicant is a defendant, including the Ontario Class Action in Court File No. CV-11-431153-00CP and Quebec Class Action in Court File No. 200-06-000132-111;

(b) in the alternative, the Stay in the Initial Order shall be extended to stay all actions against the third party, E&Y, in the proceedings in which the Applicant is a defendant, including the Ontario Class Action in Court File No. CV-11-431153-00CP and Quebec Class Action in Court File No. 200-06-000132-111;

(c) all extensions of the Initial Order shall operate in favour of E&Y on the same terms as in (a) or (b) above;

(d) the Ontario Plaintiff's motion to list the Stay for the purposes of the Poyry settlement is denied; and

(e) costs of this motion on a partial indemnity basis.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 4th day of May, 2012.

Peter H. Griffin

Peter J. Osborne

Shara N. Roy

LENCZNER SLAGHT ROYCE SMITH GRIFFIN LLP
Barristers
Suite 2600
130 Adelaide Street West
Toronto ON M5H 3P5

Peter H. Griffin (19527Q)
Tel: (416) 865-2921
Fax: (416) 865-3558
Email: pgriffin@litigate.com
Peter J. Osborne (33420C)
Tel: (416) 865-3094
Fax: (416) 865-3974
Email: posborne@litigate.com
Shara N. Roy (49950H)
Tel: (416) 865-2942
Fax: (416) 865-3973
Email: sroy@litigate.com

Lawyers for the Responding Party,
Ernst & Young LLP

SCHEDULE "A"

LIST OF AUTHORITIES

1. *ATB Financial v. Metcalfe and Mansfield Alternative Investments II Corp.*, [2008] O.J. No. 3164 (C.A.)

2. *Campeau v. Olympia & York Developments*, [1992] O.J. No. 1946 at 6 (Gen. Div.)

3. *Re Stelco Inc.*, [2005] O.J. No. 1171 (C.A.)

4. *Timminco Limited (Re).*, 2012 ONSC 2515 (S.C.J.)

5. *Sarvanis v. Canada*, 2002 SCC 28

6. *Menegon v. Philip Services Corp.*, [1999] O.J. No. 4080 (S.C.J.)

SCHEDULE "B"

TEXT OF STATUTES, REGULATIONS & BY - LAWS

Companies' Creditors Arrangement Act

R.S.C., 1985, c. C-36

General power of court

11. Despite anything in the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act*, if an application is made under this Act in respect of a debtor company, the court, on the application of any person interested in the matter, may, subject to the restrictions set out in this Act, on notice to any other person or without notice as it may see fit, make any order that it considers appropriate in the circumstances.

- R.S., 1985, c. C-36, s. 11;
- 1992, c. 27, s. 90;
- 1996, c. 6, s. 167;
- 1997, c. 12, s. 124;
- 2005, c. 47, s. 128.

Rights of suppliers

11.01 No order made under section 11 or 11.02 has the effect of

- (*a*) prohibiting a person from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided after the order is made; or
- (*b*) requiring the further advance of money or credit.

- 2005, c. 47, s. 128.

Stays, etc. — initial application

11.02 (1) A court may, on an initial application in respect of a debtor company, make an order on any terms that it may impose, effective for the period that the court considers necessary, which period may not be more than 30 days,

- (*a*) staying, until otherwise ordered by the court, all proceedings taken or that might be taken in respect of the company under the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act*;
- (*b*) restraining, until otherwise ordered by the court, further proceedings in any action, suit or proceeding against the company; and
- (*c*) prohibiting, until otherwise ordered by the court, the commencement of any action, suit or proceeding against the company.

Stays, etc. — other than initial application

(2) A court may, on an application in respect of a debtor company other than an initial application, make an order, on any terms that it may impose,

- (*a*) staying, until otherwise ordered by the court, for any period that the court considers necessary, all proceedings taken or that might be taken in respect of the company under an Act referred to in paragraph (1)(*a*);

(*b*) restraining, until otherwise ordered by the court, further proceedings in any action, suit or proceeding against the company; and

(*c*) prohibiting, until otherwise ordered by the court, the commencement of any action, suit or proceeding against the company.

Burden of proof on application

(3) The court shall not make the order unless

(*a*) the applicant satisfies the court that circumstances exist that make the order appropriate; and

(*b*) in the case of an order under subsection (2), the applicant also satisfies the court that the applicant has acted, and is acting, in good faith and with due diligence.

Restriction

(4) Orders doing anything referred to in subsection (1) or (2) may only be made under this section.

2005, c. 47, s. 128, 2007, c. 36, s. 62(F).

Stays — directors

11.03 (1) An order made under section 11.02 may provide that no person may commence or continue any action against a director of the company on any claim against directors that arose before the commencement of proceedings under this Act and that relates to obligations of the company if directors are under any law liable in their capacity as directors for the payment of those obligations, until a compromise or an arrangement in respect of the company, if one is filed, is sanctioned by the court or is refused by the creditors or the court.

Exception

(2) Subsection (1) does not apply in respect of an action against a director on a guarantee given by the director relating to the company's obligations or an action seeking injunctive relief against a director in relation to the company.

Persons deemed to be directors

(3) If all of the directors have resigned or have been removed by the shareholders without replacement, any person who manages or supervises the management of the business and affairs of the company is deemed to be a director for the purposes of this section.

2005, c. 47, s. 128.

Persons obligated under letter of credit or guarantee

11.04 No order made under section 11.02 has affect on any action, suit or proceeding against a person, other than the company in respect of whom the order is made, who is obligated under a letter of credit or guarantee in relation to the company.

2005, c. 47, s. 128.

11.05 [Repealed, 2007, c. 29, s. 105]

Member of the Canadian Payments Association

11.06 No order may be made under this Act that has the effect of preventing a member of the Canadian Payments Association from ceasing to act as a clearing agent or group clearer for a company in accordance with the *Canadian Payments Act* or the by-laws or rules of that Association.

2005, c. 47, s. 128, 2007, c. 36, s. 64.

Aircraft objects

11.07 No order may be made under section 11.02 that has the effect of preventing a creditor who holds security on aircraft objects — or a lessor of aircraft objects — under an agreement with a company from taking possession of the aircraft objects

(*a*) if, after the commencement of proceedings under this Act, the company defaults in protecting or maintaining the aircraft objects in accordance with the agreement;

(*b*) 60 days after the commencement of proceedings under this Act unless, during that period, the company

(i) remedied the default of every other obligation under the agreement, other than a default constituted by the commencement of proceedings under this Act or the breach of a provision in the agreement relating to the company's financial condition,

(ii) agreed to perform the obligations under the agreement, other than an obligation not to become insolvent or an obligation relating to the company's financial condition, until proceedings under this Act end, and

(iii) agreed to perform all the obligations arising under the agreement after the proceedings under this Act end; or

(*c*) if, during the period that begins 60 days after the commencement of the proceedings under this Act and ends on the day on which proceedings under this Act end, the company defaults in performing an obligation under the agreement, other than an obligation not to become insolvent or an obligation relating to the company's financial condition.

2005, c. 47, s. 128.

Restriction — certain powers, duties and functions

11.08 No order may be made under section 11.02 that affects

(*a*) the exercise or performance by the Minister of Finance or the Superintendent of Financial Institutions of any power, duty or function assigned to them by the *Bank Act*, the *Cooperative Credit Associations Act*, the *Insurance Companies Act* or the *Trust and Loan Companies Act*;

(*b*) the exercise or performance by the Governor in Council, the Minister of Finance or the Canada Deposit Insurance Corporation of any power, duty or function assigned to them by the *Canada Deposit Insurance Corporation Act*; or

(*c*) the exercise by the Attorney General of Canada of any power, assigned to him or her by the *Winding-up and Restructuring Act*.

2005, c. 47, s. 128.

Stay — Her Majesty

11.09 (1) An order made under section 11.02 may provide that

(*a*) Her Majesty in right of Canada may not exercise rights under subsection 224(1.2) of the *Income Tax Act* or any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts, in respect of the company if the company is a tax debtor under that subsection or provision, for the period that the court considers appropriate but ending not later than

(i) the expiry of the order,
(ii) the refusal of a proposed compromise by the creditors or the court,
(iii) six months following the court sanction of a compromise or an arrangement,
(iv) the default by the company on any term of a compromise or an arrangement, or
(v) the performance of a compromise or an arrangement in respect of the company; and

(*b*) Her Majesty in right of a province may not exercise rights under any provision of provincial legislation in respect of the company if the company is a debtor under that legislation and the provision has a purpose similar to subsection 224(1.2) of the *Income Tax Act*, or 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, and 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 *Income 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,

for the period that the court considers appropriate but ending not later than the occurrence or time referred to in whichever of subparagraphs (*a*)(i) to (v) that may apply.

When order ceases to be in effect

(2) The portions of an order made under section 11.02 that affect the exercise of rights of Her Majesty referred to in paragraph (1)(*a*) or (*b*) cease to be in effect if

- (*a*) the company defaults on the payment of any amount that becomes due to Her Majesty after the order is made and could be subject to a demand under
  - (i) subsection 224(1.2) of the *Income Tax Act*,
  - (ii) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts, or
  - (iii) any provision of provincial legislation that has a purpose similar to subsection 224(1.2) of the *Income 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, and the sum
    - (A) 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 *Income Tax Act*, or
    - (B) 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; or
- (*b*) any other creditor is or becomes entitled to realize a security on any property that could be claimed by Her Majesty in exercising rights under
  - (i) subsection 224(1.2) of the *Income Tax Act*,
  - (ii) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts, or
  - (iii) any provision of provincial legislation that has a purpose similar to subsection 224(1.2) of the *Income 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, and the sum
    - (A) 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 *Income Tax Act*, or
    - (B) 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.

Operation of similar legislation

(3) An order made under section 11.02, other than the portions of that order that affect the exercise of rights of Her Majesty referred to in paragraph (1)(*a*) or (*b*), does not affect the operation of

- (*a*) subsections 224(1.2) and (1.3) of the *Income Tax Act*,
- (*b*) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, 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 purpose similar to subsection 224(1.2) of the *Income 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, and 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 *Income 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,

and for the purpose of paragraph (*c*), the provision of provincial legislation is, despite any Act of Canada or of a province or any other law, deemed to have the same effect and scope against any creditor, however secured, as subsection 224(1.2) of the *Income Tax Act* in respect of a sum referred to in subparagraph (*c*)(i), or as subsection 23(2) of the *Canada Pension Plan* in respect of a sum referred to in subparagraph (*c*)(ii), and in respect of any related interest, penalties or other amounts.

- 2005, c. 47, s. 128;
- 2009, c. 33, s. 28.

Meaning of "regulatory body"

11.1 (1) In this section, "regulatory body" means a person or body that has powers, duties or functions relating to the enforcement or administration of an Act of Parliament or of the legislature of a province and includes a person or body that is prescribed to be a regulatory body for the purpose of this Act.

Regulatory bodies — order under section 11.02

(2) Subject to subsection (3), no order made under section 11.02 affects a regulatory body's investigation in respect of the debtor company or an action, suit or proceeding that is taken in respect of the company by or before the regulatory body, other than the enforcement of a payment ordered by the regulatory body or the court.

Exception

(3) On application by the company and on notice to the regulatory body and to the persons who are likely to be affected by the order, the court may order that subsection (2) not apply in respect of one or more of the actions, suits or proceedings taken by or before the regulatory body if in the court's opinion

- (*a*) a viable compromise or arrangement could not be made in respect of the company if that subsection were to apply; and
- (*b*) it is not contrary to the public interest that the regulatory body be affected by the order made under section 11.02.

Declaration — enforcement of a payment

(4) If there is a dispute as to whether a regulatory body is seeking to enforce its rights as a creditor, the court may, on application by the company and on notice to the regulatory body, make an order declaring both that the regulatory body is seeking to enforce its rights as a creditor and that the enforcement of those rights is stayed.

- 1997, c. 12, s. 124;
- 2001, c. 9, s. 576;
- 2005, c. 47, s. 128;
- 2007, c. 29, s. 106, c. 36, s. 65.

11.11 [Repealed, 2005, c. 47, s. 128]

Interim financing

11.2 (1) On application by a debtor company and on notice to the secured creditors who are likely to be affected by the security or charge, a court may make an order declaring that all or part of the company's property is subject to a security or charge — in an amount that the court considers appropriate — in favour of a person specified in the order who agrees to lend to the company an amount approved by the court as being required by the company, having regard to its cash-flow statement. The security or charge may not secure an obligation that exists before the order is made.

Priority — secured creditors

(2) The court may order that the security or charge rank in priority over the claim of any secured creditor of the company.

Priority — other orders

(3) The court may order that the security or charge rank in priority over any security or charge arising from a previous order made under subsection (1) only with the consent of the person in whose favour the previous order was made.

Factors to be considered

(4) In deciding whether to make an order, the court is to consider, among other things,

- (*a*) the period during which the company is expected to be subject to proceedings under this Act;
- (*b*) how the company's business and financial affairs are to be managed during the proceedings;
- (*c*) whether the company's management has the confidence of its major creditors;
- (*d*) whether the loan would enhance the prospects of a viable compromise or arrangement being made in respect of the company;
- (*e*) the nature and value of the company's property;
- (*f*) whether any creditor would be materially prejudiced as a result of the security or charge; and
- (*g*) the monitor's report referred to in paragraph 23(1)(*b*), if any.

- 1997, c. 12, s. 124;
- 2005, c. 47, s. 128;
- 2007, c. 36, s. 65.

Assignment of agreements

11.3 (1) On application by a debtor company and on notice to every party to an agreement and the monitor, the court may make an order assigning the rights and obligations of the company under the agreement to any person who is specified by the court and agrees to the assignment.

Exceptions

(2) Subsection (1) does not apply in respect of rights and obligations that are not assignable by reason of their nature or that arise under

- (*a*) an agreement entered into on or after the day on which proceedings commence under this Act;
- (*b*) an eligible financial contract; or
- (*c*) a collective agreement.

Factors to be considered

(3) In deciding whether to make the order, the court is to consider, among other things,

- (*a*) whether the monitor approved the proposed assignment;
- (*b*) whether the person to whom the rights and obligations are to be assigned would be able to perform the obligations; and
- (*c*) whether it would be appropriate to assign the rights and obligations to that person.

Restriction

(4) The court may not make the order unless it is satisfied that all monetary defaults in relation to the agreement — other than those arising by reason only of the company's insolvency, the commencement of proceedings under this Act or the company's failure to perform a non-monetary obligation — will be remedied on or before the day fixed by the court.

Copy of order

(5) The applicant is to send a copy of the order to every party to the agreement.

- 1997, c. 12, s. 124;
- 2005, c. 47, s. 128;
- 2007, c. 29, s. 107, c. 36, ss. 65, 112.

11.31 [Repealed, 2005, c. 47, s. 128]

Critical supplier

11.4 (1) On application by a debtor company and on notice to the secured creditors who are likely to be affected by the security or charge, the court may make an order declaring a person to be a critical supplier to the company if the court is satisfied that the person is a supplier of goods or services to the company and that the goods or services that are supplied are critical to the company's continued operation.

Obligation to supply

(2) If the court declares a person to be a critical supplier, the court may make an order requiring the person to supply any goods or services specified by the court to the company on any terms and conditions that are consistent with the supply relationship or that the court considers appropriate.

Security or charge in favour of critical supplier

(3) If the court makes an order under subsection (2), the court shall, in the order, declare that all or part of the property of the company is subject to a security or charge in favour of the person declared to be a critical supplier, in an amount equal to the value of the goods or services supplied under the terms of the order.

Priority

(4) The court may order that the security or charge rank in priority over the claim of any secured creditor of the company.

- 1997, c. 12, s. 124;
- 2000, c. 30, s. 156;
- 2001, c. 34, s. 33(E);
- 2005, c. 47, s. 128;
- 2007, c. 36, s. 65.

Removal of directors

11.5 (1) The court may, on the application of any person interested in the matter, make an order removing from office any director of a debtor company in respect of which an order has been made under this Act if the court is satisfied that the director is unreasonably impairing or is likely to unreasonably impair the possibility of a viable compromise or arrangement being made in respect of the company or is acting or is likely to act inappropriately as a director in the circumstances.

Filling vacancy

(2) The court may, by order, fill any vacancy created under subsection (1).

- 1997, c. 12, s. 124;
- 2005, c. 47, s. 128.

Security or charge relating to director's indemnification

11.51 (1) On application by a debtor company and on notice to the secured creditors who are likely to be affected by the security or charge, the court may make an order declaring that all or part of the property of the company is subject to a security or charge — in an amount that the court considers appropriate — in favour of any director or officer of the company to indemnify the director or officer against obligations and liabilities that they may incur as a director or officer of the company after the commencement of proceedings under this Act.

Priority

(2) The court may order that the security or charge rank in priority over the claim of any secured creditor of the company.

Restriction — indemnification insurance

(3) The court may not make the order if in its opinion the company could obtain adequate indemnification insurance for the director or officer at a reasonable cost.

Negligence, misconduct or fault

(4) The court shall make an order declaring that the security or charge does not apply in respect of a specific obligation or liability incurred by a director or officer if in its opinion the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct or, in Quebec, the director's or officer's gross or intentional fault.

- 2005, c. 47, s. 128;
- 2007, c. 36, s. 66.

Court may order security or charge to cover certain costs

11.52 (1) On notice to the secured creditors who are likely to be affected by the security or charge, the court may make an order declaring that all or part of the property of a debtor company is subject to a security or charge — in an amount that the court considers appropriate — in respect of the fees and expenses of

- (*a*) the monitor, including the fees and expenses of any financial, legal or other experts engaged by the monitor in the performance of the monitor's duties;
- (*b*) any financial, legal or other experts engaged by the company for the purpose of proceedings under this Act; and
- (*c*) any financial, legal or other experts engaged by any other interested person if the court is satisfied that the security or charge is necessary for their effective participation in proceedings under this Act.

Priority

(2) The court may order that the security or charge rank in priority over the claim of any secured creditor of the company.

- 2005, c. 47, s. 128;
- 2007, c. 36, s. 66.

Bankruptcy and Insolvency Act matters

11.6 Notwithstanding the *Bankruptcy and Insolvency Act*,

- (*a*) proceedings commenced under Part III of the *Bankruptcy and Insolvency Act* may be taken up and continued under this Act only if a proposal within the meaning of the *Bankruptcy and Insolvency Act* has not been filed under that Part; and
- (*b*) an application under this Act by a bankrupt may only be made with the consent of inspectors referred to in section 116 of the *Bankruptcy and Insolvency Act* but no application may be made under this Act by a bankrupt whose bankruptcy has resulted from
  - (i) the operation of subsection 50.4(8) of the *Bankruptcy and Insolvency Act*, or
  - (ii) the refusal or deemed refusal by the creditors or the court, or the annulment, of a proposal under the *Bankruptcy and Insolvency Act*.

1997, c. 12, s. 124.

Court to appoint monitor

11.7 (1) When an order is made on the initial application in respect of a debtor company, the court shall at the same time appoint a person to monitor the business and financial affairs of the company. The person so appointed must be a trustee, within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*.

Restrictions on who may be monitor

(2) Except with the permission of the court and on any conditions that the court may impose, no trustee may be appointed as monitor in relation to a company

(*a*) if the trustee is or, at any time during the two preceding years, was

(i) a director, an officer or an employee of the company,

(ii) related to the company or to any director or officer of the company, or

(iii) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of the company; or

(*b*) if the trustee is

(i) the trustee under a trust indenture issued by the company or any person related to the company, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the *Civil Code of Quebec* that is granted by the company or any person related to the company, or

(ii) related to the trustee, or the holder of a power of attorney, referred to in subparagraph (i).

Court may replace monitor

(3) On application by a creditor of the company, the court may, if it considers it appropriate in the circumstances, replace the monitor by appointing another trustee, within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*, to monitor the business and financial affairs of the company.

1997, c. 12, s. 124;

2005, c. 47, s. 129.

No personal liability in respect of matters before appointment

11.8 (1) Despite anything in federal or provincial law, if a monitor, in that position, carries on the business of a debtor company or continues the employment of a debtor company's employees, the monitor is not by reason of that fact personally liable in respect of a liability, including one as a successor employer,

(*a*) that is in respect of the employees or former employees of the company or a predecessor of the company or in respect of a pension plan for the benefit of those employees; and

(*b*) that exists before the monitor is appointed or that is calculated by reference to a period before the appointment.

Status of liability

(2) A liability referred to in subsection (1) shall not rank as costs of administration.

Liability of other successor employers

(2.1) Subsection (1) does not affect the liability of a successor employer other than the monitor.

Liability in respect of environmental matters

(3) Notwithstanding anything in any federal or provincial law, a monitor is not personally liable in that position for any environmental condition that arose or environmental damage that occurred

- (*a*) before the monitor's appointment; or
- (*b*) after the monitor's appointment unless it is established that the condition arose or the damage occurred as a result of the monitor's gross negligence or wilful misconduct.

Reports, etc., still required

(4) Nothing in subsection (3) exempts a monitor from any duty to report or make disclosure imposed by a law referred to in that subsection.

Non-liability re certain orders

(5) Notwithstanding anything in any federal or provincial law but subject to subsection (3), where an order is made which has the effect of requiring a monitor to remedy any environmental condition or environmental damage affecting property involved in a proceeding under this Act, the monitor is not personally liable for failure to comply with the order, and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,

- (*a*) if, within such time as is specified in the order, within ten days after the order is made if no time is so specified, within ten days after the appointment of the monitor, if the order is in effect when the monitor is appointed or during the period of the stay referred to in paragraph (*b*), the monitor
  - (i) complies with the order, or
  - (ii) on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;
- (*b*) during the period of a stay of the order granted, on application made within the time specified in the order referred to in paragraph (*a*) or within ten days after the order is made or within ten days after the appointment of the monitor, if the order is in effect when the monitor is appointed, by
  - (i) the court or body having jurisdiction under the law pursuant to which the order was made to enable the monitor to contest the order, or
  - (ii) the court having jurisdiction under this Act for the purposes of assessing the economic viability of complying with the order; or
- (*c*) if the monitor had, before the order was made, abandoned or renounced any interest in any real property affected by the condition or damage.

Stay may be granted

(6) The court may grant a stay of the order referred to in subsection (5) on such notice and for such period as the court deems necessary for the purpose of enabling the monitor to assess the economic viability of complying with the order.

Costs for remedying not costs of administration

(7) Where the monitor has abandoned or renounced any interest in real property affected by the environmental condition or environmental damage, claims for costs of remedying the condition or damage shall not rank as costs of administration.

Priority of claims

(8) Any claim by Her Majesty in right of Canada or a province against a debtor company in respect of which proceedings have been commenced under this Act for costs of remedying any environmental condition or environmental damage affecting real property of the company is secured by a charge on the real property and on any other real property of the company that is contiguous thereto and that is related to the activity that caused the environmental condition or environmental damage, and the charge

- (*a*) is enforceable in accordance with the law of the jurisdiction in which the real property is located, in the same way as a mortgage, hypothec or other security on real property; and
- (*b*) ranks above any other claim, right or charge against the property, notwithstanding any other provision of this Act or anything in any other federal or provincial law.

Claim for clean-up costs

(9) A claim against a debtor company for costs of remedying any environmental condition or environmental damage affecting real property of the company shall be a claim under this Act, whether the condition arose or the damage occurred before or after the date on which proceedings under this Act were commenced.

- 1997, c. 12, s. 124;
- 2007, c. 36, s. 67.

Courts of Justice Act

R.S.O. 1990, CHAPTER C.43

Stay of proceedings

106. A court, on its own initiative or on motion by any person, whether or not a party, may stay any proceeding in the court on such terms as are considered just. R.S.O. 1990, c. C.43, s. 106.

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

RESPONDING FACTUM OF ERNST & YOUNG LLP
(Motion Re: Stay of Proceedings returnable May 8, 2012)

LENCZNER SLAGHT ROYCE
SMITH GRIFFIN LLP
Barristers
Suite 2600
130 Adelaide Street West
Toronto ON M5H 3P5

Peter H. Griffin (19527Q)
Tel: (416) 865-2921
Fax: (416) 865-3558
Peter J. Osborne (33420C)
Tel: (416) 865-3094
Fax (416) 865-3974
Shara N. Roy (49950H)
Tel: (416) 865-2942
Fax (416) 865-3973

Lawyers for the Responding Party,
Ernst & Young LLP

Tab 8

FEB - 1 2011

Ernst & Young

December 7, 2010

Mr. David Horsley
Chief Financial Officer
Sino-Forest Corporation
90 Burnhamthorpe Rd W., Suite 1208
Mississauga, ON, L5B 3C3

Dear Mr. Horsley:

1. This Engagement Letter, together with the attached General Terms and Conditions for Audit and Review Engagements, (collectively, this "Agreement"), confirms the terms and conditions upon which Ernst & Young LLP ("we" or "EY") has been engaged to audit and report on the consolidated financial statements of Sino-Forest Corporation (the "Company") for the year ending December 31, 2010. We have also been engaged to review and report on the Company's unaudited interim financial information for the first, second and third quarters of the Company's fiscal year. The services described in this paragraph may hereafter be referred to as either the "Audit Services" or the "Services."

Audit responsibilities and limitations

2. The objective of our audit is to express an opinion on whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Sino-Forest Corporation in accordance with Canadian generally accepted accounting principles. Should conditions not now anticipated preclude us from completing our audit and issuing a report (the "Report") as contemplated by this Agreement, we will advise you and the Audit Committee promptly and take such action as we deem appropriate.

3. We will conduct the audit in accordance with Canadian auditing standards as promulgated by the Canadian Institute of Chartered Accountants ("CICA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether due to fraud or error. There are inherent limitations in the audit process, including, for example, the use of judgment and selective testing of data and the possibility that collusion or forgery may preclude the detection of material error, fraud, or illegal acts. Accordingly, there is some risk that a material misstatement of the consolidated financial statements may remain undetected. Also, an audit is not designed to detect fraud or error that is immaterial to the consolidated financial statements.

01/01/11

FEB - 1 2011

ERNST & YOUNG

4. As part of our audit, we will consider, solely for the purpose of planning our audit and determining the nature, timing and extent of our audit procedures, the Company's internal control over financial reporting. This consideration will not be sufficient to enable us to express an opinion on the effectiveness of internal control or to identify all significant deficiencies.

5. In accordance with the standards established by the CICA, we will communicate certain matters related to the conduct and results of the audit to the Audit Committee. Such matters include:

   - our responsibility under Canadian auditing standards for forming and expressing an opinion on the consolidated financial statements that have been prepared by management with the oversight of the Audit Committee and that such an audit does not relieve management and the Audit Committee of their responsibilities;
   - an overview of the planned scope and timing of the audit;
   - significant findings from the audit. Significant findings from the audit include: (1) our views about the significant qualitative aspects of the Company's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures; (2) significant difficulties, if any, encountered during the audit; (3) uncorrected misstatements, other than those we believe are trivial; (4) disagreements with management, if any, whether or not satisfactorily resolved; and (5) other matters, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process, including significant matters in connection with the Company's related parties; and
   - written representations requested from management and significant matters, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

6. We will obtain pre-approval from the Audit Committee for any services we are to provide to the Company pursuant to the Audit Committee's pre-approval process, policies and procedures. In addition, in accordance with Canadian auditing standards, we will communicate in writing to the Audit Committee any relationships between EY, its partners and professional employees and Sino-Forest Corporation (including related entities) that, in our professional judgment, may reasonably be thought to bear on our independence. Further, we will confirm our independence with respect to Sino-Forest Corporation.

7. In addition, we will communicate all relationships and other matters between EY, other member firms of the global Ernst & Young organization ("network firms") and the Company that, in our professional judgment, may reasonably be thought to bear on independence (including total fees charged during the period covered by the consolidated financial statements for audit and non-audit services provided by EY and network firms to the Company and components controlled by the Company) and the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level. Further, we will confirm that the engagement team and others in EY as appropriate, EY and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

8. If we determine that there is evidence that fraud or possible non-compliance with laws and regulations may have occurred, we will bring such matters to the attention of the appropriate level of management. If we become aware of fraud involving management or fraud involving

02/01/11

ERNST & YOUNG

employees who have significant roles in internal control or others where the fraud results in a material misstatement of the consolidated financial statements, we will report this matter directly to the Audit Committee. We will communicate with the Audit Committee matters involving non-compliance with laws and regulations that come to our attention unless they are clearly inconsequential

9. We will communicate in writing significant deficiencies in internal control identified during the audit of the Company's consolidated financial statements.

10. We also may communicate our observations as to the potential for economies in, or improved controls over, the Company's operations.

Review of unaudited interim financial information

11. Our review of the Company's unaudited interim financial information will be performed in accordance with CICA Handbook Section 7050, Auditor Review of Interim Financial Statements and we will report orally to the Audit Committee in this regard.

12. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Canadian auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we will not express an audit opinion on the interim financial information.

13. A review includes obtaining a sufficient understanding of the Company's business and its internal control as it relates to the preparation of the interim financial information to: identify the types of potential misstatements in the interim financial information and consider the likelihood of their occurrence; and select the inquiries, analytical and other review procedures that will provide us with a basis for reporting whether anything has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Canadian generally accepted accounting principles.

14. You agree that where any document containing interim financial information includes a reference to us having reviewed the interim financial information, our interim review report will also be included in the document.

Management's responsibilities and representations

15. Our audit will be conducted on the basis that management and where appropriate, the Audit Committee, acknowledge and understand that they have responsibility:

    (a) For the preparation and fair presentation of the consolidated financial statements and unaudited interim financial information in accordance with Canadian generally accepted accounting principles;

    (b) For such internal control as management determines is necessary to enable the preparation of the consolidated financial statements and unaudited interim financial information that are free from material misstatement, whether due to fraud or error; and

02/01/11

Ernst & Young

(c) To provide us with: 1) access, on a timely basis, to all information of which management is aware that is relevant to the preparation of the consolidated financial statements and unaudited interim financial information such as records, documentation and other matters; 2) additional information that we may request from management for the purpose of the audit; and 3) unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence, their personnel and their auditors for purposes of the group audit.

Management's failure to provide us with the information referred to above or access to persons within the Company may cause us to delay our report, modify our procedures, or even terminate our engagement.

16. Management is also responsible for adjusting the consolidated financial statements and unaudited interim financial information to correct material misstatements identified by us during the applicable Audit Service and pertaining to the latest period presented and for affirming to us in its representation letter that they believe the effects of unrecorded misstatements are immaterial, individually and in aggregate, to the consolidated financial statements and unaudited interim financial information as a whole.

17. Management is responsible for apprising us of all allegations involving financial improprieties received by management or the Audit Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers," employees, former employees, analysts, regulators or others), and providing us full access to these allegations and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY, or other allegations of illegal acts or fraud that could result in a misstatement of the consolidated financial statements or otherwise affect the financial reporting of the Company. If the Company limits the information otherwise available to us under this paragraph (based on the Company's claims of solicitor/client privilege, litigation privilege, or otherwise), the Company will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of the audit and may prevent us from opining on the Company's consolidated financial statements; prevent us from consenting to the inclusion of previously issued auditors' reports in future Company filings; alter the form of report we may issue on such financial statements; or otherwise affect our ability to continue as the Company's independent auditors. We will disclose any such withholding of information to the Audit Committee.

18. We will make specific inquiries of management about the representations contained in the consolidated financial statements and unaudited interim financial information. At the conclusion of the engagement, we will also obtain written representations from management about these matters, and that management: (1) has fulfilled its responsibility for the preparation and fair presentation of the consolidated financial statements and unaudited interim financial information in accordance with Canadian generally accepting accounting principles and that all transactions have been recorded and are reflected in the consolidated financial statements and unaudited interim financial information; and (2) has provided us with all relevant information and access as contemplated in this Agreement. The responses to those inquiries, the written

02/01/11

ERNST & YOUNG

representations, and the results of our procedures comprise evidence on which we will rely in forming an opinion on the consolidated financial statements and expressing a conclusion on the unaudited interim financial information.

19. Management of the Company is responsible for advising us of any documents or other information provided during the course of the audit over which it intends to assert a claim of privilege and should mark any such documentation accordingly as further described in the attached additional Terms and Conditions (refer to the provision captioned "*Canadian Public Accountability Board*").

Fees and billings

20. We estimate that our fees for the 2010 Audit Services will be between $847,000 and $879,000 plus out of pocket expenses and the review of the unaudited interim financial information will be between $50,000 and $60,000 plus out of pocket expenses per quarter in 2011. However, our actual fees may exceed the top of this range based on changes to the business (e.g., nature of the business or change in business entities) or out-of-scope work. Out-of-scope activities will be agreed with management on a weekly basis throughout the course of the audit. We will submit our invoices in accordance with the agreed upon billing schedule, and payment to them will be made upon receipt.

21. Our estimated pricing and schedule of performance are based upon, among other things, our preliminary review of the Company's records and the representations Company personnel have made to us and are dependent upon the Company's personnel providing a reasonable level of assistance. Should our assumptions with respect to these matters be incorrect or should the condition of records, degree of cooperation, results of our audit procedures, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimates are based, we may adjust our fees and planned completion dates. Fees for any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fees referred to above and will be the subject of other written agreements. Circumstances that that may significantly affect the targeted completion dates and our fee estimate include, but are not limited, to the following :

<u>Audit facilitation</u>

(a) Changes to the timing of the engagement at the Company's request;

(b) Audit schedules are not (i) provided by the Company on the date requested, (ii) completed in a format acceptable to EY, (iii) mathematically correct, or (iv) in agreement with Company records (e.g., general ledger accounts);

(c) Significant delays in responding to our requests;

(d) Deterioration in the quality of the Company's accounting records during the current year in comparison to the prior year;

(e) A completed trial balance, referenced to the supporting analyses and schedules and financial statements, is not provided timely by the Company;

01/01/11

(f) Draft financial statements with appropriate supporting documentation are not prepared accurately and timely by the Company;

(g) The engagement team, while performing work on the Company's premises, is not provided with high-speed access to the Internet for purposes of conducting the engagement.

Significant issues or changes

(a) Significant deficiencies are identified in the Company's internal control over financial reporting that result in the expansion of our audit procedures;

(b) A significant level of proposed audit adjustments;

(c) A significant number of financial statement drafts are submitted for our review or a significant level of disclosure deficiencies in the draft financial statements;

(d) Significant new issues or changes, such as new accounting issues, changes, accounting policies, events or transactions not contemplated in our budgets, changes in the Company's financial reporting or IT systems, or changes in the Company's personnel, their responsibilities or their availability;

(e) Changes in audit scope caused by events that are beyond our control.

22. In addition, fees for any consent to the use of the audit report outside of Section "Use and disclosure of the audit report" below, any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fees referred to above and may be the subject of other written agreements supplemental to those in this Agreement.

23. Canadian securities legislation requires that any reporting issuer filing an auditors' report dated on or after 30 March 2004 must have that report signed by an auditing firm that has registered with the Canadian Public Accountability Board ("CPAB"). Audit firms registered with CPAB are required to fund CPAB's costs. Fees are levied based on the most recent audit fees as defined by CPAB, charged by the Canadian firm and reported in our registration information. We will bill all reporting issuer clients a portion of the CPAB levy on a recovery basis. Your proportionate share will be based upon the most recent audit fees reported to CPAB and billed for your engagement, multiplied by the annual levy rate set by CPAB. CPAB sets the rate annually and the fee for the most recent year that has been determined was 2.0% of audit fees; however, the fee is subject to adjustment by CPAB. This amount will be charged at the effective CPAB rate annually and will be billed when the annual invoice is received from CPAB.

Use and disclosure of the audit report

24. The use and disclosure of EY's audit report shall be governed by the following terms:

Annual financial statements

(a) EY acknowledges that the Company is a reporting issuer under Canadian securities legislation and/or is subject to securities legislation in other jurisdictions and has an obligation to file its annual financial statements, including EY's accompanying report (referred to as the "audit report") with such securities regulators as well as distribute those

02/01/11

Ernst & Young

FEB 21 2011

documents to its security holders, either as part of the Company's annual report to shareholders (referred to as the "annual report" or separately.

Filing those documents and/or including them in the annual report will result in such documents being "released" as that term is defined under applicable securities laws.

(b) EY hereby consents (within the meaning contemplated by applicable securities laws) to the annual filing of the audit report and to the inclusion of the audit report in the annual report if all of the conditions set out below are met. The effective date of such consent is deemed to be the date of the audit report. The conditions are as follows:

i. the filing of the audit report or the distribution of the annual report, as the case may be, occurs within 5 business days of the date of the audit report;

ii. neither the chief executive officer nor the chief financial officer of the Company is aware of anything which would result in the financial statements containing a misrepresentation (as such term is defined under applicable securities laws);

iii. since the date of the audit report, no "material change" (as that term is defined under applicable securities laws) or other event has occurred, or information has become available, that would require disclosure in or adjustment to the financial statements to make those statements current and in accordance with Canadian generally accepted accounting principles as of the date that they are being released; and

iv. the consent provided in this engagement letter has not been withdrawn in writing before the audit report is filed and/or the annual report is distributed.

(c) EY expressly does not consent to the use of the audit report, or the opinions expressed in the audit report, in any "document" or "public oral statement" (as those terms are defined under applicable securities laws), in any other circumstance, including but not limited to the inclusion of the report in any offering document, business acquisition report, inclusion in an annual report distributed after the outside date in paragraph (b)(i) or filing of the audit report after the outside date in paragraph (b)(i) or use by the Company or any other person of the audit report in any "document" or "public statement" (as those terms are defined under applicable securities laws).

(d) If the Company wishes to (i) file the audit report with a securities commission after the outside date referred to in paragraph (b)(i) but within the time specified by the applicable securities legislation; or (ii) include the audit report in the annual report if the annual report is distributed after the outside date referred to in paragraph (b)(i) then a further written consent from EY is required and additional procedures as required in accordance with professional standards will be undertaken by EY.

(e) If the Company wishes to include, summarize, quote from or otherwise use the audit report in any "document" or "public oral statement" (as those terms are defined under applicable securities laws), in any manner other than that permitted under paragraph (b) or (d), the following procedures will apply:

i. the Company will, in writing, request EY's further written consent to that use;

02/01/11

ERNST & YOUNG

ii. if EY agrees that the request is an appropriate use of the audit report, the Company and EY will enter into an engagement letter setting out the terms of such engagement, including the scope of the procedures to be undertaken by EY and its fee for performing these services; and

iii. EY will undertake such additional procedures as are required in accordance with professional standards.

If, after completion of the applicable procedures, EY is in a position to provide its further written consent to such use, it will do so in accordance with CICA Handbook Section 7500, *The Auditor's Consent to the Use of the Auditors' Report in Connection with Designated Documents*, published by the Canadian Institute of Chartered Accountants.

Interim financial statements

We expressly do not consent to the use of any communication, report, statement or opinion prepared by EY on the interim financial statements and such communication may not be included in, summarized in, quoted from or otherwise used in any "document" or "public oral statement" (as such terms are defined under applicable securities laws).

Other matters

25. The Company shall provide us with copies of the printer's proofs of its annual report prior to publication for our review. Management of the Company is primarily responsible to ensure that the annual report contains no misrepresentations. We will review the document for consistency between the annual consolidated financial statements and other information contained in the document, and to determine if the consolidated financial statements and our report thereon have been accurately reproduced. If we identify any errors or inconsistencies that may affect the consolidated financial statements, we will advise management and those charged with governance, as appropriate.

02/01/11

FEB - 1 2011

Ernst & Young

We appreciate the opportunity to be of assistance to the Company. If this Agreement accurately reflects the terms and conditions on which the Company has agreed to engage us, please sign below on behalf of the Company and return it to Mr. Fred Clifford, 222 Bay Street, Toronto, ON, M5K 1J7.

Yours very truly,

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Agreed:
Sino-Forest Corporation

By: _____
Name: Mr. David Horsley
Title: Chief Financial Officer

I have the authority to bind the Company

Acknowledged on behalf of the
Company's Audit Committee:

By: _____
Name: Mr. Jamie Hyde
Title: Chairman of the Audit Committee

02/01/11

FEB - 1 2011

Ernst & Young

General Terms and Conditions

Our relationship with you

1. We are a member of the global network of Ernst & Young firms ("EY Firms"), each of which is a separate legal entity.

2. We may subcontract portions of the Services to other EY Firms, who may deal with you directly. Nevertheless, we alone will be responsible to you for the Report(s), the performance of the Services, and our other obligations under this Agreement.

Your responsibilities

3. You shall be responsible for your personnel's compliance with your obligations under this Agreement.

Our reports

4. You may not rely on any draft Report.

Notice re: Québec

5. From time to time, we may have individual partners and employees performing the Services within the Province of Québec who are members of the *Ordre des comptables agréés du Québec*. Any individual member of the *Ordre des comptables agréés du Québec* performing professional services hereunder assumes full personal civil liability arising from the practice of his or her profession, regardless of his or her status within our partnership. He or she may not invoke the liability of our partnership as a ground for excluding or limiting his or her own liability. The limitations that follow below under the heading "Limitations" shall therefore not apply to limit the personal civil liability of members of the *Ordre des comptables agréés du Québec* (and with respect to such members, such limitations shall be deemed to not be included in this Agreement).

Limitations

6. You (and any others for whom Services are provided) may not recover from us, in contract or tort (including negligence), under statute or otherwise, any amount with respect to loss of profit, data or goodwill, or any other consequential, incidental, indirect, punitive or special damages in connection with claims arising out of this Agreement or otherwise relating to the Services, whether or not the likelihood of such loss or damage was contemplated.

7. You (and any others for whom Services are provided) may not recover from us, in contract or tort (including negligence), under statute or otherwise, aggregate damages in excess of the greater of (i) the total fees paid to us for the Services and (ii) $1,000,000. This limitation will not apply to losses caused by our fraud or willful misconduct or to the extent prohibited by applicable law or professional regulations.

8. If we are liable to you (or to any others for whom Services are provided) under this Agreement or otherwise in connection with the Services, for loss or damage to which any other persons have also contributed, our liability to you shall be several and not joint and several, solidary or *in solidum*, with such others, and shall be limited to our fair share of that total loss or damage, based on our contribution to the loss and damage relative to the others' contributions. No exclusion or limitation on the liability of other responsible persons imposed or agreed at any time shall affect any assessment of our proportionate liability hereunder, nor shall settlement of or difficulty enforcing any claim, or the death, dissolution or insolvency of any such other responsible persons or their ceasing to be liable for the loss or damage or any portion thereof, affect any such assessment.

9. You shall make any claim relating to the Services or otherwise under this Agreement no later than one year after you became aware (or ought reasonably to have become aware) of the facts giving rise to any alleged such claim and in any event, no later than two years after the completion of the particular Services (and the parties agree that the limitation periods established by the *Limitations Act, 2002* (Ontario) or any other applicable legislation shall be varied and/or excluded accordingly). This limitation will not apply to the extent prohibited by applicable law or professional regulations.

02/01/11

Ernst & Young

10. You may not make a claim or bring proceedings relating to the Services or otherwise under this Agreement against any other EY Firm or our or its subcontractors, members, shareholders, directors, officers, partners, principals or employees ("**EY Persons**"). You shall make any claim or bring proceedings only against us. The limitations in Sections 6 through 9 and this Section 10 are intended to benefit the other EY Firms and all EY Persons, who shall be entitled to rely on and enforce them.

Indemnity

11. To the fullest extent permitted by applicable law and professional regulations, you shall indemnify us, the other EY Firms and the EY Persons against all claims by third parties (including your affiliates) and resulting liabilities, losses, damages, costs and expenses (including reasonable external and internal legal costs) arising out of or relating to the Services or this Agreement. On behalf of yourself and your affiliates, you release us, the other EY Firms and the EY Persons from all claims and causes of action (together, "Claims"), pending or threatened, that you or they may have arising out of the Services or this Agreement to the extent such Claims result from or arise out of any misrepresentation or fraudulent act or omission by you, your employees or agents on your behalf.

Confidentiality

12. We follow professional standards of confidentiality and will treat information related to you disclosed to us by you or on your behalf ("Client Information") as set forth in the Rules of Professional Conduct of provincial Institutes of Chartered Accountants or the Code of Ethics of the *Ordre des comptables agréés du Québec* (as applicable).

13. Either of us may use electronic media to correspond or transmit information and such use will not in itself constitute a breach of any confidentiality obligations.

14. We may disclose Client Information to other EY Firms and EY Persons to facilitate performance of the Services, to comply with regulatory requirements, to check conflicts, or for quality, risk management or financial accounting purposes.

Canadian Public Accountability Board

15. You acknowledge that we may from time to time receive requests or orders from the Canadian Public Accountability Board ("**CPAB**") to provide them with information and copies of documents in our files, including our working papers and other work-product relating to your affairs. You consent to us providing or producing, as applicable, these documents and information without further reference to, or authority from, you. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of our audit of you, we will advise you of the request or order.

16. When CPAB requests access to our working papers or other work-product relating to your affairs, we will, on a reasonable efforts basis, refuse access to any document over which you have expressly informed us that you assert privilege, except where CPAB has the legal authority to access such documents. In jurisdictions where express consent is required for disclosure of privileged documents to CPAB you hereby provide such consent. We acknowledge (and you authorize us to advise CPAB) that any disclosure of privileged documents to CPAB is permitted only to the extent required by law and for the limited purpose of CPAB's exercise of statutory authority. We also acknowledge (and you authorize us to advise CPAB) that you do not intend to waive privilege for any other purpose and that you expect your documents to be held by CPAB as privileged and confidential material. You must mark any document over which you assert privilege as privileged and inform us of the grounds for your assertion of privilege (such as whether you claim solicitor-client privilege or litigation privilege).

17. We will also be required to provide CPAB with information relating to the fees that you pay us for audit services, other accounting services and non-audit services (and you agree to the disclosure of such information).

Data protection

18. We may collect, use, transfer, store or otherwise process (collectively, "**Process**")

02/01/11

FEB - 1 2011

ERNST & YOUNG

Client Information that can be linked to specific individuals ("Personal Data"). We may Process Personal Data in various jurisdictions in which we and the other EY Firms operate (which are listed at www.ey.com). We will Process Personal Data in accordance with applicable law, professional regulations and our privacy policy (which is available at www.ey.com/ca). We will require any service provider that Processes Personal Data on our behalf to adhere to such requirements.

19. You warrant that you have the authority to provide the Personal Data to us in connection with the performance of the Services and that the Personal Data provided to us has been Processed in accordance with applicable law.

Solicitation and hiring of EY personnel

20. Our auditor independence may be impaired if you solicit or hire certain EY personnel. This may either delay the provision of the Services or cause us to resign from the engagement. You shall not, during the term of this Agreement, and for 12 months following its termination for any reason, without our prior written consent, solicit for employment or hire in any role, including a position on your Board of Directors, any current or former partner or professional employee of EY, any affiliate thereof, any other EY Firm or any of their respective affiliates, if any such person either: i) performed any audit, review, attest or related service for or relating to you at any time (a) since the date on which your most recent audited financial statements were filed with the relevant securities regulator(s) or stock exchange(s) (or, since the beginning of the most recent fiscal year to be covered by your first such financial statements, if applicable), or (b) in the 12 months ended the date on which your most recent financial statements were filed with the relevant securities regulator(s) or stock exchange(s); or (ii) influences EY's operations or financial policies or has any capital balances or any other continuing financial arrangement with EY.

Fees and expenses generally

21. You shall pay our professional fees and expenses in connection with the Services. In lieu of specific itemized charges, our technology tools, administrative support personnel, printing and other routine expenses are charged at 11.5% of our professional fees. Out-of-pocket expenses for items such as travel, meals, accommodation and other matters specifically related to this engagement will also be invoiced. Our invoices are rendered on a periodic basis as our assignment progresses. Payment of our invoices is due upon receipt. Interest on overdue accounts accrues at 12% per annum starting 30 days following the date of our invoice. EY may suspend performance of the Services in the event you fail to pay our invoice. Our fees are exclusive of taxes or similar charges, as well as customs, duties or tariffs imposed in respect of the Services, all of which you shall pay (other than taxes imposed on our income generally).

22. If we are required by applicable law, legal process or government action to produce information or personnel as witnesses with respect to the Services or this Agreement, you shall reimburse us for any professional time and expenses (including reasonable external and internal legal costs) incurred to respond to the request, unless we are a party to the proceeding or the subject of the investigation.

Force majeure

23. Neither you nor we shall be liable for breach of this Agreement (other than payment obligations) caused by circumstances beyond your or our reasonable control.

Term and termination

24. This Agreement applies to all Services performed at any time (including before the date of this Agreement).

25. This Agreement shall terminate on the completion of the Services. We may terminate this Agreement, or any particular Services, immediately upon written notice to you if we reasonably determine that we can no longer provide the Services in accordance with applicable law or professional obligations.

26. You shall pay us for all work-in-progress, Services already performed, and expenses incurred by us up to and including the effective date of the termination of this Agreement. Payment is due within 30 days following receipt of our invoice for these amounts.

02/01/11

ERNST & YOUNG

FEB - 1 2011

27. The provisions of this Agreement that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement.

Governing law and dispute resolution

28. This Agreement, and any non-contractual obligations arising out of this Agreement or the Services, shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. Any dispute, claim or other matter arising out of or relating to this Agreement or the Services shall be subject to the exclusive jurisdiction of the Ontario courts, to which each of us agrees to submit for these purposes.

Miscellaneous

29. This Agreement constitutes the entire agreement between us as to the Services and the other matters it covers, and supersedes all prior agreements, understandings and representations with respect thereto, including any confidentiality agreements previously delivered.

30. Both of us may execute this Agreement (and modifications or supplements to it) by electronic means and each of us may sign a different copy of the same document. Both of us must agree in writing to modify or supplement this Agreement.

31. We retain ownership in the working papers compiled in connection with the Services.

32. Neither of us may assign any of our rights, obligations or claims under this Agreement.

33. If any provision of this Agreement (in whole or part) is held to be illegal, invalid or otherwise unenforceable, the other provisions shall remain in full force and effect.

34. If there is any inconsistency between provisions in different parts of this Agreement, those parts shall have precedence as follows (unless expressly agreed otherwise): (a) the letter to which these General Terms and Conditions are attached, (b) these General Terms and Conditions, and (c) other annexes to this Agreement.

35. We are a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and we are registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, an LLP partner is not personally liable for the debts, obligations or liabilities of the LLP arising from the negligence of persons not under his or her direct supervision (including other LLP partners) or most other debts or obligations of the LLP. As an LLP, we are required to maintain certain insurance. Our insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.

02/01/11

Tab 9

BDO

BDO McCabe Lo Limited
Certified Public Accountants
德豪嘉信會計師事務所有限公司

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2541 5041
Facsimile : (852) 2815 2239

香港干諾道中 111 號
永安中心 25 樓
電話：(852) 2541 5041
傳真：(852) 2815 2239

May 23, 2007

This is Exhibit C referred to in the affidavit of Diana Correia sworn before me, this 23rd day of April 2012

A COMMISSIONER FOR TAKING AFFIDAVITS

The Audit Committee
Sino-Forest Corporation
90 Burnhamthorpe Road West,
Suite 1208, Mississauga,
Ontario Canada L5B3C3

Dear Sir / Madam:

We have audited the consolidated balance sheets of Sino-Forest Corporation (the "Company") as at December 31, 2006 and 2005, and the consolidated statements of income, comprehensive income, retained earnings and cash flows for each of the years in the two-year period ended December 31, 2006. Our reports to the shareholders were dated March 19, 2007 on the financial statements for the years ended December 31, 2006 and 2005. Our report on the financial statements for the two-year period ended December 31, 2006 is to be included in a short form prospectus (the "Prospectus") relating to the issue and sale of 13,900,000 common shares of the Company, to be filed by the Company under the Securities Acts of British Columbia, Alberta, Manitoba, Saskatchewan, Ontario, Nova Scotia, New Foundland and Labrador, New Brunswick and Prince Edward Island.

In order to consent to the use of our audit report in the Prospectus, our professional standards require that we carry out certain procedures including a review of the Company's interim financial statements for the three months ended March 31, 2007 and 2006 and any other interim financial statements that may be issued, and a review of subsequent events and transactions, up to the date the Company files the final prospectus with regulatory authorities. We are also required to update our communications with the Company's legal counsel and obtain representations from management similar to those we customarily receive as part of our annual audit.

In connection with the proposed offering of securities, we understand that the underwriting agreement will provide that we perform certain procedures for the purpose of issuing a comfort letter to Dundee Securities Corporation, CIBC World Markets Inc., Merrill Lynch Canada, Inc., UBS Securities Canada Inc., Credit Suisse Securities (Canada) Inc., and Haywood Securities Inc. (collectively, the "Underwriters"). The comfort letter would make reference to our audit report and our review of the unaudited interim financial statements issued up to the date of the Prospectus, and set out the procedures performed at the Underwriters' request and the results of performing those procedures. In addition, we understand that the Underwriters have requested that we attend a meeting (the "due diligence meeting") at which the Underwriters and the Underwriters' legal counsel wish to ask us certain questions in connection with our audits referred to above, and that you have agreed to grant such request.

We understand that the Underwriters are experienced underwriters and will be carrying out other procedures they deem appropriate to obtain whatever information they believe is necessary to complete their investigation of the financial affairs of the Company. Our audits of the Company's financial statements referred to above were not carried out for the purpose of such investigation, and our auditors' reports, our comfort letter, and the answers that we may give for the due diligence meeting questions are not to be relied upon for that purpose.

Cont'd.../2

BDO McCabe Lo Limited
Certified Public Accountants
德栄嘉信會計師事務所有限公司

In accordance with professional standards, our audits were carried out solely for the purpose of providing us with sufficient appropriate audit evidence to support our opinion on the financial statements referred to above. There is no assurance that the procedures we perform for purposes of the comfort letter and our responses to the due diligence meeting questions will address all of the questions that the Underwriters and the Underwriters' legal counsel may have. You should be aware that there could be sensitive matters that the Underwriters and the Underwriters' legal counsel may ask us to address either in the comfort letter or during the due diligence meeting that could affect the outcome of the proposed offering of securities. Unless otherwise instructed by you, we shall attempt to perform all of the requested procedures and answer due diligence meeting questions that are considered by us appropriate.

You acknowledge that we have no responsibility to you if the results of our procedures or our answers to due diligence meeting questions result in termination of, or change in, the proposed securities offering or in misuse of any confidential information discussed at the meeting. You also acknowledge that you have requested us to co-operate in every way with the Underwriters and the Underwriters' legal counsel, by performing the requested procedures and by answering any due diligence meeting questions they may ask that are considered by us appropriate.

You also agree to indemnify and hold harmless BDO McCabe Lo Limited and our personnel from any claim by the Underwriters and the Underwriters' legal counsel, or any other third party, that arises as a result of our comfort letter or our responses to questions posted for the due diligence meeting.

We shall advise the Underwriters and the Underwriters' legal counsel that information acquired by them in our comfort letter or as a result of our responses to their due diligence meeting questions is confidential and is to be used only in connection with the securities offering referred to above.

Our professional fees will be based on our regular billing rates which depend on the means by which and by whom our services are provided, plus direct, out-of-pocket, expenses and applicable Goods and Services Tax, and are due when rendered. Fees for additional services will be established separately.

The fee will be billed to the Company by two equal instalments which are generally billed upon submission of the draft comfort letter and submission of the signed comfort letter respectively.

If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, upon written notice to the other party, request facilitated negotiations. Such negotiations shall be assisted by a neutral facilitator acceptable to both parties and shall require the best efforts of the parties to discuss with each other in good faith their respective positions and, respecting their different interests, to finally resolve such dispute.

Cont'd..../3

BDO McCabe Lo Limited
Certified Public Accountants
德泰嘉信會計師事務所有限公司

The agreement evidenced by this letter shall be governed in all respects by the laws of Hong Kong SAR. It is also irrevocably agreed between us that the courts of Hong Kong shall have exclusive jurisdiction over any dispute including a counter claim or set-off which may arise in any way in connection with, or in any way touching and concerning, this letter or the agreement evidenced by this letter or the legal relationship established by this letter. However, notwithstanding the above, where the Company carries on business in another country and disputes arise in respect of that business we shall reserve the right to take appropriate legal action in the courts of that jurisdiction.

Please confirm your understanding and agreement with the foregoing by signing and dating a copy of this letter and returning it to us.

Yours faithfully,
BDO McCabe Lo Limited

BDO McCabe Lo Limited

We have read and accept the foregoing understanding.
For and on behalf of Sino-Forest Corporation

By _____ Date _____

BDO

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

☑ 25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2541 5041
Facsimile : (852) 2815 2239

香港干諾道中 111 號
永安中心 25 樓
電話：(852) 2541 5041
傳真：(852) 2815 2239

20th Floor Central Plaza
18 Harbour Road Wanchai
Hong Kong
Telephone: (852) 2877 8500
Facsimile : (852) 2815 2239

香港灣仔港灣道 18 號
中環廣場 20 樓
電話：(852) 2877 8500
傳真：(852) 2815 2239

COPY

May 15, 2009

Our ref :52358/SH0509

The Board of Directors
Sino-Forest Corporation
90 Burnhamthorpe Road West,
Suite 1208, Mississauga,
Ontario Canada L5B3C3

Dear Sirs / Mesdames:

We have audited the consolidated balance sheet of Sino-Forest Corporation (the "Company") as at December 31, 2006, and the consolidated statements of income, retained earnings and cash flows for the year ended December 31, 2006. Our report to the shareholders was dated March 19, 2007 on the financial statements of the Company for the year ended December 31, 2006. We understand that our report on the financial statements for the year ended December 31, 2006 will not be included nor incorporated by reference in a short form prospectus (the "Prospectus") relating to the proposed offering and issue of common shares (the "Common Shares") of the Company, to be filed by the Company under the Securities Acts of British Columbia, Alberta, Manitoba, Saskatchewan, Ontario, Nova Scotia, Newfoundland and Labrador, New Brunswick and Prince Edward Island.

For the purpose of the portion of the offering, in which, the Common Shares will be offered in an international offering by Credit Suisse Securities (Canada) Inc. and other underwriters to be determined later (collectively the "Underwriters"), an offering memorandum which includes the Prospectus (the "Offering Memorandum") will be issued by the Company. We understand the financial statements of the Company for the year ended December 31, 2006 will be incorporated by reference and our report thereon dated March 19, 2007 will be included in the Offering Memorandum.

In order to consent to the use of our audit report in the Offering Memorandum, our professional standards require that we update our communications with the Company's legal counsels and present auditors and obtain representations from management similar to those we customarily receive as part of an annual audit.

In connection with the proposed offering of securities, we understand we will perform certain procedures for the purpose of issuing a comfort letter to the Underwriters. The comfort letter will make reference to our audit report, and set out the procedures performed at the Underwriters' request and the results of performing those procedures. In addition, we understand that the Underwriters request that we attend a meeting (the "due diligence meeting") at which the Underwriters and the Underwriters' legal counsels wish to ask us certain questions in connection with our audit referred to above, and that you have agreed to grant such request.

Cont'd 2.../

This is Exhibit F referred to in the affidavit of Diana Correia sworn before me, this 23rd day of April 2012

A COMMISSIONER FOR TAKING AFFIDAVITS

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

We understand that the Underwriters are experienced underwriters and will be carrying out other procedures they deem appropriate to obtain whatever information they believe is necessary to complete their investigation of the financial affairs of the Company. Our audit of the Company's financial statements referred to above will not be carried out for the purpose of such investigation, and our auditors' report, comfort letter, and the answers that we may give for the due diligence meeting questions are not to be relied upon for that purpose.

In accordance with professional standards, our audit was carried out solely for the purpose of providing us with sufficient appropriate audit evidence to support our opinion on the consolidated financial statements referred to above. There is no assurance that the procedures we perform for purposes of the comfort letter and our responses to the due diligence meeting questions will address all of the questions that the Underwriters and the Underwriters' legal counsels may have. You should be aware that there could be sensitive matters that the Underwriters and the Underwriters' legal counsels may ask us to address either in the comfort letter or during the due diligence meeting that could affect the outcome of the proposed offering of securities. Unless otherwise instructed by you, we shall attempt to perform all of the requested procedures and answer due diligence meeting questions that are considered by us appropriate.

You acknowledge that we have no responsibility to you if the results of our procedures or our answers to due diligence meeting questions result in termination of, or change in, the proposed securities offering or in misuse of any confidential information discussed at the meeting. You also acknowledge that you have requested us to co-operate in every way with the Underwriters and the Underwriters' legal counsels, by performing the requested procedures and by answering any due diligence meeting questions they may ask that are considered by us appropriate.

You also agree to indemnify and hold harmless BDO Limited (formerly known as BDO McCabe Lo Limited) and our personnel from any claim by the Underwriters and the Underwriters' legal counsels, or any other third party, that arises as a result of our comfort letter or our responses to questions posted for the due diligence meeting or conference call.

We shall advise the Underwriters and the Underwriters' legal counsels that information acquired by them in our comfort letter or as a result of our responses to their due diligence meeting questions is confidential and is to be used only in connection with the securities offering referred to above.

You will arrange for us to receive copies of proofs of the Prospectus and the Offering Memoradum prior to filing as applicable so that we may carry out the required procedures. You will also provide us with a copy of the documents filed with the regulators.

Our professional fees will be based on our regular billing rates which depend on the means by which and by whom our services are provided, plus direct, out-of-pocket, expenses and applicable Goods and Services Tax, and are due when rendered. Fees for additional services will be established separately.

As agreed, the fee for the above scope of work amounts to US$60,000. The fee will be billed to the Company upon submission of the final comfort letter.

Cont'd 3..../

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, upon written notice to the other party, request facilitated negotiations. Such negotiations shall be assisted by a neutral facilitator acceptable to both parties and shall require the best efforts of the parties to discuss with each other in good faith their respective positions and, respecting their different interests, to finally resolve such dispute.

The agreement evidenced by this letter shall be governed in all respects by the laws of Hong Kong SAR. It is also irrevocably agreed between us that the courts of Hong Kong shall have exclusive jurisdiction over any dispute including a counter claim or set-off which may arise in any way in connection with, or in any way touching and concerning, this letter or the agreement evidenced by this letter or the legal relationship established by this letter. However, notwithstanding the above, where the Company carries on business in another country and disputes arise in respect of that business we shall reserve the right to take appropriate legal action in the courts of that jurisdiction.

Please confirm your understanding and agreement with the foregoing by signing and dating a copy of this letter and returning it to us.

Yours faithfully,
BDO LIMITED

We have read and accept the foregoing understanding.
For and on behalf of Sino-Forest Corporation

By _____ Date May 15, 09

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

☑ 25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone : (852) 2541 5041
Facsimile : (852) 2815 2239

香港干諾道中 111 號
永安中心 25 樓
電話：(852) 2541 5041
傳真：(852) 2815 2239

20th Floor Central Plaza
18 Harbour Road Wanchai
Hong Kong
Telephone: (852) 2877 8500
Facsimile : (852) 2815 2239

香港灣仔港灣道 18 號
中環廣場 20 樓
電話：(852) 2877 8500
傳真：(852) 2815 2239

November 18, 2009

The Board of Directors
Sino-Forest Corporation
90 Burnhamthorpe Road West,
Suite 1208, Mississauga,
Ontario Canada L5B3C3

Our ref: 52358/SH1209/1811

COPY

Dear Sirs / Mesdames:

We have audited the consolidated balance sheet of Sino-Forest Corporation (the "Company") as at December 31, 2006, and the consolidated statements of income, retained earnings and cash flows for the year ended December 31, 2006. Our report to the shareholders was dated March 19, 2007 on the financial statements of the Company for the year ended December 31, 2006. We understand that our report on the financial statements for the year ended December 31, 2006 will be incorporated by reference in a short form prospectus (the "Prospectus") and in an international exempt offering memorandum (the "Offering Memorandum") relating to the proposed offering and issue of common shares (the "Common Shares") of the Company, and the Prospectus is to be filed by the Company under the Securities Acts of British Columbia, Alberta, Manitoba, Saskatchewan, Ontario, Quebec, Nova Scotia, Newfoundland and Labrador, New Brunswick and Prince Edward Island.

For the purpose of the portion of the offering, in which, the Common Shares will be offered in an international offering by Credit Suisse Securities (Canada) Inc. and other underwriters to be determined later (collectively the "Underwriters"), the Offering Memorandum which includes the Prospectus incorporated by reference therein will be issued by the Company. We also understand that our consent letter for our report dated March 19, 2007 will be included in the Offering Memorandum.

In order to consent to the use of our audit report in the Prospectus and the Offering Memorandum, our professional standards require that we update our communications with the Company's legal counsels and present auditors and obtain representations from management similar to those we customarily receive as part of an annual audit.

In connection with the proposed offering of securities, we understand we will perform certain procedures for the purpose of issuing a comfort letter to the Underwriters. The comfort letter will make reference to our audit report, and set out the procedures performed at the Underwriters' request and the results of performing those procedures. In addition, we understand that the Underwriters request that we attend a meeting (the "due diligence meeting") at which the Underwriters and the Underwriters' legal counsels wish to ask us certain questions in connection with our audit referred to above, and that you have agreed to grant such request.

Cont'd 2.../

This is Exhibit G referred to in the affidavit of Diana Correia sworn before me, this 23rd day of April 2012

A COMMISSIONER FOR TAKING AFFIDAVITS

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

We understand that the Underwriters are experienced underwriters and will be carrying out other procedures they deem appropriate to obtain whatever information they believe is necessary to complete their investigation of the financial affairs of the Company. Our audit of the Company's financial statements referred to above will not be carried out for the purpose of such investigation, and our auditors' report, comfort letter, and the answers that we may give for the due diligence meeting questions are not to be relied upon for that purpose.

In accordance with professional standards, our audit was carried out solely for the purpose of providing us with sufficient appropriate audit evidence to support our opinion on the consolidated financial statements referred to above. There is no assurance that the procedures we perform for purposes of the comfort letter and our responses to the due diligence meeting questions will address all of the questions that the Underwriters and the Underwriters' legal counsels may have. You should be aware that there could be sensitive matters that the Underwriters and the Underwriters' legal counsels may ask us to address either in the comfort letter or during the due diligence meeting that could affect the outcome of the proposed offering of securities. Unless otherwise instructed by you, we shall attempt to perform all of the requested procedures and answer due diligence meeting questions that are considered by us appropriate.

You acknowledge that we have no responsibility to you if the results of our procedures or our answers to due diligence meeting questions result in termination of, or change in, the proposed securities offering or in misuse of any confidential information discussed at the meeting. You also acknowledge that you have requested us to co-operate in every way with the Underwriters and the Underwriters' legal counsels, by performing the requested procedures and by answering any due diligence meeting questions they may ask that are considered by us appropriate.

You also agree to indemnify and hold harmless BDO Limited and our personnel from any claim by the Underwriters and the Underwriters' legal counsels, or any other third party, that arises as a result of our comfort letter or our responses to questions posted for the due diligence meeting or conference call.

We shall advise the Underwriters and the Underwriters' legal counsels that information acquired by them in our comfort letter or as a result of our responses to their due diligence meeting questions is confidential and is to be used only in connection with the securities offering referred to above.

You will arrange for us to receive copies of proofs of the Prospectus and the Offering Memorandum prior to filing as applicable so that we may carry out the required procedures. You will also provide us with a copy of the documents filed with the regulators.

Our professional fees will be based on our regular billing rates which depend on the means by which and by whom our services are provided, plus direct, out-of-pocket, expenses and applicable Goods and Services Tax, and are due when rendered. Fees for additional services will be established separately.

As agreed, the fee for the above scope of work amounts to US$48,000. The fee will be billed to the Company upon submission of the final comfort letter to the Company.

Cont'd 3.../

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, upon written notice to the other party, request facilitated negotiations. Such negotiations shall be assisted by a neutral facilitator acceptable to both parties and shall require the best efforts of the parties to discuss with each other in good faith their respective positions and, respecting their different interests, to finally resolve such dispute.

The agreement evidenced by this letter shall be governed in all respects by the laws of Hong Kong SAR. It is also irrevocably agreed between us that the courts of Hong Kong shall have exclusive jurisdiction over any dispute including a counter claim or set-off which may arise in any way in connection with, or in any way touching and concerning, this letter or the agreement evidenced by this letter or the legal relationship established by this letter. However, notwithstanding the above, where the Company carries on business in another country and disputes arise in respect of that business we shall reserve the right to take appropriate legal action in the courts of that jurisdiction.

Please confirm your understanding and agreement with the foregoing by signing and dating a copy of this letter and returning it to us.

Yours faithfully,
BDO Limited

BDO CPA

We have read and accept the foregoing understanding.
For and on behalf of Sino-Forest Corporation

By _____ Date 23 NOV 2009

Tab 10

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

FACTUM OF THE UNDERWRITERS NAMED IN CLASS ACTIONS
(Stay of Proceedings
(returnable on May 8, 2012))

TORYS LLP
79 Wellington Street West
Suite 300, TD Centre
Toronto, Ontario M5K 1N2

Fax: 416.865.7380

John Fabello (LSUC#: 35449W)
Tel: 416.865.8228
Email : jfabello@torys.com

David Bish (LSUC#: 41629A)
Tel: 416.865.7353
Email : dbish@torys.com

Andrew Gray (LSUC#: 46626V)
Tel: 416.865.7630
Email : agray@torys.com

Lawyers for the Underwriters
named in Class Actions

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

FACTUM OF THE UNDERWRITERS NAMED IN CLASS ACTIONS

(Stay of Proceedings
(returnable on May 8, 2012))

PART I - OVERVIEW

1. This Factum is filed by the Underwriters (as such term is defined below) in connection with the motion of Sino-Forest Corporation ("Sino-Forest") for a determination of the scope of the Stay of Proceedings (as such term is defined below), as more fully described in the Motion Record of Sino-Forest, dated April 23, 2012.

2. It is the position of the Underwriters that the Stay of Proceedings extends to the Underwriters or, alternatively, that the Stay of Proceedings should be ordered to extend to the Underwriters. As this Court recently held in the *Timminco* case, it makes no sense for class actions to be stayed as against Sino-Forest and its officers and directors but be allowed to proceed against the Underwriters and other parties. As in *Timminco*, there is no urgency or other reason to come to a different conclusion.

PART II – THE FACTS

The Initial Order

3. On March 30, 2012, Sino-Forest sought and obtained from the Ontario Superior Court of Justice an Initial Order (the "Initial Order") under the *Companies' Creditors Arrangement Act*,

R.S.C. 1985, c. C-36, as amended (the "CCAA"), which granted a stay of proceedings in respect of Sino-Forest (the "Stay of Proceedings") and other relief under the CCAA.

The Class Actions

4. Sino-Forest and certain of its officers, directors and employees, along with Sino-Forest's current and former auditors, technical consultants and various underwriters involved in prior equity and debt offerings, have been named as defendants in eight class action lawsuits to date, and additional law firms in both the United States and Canada have announced that they are investigating Sino-Forest and certain directors and officers thereof with respect to potential additional class action lawsuits (all such class actions together with other lawsuits, actions and other similar litigation to which Sino-Forest is a party, collectively, the "Sino-Forest Actions").

> Affidavit of W. Judson Martin, sworn March 30, 2012 [Martin Affidavit] at paras. 176 and 181, Application Record of Sino-Forest, Tab 2

5. Five of the existing class action lawsuits, commenced by three separate groups of counsel, were filed in Ontario Superior Court of Justice on June 8, 2011, June 20, 2011, July 20, 2011, September 26, 2011 and November 14, 2011. A carriage motion in relation to these actions was heard on December 20 and 21, 2011, and by Order dated January 6, 2012, Justice Perell appointed Koskie Minsky LLP and Siskinds LLP as class counsel. As a result, Koskie Minsky LLP and Siskinds LLP discontinued their earliest action, and their other two actions have been consolidated and will move forward as one proceeding. The other two Ontario actions, commenced by other counsel, have been stayed. Pursuant to Justice Perell's January 6, 2012 Order, Koskie Minsky LLP and Siskinds LLP have filed a fresh as amended Statement of Claim in the consolidated proceeding (the "Sino-Forest Class Action").

> Martin Affidavit at para. 177, Application Record of Sino-Forest, Tab 2

6. The Underwriters (namely, 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. (now known as Canaccord Genuity Corp.), 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) are among the defendants named in the Sino-Forest Class Action.

> Martin Affidavit at para. 177 and Exhibit "Y", Application Record of Sino-Forest, Tabs 2 and 2(Y)

7. The plaintiffs in the Sino-Forest Class Action claim damages against various parties in connection with alleged misrepresentations made by Sino-Forest between 2006-2011. The claims asserted by the plaintiffs involve, in part, alleged misrepresentations made by Sino-Forest in its equity and note offerings (the "Offerings") in the primary market through prospectuses and offering memoranda. The alleged misrepresentations made by Sino-Forest in connection with the Offerings form the basis upon which general and other damages are claimed by the plaintiffs against the Underwriters.

> Affidavit of Rebecca L. Wise, sworn April 23, 2012 [Wise Affidavit] at paras. 2-6, Responding Motion Record of the Underwriters, Tab 1

8. In connection with the Offerings, certain Underwriters have entered into related agreements (the "Related Agreements") with Sino-Forest and certain of its subsidiaries (the "Sino-Forest Subsidiary Companies") providing that Sino-Forest and, with respect to certain Offerings, the Sino-Forest Subsidiary Companies have agreed to indemnify and hold harmless the Underwriters (the "Indemnities") in connection with an array of matters that could arise from the Offerings.

> Wise Affidavit at paras. 8-10, Responding Motion Record of the Underwriters, Tab 1

9. Subsequent to the Initial Order, counsel for Sino-Forest and some of the individual defendants in the Sino-Forest Class Action, counsel for certain current and former directors of Sino-Forest in the Sino-Forest Class Action and counsel for the former CEO of Sino-Forest wrote letters to the Honourable Mr. Justice Paul M. Perell, the presiding judge in the Sino-Forest Class Action, stating, *inter alia*, that, as a result of the Stay of Proceedings, their respective clients do not intend to participate in the Sino-Forest Class Action.

Wise Affidavit at paras. 15-17, Responding Motion Record of the Underwriters, Tab 1

10. If the Stay of Proceedings does not extend to the Underwriters or is not ordered to extend to the Underwriters and the Sino-Forest Class Action proceeds, then (absent any further order) the effect of the Initial Order will be as follows:

(a) Sino-Forest and its directors and officers (the "D&Os") will have no obligation to make production of documents;

(b) Sino-Forest and the D&Os will not be examined for discovery;

(c) Sino-Forest and the D&Os will not attend any pre-trial and will therefore not participate in any court or private mediation associated with the pre-trial; and

(d) Sino-Forest and the D&Os will not give evidence at trial.

Wise Affidavit at para. 18, Responding Motion Record of the Underwriters, Tab 1

11. The principal, though not the only, defences available to a defendant in a matter such as the Sino-Forest Class Action include demonstrating: (i) there were no misrepresentations in the company's disclosure of the kind alleged; and (ii) the defendant is not in any event liable for any misrepresentations because it was duly diligent with respect to its involvement in that disclosure. Requiring the remaining defendants (including the Underwriters) to develop either of these defences in a case where the company and its directors and senior managers are absent will prejudice the remaining defendants (including the Underwriters), based on the assumptions that the company and its directors and senior managers have evidence that bears upon these defences and would be expected to be the primary parties addressing the accuracy of disclosure. This is due to (without any further order): (a) the absence of relevant evidence with which to prove defences; and (b) the absence of ongoing indemnification from Sino-Forest.

Wise Affidavit at para. 19, Responding Motion Record of the Underwriters, Tab 1

12. Similar prejudice also may reasonably be expected to affect the defences and indemnification arrangements of the Underwriters and other non-Sino-Forest defendants in other Sino-Forest Actions.

PART III – LAW AND ARGUMENT

The Issues

13. The following issues are before this Court and addressed below:

I. Does the scope of the Stay of Proceedings extend to stay the Sino-Forest Actions in their entirety?

II. In the event that the scope of the Stay of Proceedings does not presently extend to stay the Sino-Forest Actions in their entirety:

A. Does this Court have the jurisdiction to so extend the Stay of Proceedings?

B. In the event that this Court has the requisite jurisdiction, should this Court exercise its discretion to extend the Stay of Proceedings to stay the Sino-Forest Actions in their entirety?

III. In the event that the scope of the Stay of Proceedings presently extends to stay the Sino-Forest Actions in their entirety, should this Court lift the Stay of Proceedings to permit the Sino-Forest Actions to continue as requested by plaintiffs' counsel in the Sino-Forest Class Action?

The CCAA

14. Before addressing the issues set out above, they should be put in the proper context with reference to the legislation under which the Initial Order and Stay of Proceedings were granted, namely the CCAA.

15. The CCAA is remedial legislation, and it is to be given a liberal interpretation to facilitate its objectives.

Hongkong Bank of Canada v. Chef Ready Foods Ltd. (1990), 4 C.B.R. (3d) 311 at para. 25 (B.C.C.A.), Brief of Authorities of the Underwriters, Tab 1

Re Babcock & Wilcox Canada Ltd. (2000), 18 C.B.R. (4th) 157 at para. 11 (Ont. S.C.J.), Brief of Authorities of the Underwriters, Tab 2

16. The underlying objectives of the CCAA and the corresponding liberal interpretation it is to be given inform the law and argument discussed in Part III and strongly support a broad and robust Stay of Proceedings in the present case.

Issue I: Scope of Stay of Proceedings Extends to Stay Sino-Forest Actions

17. The Ontario Court of Appeal has recognized that a motion judge's interpretation of his order deserves deference, and that such motion judge is in an ideal position to assess what would be fair in the context of a CCAA case.

Molson Canada v. O-I Canada Corp. (2003), 43 C.B.R. (4th) 172 at para. 15 (Ont. C.A.), Brief of Authorities of the Underwriters, Tab 3

18. The Stay of Proceedings, in keeping with the liberal interpretation to be given to the CCAA and the underlying objectives of the CCAA, may be interpreted broadly by this Court, and stays of proceedings generally receive a very broad interpretation.

Re Woodward's Ltd. (1993), 79 B.C.L.R. (2d) 257 at para. 12 (B.C.S.C.) [*Woodward's*], Brief of Authorities of the Underwriters, Tab 4

19. Courts have recognized that principal objectives underlying the CCAA include:

(a) *to maintain the status quo* for a period to provide a structured environment in which an insolvent company can continue to carry on business and retain control over its assets while the company attempts to gain the approval of its creditors for a proposed arrangement that will enable the company to remain in operation for the future benefit of the company and its creditors: *Meridian Development Inc. v. Toronto Dominion Bank* (1984), 1984 CarswellAlta 259, 52 C.B.R. (N.S.) 109, 32

Alta. L.R. (2d) 150, [1984] 5 W.W.R. 215, 53 A.R. 39 (Q.B.); *Quintette Coal Ltd. v. Nippon Steel Corp.* (1990), 80 C.B.R. (N.S.) 98, 1990 CarswellBC 425 (B.C. S.C.); *Re Canadian Airlines Corp.* (2000), 19 C.B.R. (4th) 1, 2000 CarswellAlta 622 (Alta. Q.B.); *Milner Greenhouses Ltd. v. Saskatchewan* (2004), 2004 CarswellSask 280, [2004] 9 W.W.R. 310, 50 C.B.R. (4th) 214, 2004 SKQB 160 (Sask. Q.B.); *Re Blue Range Resource Corp.* (2000), 192 D.L.R. (4th) 281, 2000 ABCA 239, 20 C.B.R. (4th) 187, 2000 CarswellAlta 1004 (Alta. C.A.);

(b) to permit an *orderly administration* of the debtor company's affairs: *Meridian Development Inc. v. Toronto Dominion Bank* (1984), 1984 CarswellAlta 259, 52 C.B.R. (N.S.) 109, 32 Alta. L.R. (2d) 150, [1984] 5 W.W.R. 215, 53 A.R. 39 (Q.B.);

(c) to permit a *broad balancing of stakeholder interests* in the insolvent corporation: *Nova Metal Products Inc. v. Comiskey (Trustee of)* (1990), 1 C.B.R. (3d) 101, 41 O.A.C. 282, 1990 CarswellOnt 139, 1 O.R. (3d) 289 (Ont. C.A.); *Re Air Canada [Greater Toronto Airport Authority re gates at new terminal (Toronto)]* (2004), 47 C.B.R. (4th) 189, 2004 CarswellOnt 870 (Ont. S.C.J. [Commercial List]); and

(d) enabling the debtor to have some *breathing room* in the face of pending and potential proceedings against it, in order to give it time and uninterrupted opportunity to attempt to work out a restructuring: *Re Philip Services Corp.* (1999), 13 C.B.R. (4th) 159, 1999 CarswellOnt 4673 (Ont. S.C.J. [Commercial List]); *Toronto Stock Exchange Inc. v. United Keno Hill Mines Ltd.* (2000), 48 O.R. (3d) 746, 19 C.B.R. (4th) 299, 7 B.L.R. (3d) 86, 2000 CarswellOnt 1770 (S.C.J. [Commercial List]). See also *Milner Greenhouses Ltd. v. Saskatchewan* (2004), 2004 CarswellSask 280, [2004] 9 W.W.R. 310, 50 C.B.R. (4th) 214, 2004 SKQB 160 (Sask. Q.B.).

20. These objectives are served by the granting of a broad stay of proceedings; a narrowly construed stay of proceedings is not consistent with achieving the objectives underlying the CCAA.

21. At all times, the Court has the authority to oversee the CCAA proceedings and – principally through application of a broadly applied stay of proceedings – to prevent chaos, unfairness or interference with the objects of the CCAA. The Court reserves the discretion to lift the stay of proceedings at any time and to the extent it deems appropriate, after orderly consideration of a request to lift the stay on notice to affected parties.

22. The point of the CCAA process is not simply to preserve the status quo but to facilitate restructuring so that the company can successfully emerge from the process and it is important to take into account the dynamics of the situation.

> *Re Stelco Inc.* (2005), 15 C.B.R. (5th) 288 at para. 18 (Ont. C.A.) [*Stelco*], Brief of Authorities of the Underwriters, Tab 5

23. In the present case, the outstanding litigation against and involving Sino-Forest is a principal reason for Sino-Forest having sought court protection, and this litigation and the prospective resolution of the claims surrounding this litigation are central to Sino-Forest and to its restructuring. To interpret the stay of proceedings narrowly or to otherwise permit the litigation to continue in part would be wholly inconsistent with the objects of the CCAA and the circumstances facing Sino-Forest that predicated its commencing the within CCAA proceedings.

24. The Initial Order in the present case stays the rights and remedies of any persons against or in respect of, *inter alia*, Sino-Forest and its Business or Property (as such terms are defined in the Initial Order), and precludes them from commencing or continuing proceedings or enforcement processes. Paragraphs 17 and 19 of the Initial Order provide as follows:

> 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 or 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.
>
> 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.

25. In addition, the Initial Order precludes any noteholder, indenture trustee or security trustee in respect of notes issued by Sino-Forest from commencing or continuing proceedings or enforcement processes against or in respect of any Subsidiary Guarantors (as such term is defined in the Initial Order). Paragraphs 18 and 20 of the Initial Order provide as follows:

> 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.
>
> 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 or continued, except with the written consent of the Applicant and the Monitor, or leave of this Court.

26. The terms "Business" and "Property" are each defined broadly in the Initial Order. Paragraph 5 of the Initial Order provides, in part, as follows:

> 5. THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of very 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 ...

27. The provisions of the Initial Order excerpted above demonstrate that the Stay of Proceedings was conceived on a sufficiently broad basis to stay the Sino-Forest Actions in their entirety as opposed to only claims made in the Sino-Forest Actions against Sino-Forest, itself, and there is no language in the Initial Order that necessarily limits the scope of the Stay of Proceedings in this respect.

28. Pursuant to the Initial Order, the Stay of Proceedings precludes, *inter alia*, the commencement or continuation of any proceeding or enforcement process in any court or tribunal against or in respect of Sino-Forest, *or affecting the Business or the Property* (*emphasis added*). This language is supportive of the scope of the Stay of Proceedings extending beyond Sino-Forest, itself, to include proceedings affecting the Business or Property of Sino-Forest, which is a much broader concept. Moreover, in the event that the Sino-Forest Actions, including the Sino-Forest Class Action, are stayed only with respect to claims made against Sino-Forest, the Sino-Forest Actions may still reasonably be expected to affect Sino-Forest, the Business or Property in some manner, such as findings of fact that may prejudice Sino-Forest in future actions.

29. It is respectfully submitted that, based on the objectives and interpretation to be given to the CCAA, the relevant provisions of the Initial Order and the deference accorded to this Court in interpreting its own orders, the Court can and should confirm that the scope of the Stay of Proceedings extends to stay the Sino-Forest Actions, including the Sino-Forest Class Action, in their entirety.

Issue II A: Jurisdiction to Extend Stay of Proceedings to Stay Sino-Forest Actions

30. In the event that the scope of the Stay of Proceedings as presently constituted does not extend to stay the Sino-Forest Actions in their entirety, this Court has the jurisdiction to so extend the Stay of Proceedings. Section 11 of the CCAA provides as follows:

> 11. Despite anything in the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act*, if an application is made under this Act in respect of a debtor company, the court, on the application of any person interested in the matter, may, subject to the restrictions set out in this Act, on notice to any other person or

> without notice as it may see fit, make any order that it considers appropriate in the circumstances.
>
> CCAA, Section 11, Schedule "B"

31. With respect to stays of proceedings, in particular, the CCAA provides courts with considerable discretion. Section 11.02(1) of the CCAA provides as follows:

> 11.02 (1) A court may, on an initial application in respect of a debtor company, make an order on any terms that it may impose, effective for the period that the court considers necessary, which period may not be more than 30 days,
>
> > (a) staying, until otherwise ordered by the court, all proceedings taken or that might be taken in respect of the company under the Bankruptcy and Insolvency Act or the Winding-up and Restructuring Act;
> >
> > (b) restraining, until otherwise ordered by the court, further proceedings in any action, suit or proceeding against the company; and
> >
> > (c) prohibiting, until otherwise ordered by the court, the commencement of any action, suit or proceeding against the company.
>
> CCAA, section 11.02(1), Schedule "B"

32. Courts are provided with considerable power and discretion by the CCAA that extends to Section 11 of the CCAA, which provides courts with broad jurisdiction to impose terms and conditions on the granting of orders in respect of stays of proceedings, as courts may make such orders "on any terms that [they] may impose".

> *Stelco* at para. 18, Brief of Authorities of the Underwriters, Tab 5

33. Courts regularly exercise such power and discretion in granting broad stays of proceedings in circumstances where such relief is warranted. For example, in the CCAA case in respect of T. Eaton Company Limited et al. ("Eaton's") (Court File No. RE7483/97) (the "Eaton's Case"), the Court ordered, *inter alia*, that other tenants in commercial properties in which Eaton's was a tenant were stayed from exercising their rights under their leases against the landlords of such commercial properties. In the CCAA case in respect of MuscleTech Research

and Development Inc. et al. (Court File No. 06-CL-6241) (the "MuscleTech Case"), the Court ordered, *inter alia*, that the stay of proceedings extended to stay certain product liability and class action litigation, including the claims asserted against non-applicant solvent defendants party thereto.

> Order of Houlden J. made February 27, 1997 in the Eaton's Case (Ont. Gen. Div.) at para. 9, Brief of Authorities of the Underwriters, Tab 6
>
> Order of Farley J. made January 18, 2006 in the MuscleTech Case (Ont. S.C.J.) at para. 6, Brief of Authorities of the Underwriters, Tab 7

34. It is respectfully submitted that, based on the power and discretion provided to courts pursuant to the CCAA, this Court has the requisite jurisdiction to extend the Stay of Proceedings to stay the Sino-Forest Actions in their entirety.

Issue II B: Alternatively, the Stay of Proceedings Should be Extended to Stay Sino-Forest Actions

35. The stay of proceedings is the primary means used to achieve the CCAA's objectives, preserving the status quo and holding debtors at bay while giving the debtor company breathing room to develop a restructuring plan. That restraining power extends to conduct that could seriously impair the debtor's ability to focus and concentrate its efforts on the business purpose of negotiating the compromise or arrangement.

> *Re Canadian Airlines* (2000), 19 C.B.R. (4th) 1 at paras. 13 and 17-19 (Alta. Q.B.) [*Canadian Airlines*], Brief of Authorities of the Underwriters, Tab 8

36. In *Campeau*, the Court held that it is essential that the debtor company be afforded a respite from the litigious and other rights being exercised by creditors, while it attempts to carry on as a going concern.

> *Campeau v. Olympia & York Developments Ltd.* (1992), 14 C.B.R. (3d) 303 [*Campeau*] at paras. 17-20 (Ont. Gen. Div.), Brief of Authorities of the Underwriters, Tab 9

37. The stay ordered under the CCAA is also designed to ensure that no creditor will have an advantage over other creditors while the company attempts to reorganize its affairs and develop a plan. During the stay period, the CCAA is intended to prevent maneuvers for positioning among the creditors of the company.

> *Woodward's* at para. 12, Brief of Authorities of the Underwriters, Tab 4
>
> *Re Pacific National Lease Holding Corp.* (1992), 72 B.C.L.R. (2d) 368 at paras. 24-25 (B.C.C.A.), Brief of Authorities of the Underwriters, Tab 10
>
> *Canadian Airlines* at paras. 17-19, Brief of Authorities of the Underwriters, Tab 8

38. In *Campeau*, the debtor company and a third party were defendants in separate litigation that shared a complex factual situation. On motions to lift the stay of proceedings against the debtor company and extend the stay of proceedings to the third party defendant, the Court decided to continue the stay of proceedings in respect of the debtor company, and imposed a stay of proceedings in respect of the litigation against the third party. The Court held that:

> While there may not be great prejudice to [the third party defendant] if the action were to continue against it alone and the causes of action asserted against the two groups of defendants are different, the complex factual situation is common to both claims and the damages are the same. The potential of two different inquiries at two different times into those same facts and damages is not something that should be encouraged. Such multiplicity of inquiries should in fact be discouraged ...
>
> *Campeau* at paras. 23 and 25, Brief of Authorities of the Underwriters, Tab 9

39. The Court's rationale in *Campeau* is even more pertinent in the present case, where the Underwriters and Sino-Forest are defendants in the same litigation, and is illustrative of the tendency of courts to consider the interests of parties other than the debtor company and creditors when deciding issues concerning stays of proceedings.

> *Canadian Airlines* at para. 17, Brief of Authorities of the Underwriters, Tab 8

Re Alberta-Pacific Terminals Ltd. (1991), 8 C.B.R. (3d) 99 at para. 23 (B.C.S.C.), Brief of Authorities of the Underwriters, Tab 11

40. The imposition of stays of proceedings in respect of third parties is warranted in appropriate circumstances, as evidenced by the *Campeau*, Eaton's Case and MuscleTech Case examples. As discussed below, circumstances presently exist that make it appropriate for such a stay in these proceedings.

Considerations Germane to CCAA Process

41. A primary purpose of Sino-Forest's filing under the CCAA was to preserve Sino-Forest's business as a going concern and thus the inherent value of the enterprise. An essential element in accomplishing this purpose is the imposition of a stay of proceedings with sufficient scope to protect Sino-Forest and its Business or Property. A stay of proceedings with insufficient scope will leave Sino-Forest's business vulnerable and could potentially jeopardize its restructuring under the CCAA.

Martin Affidavit at para. 22, Application Record of Sino-Forest, Tab 2

42. Courts have recognized that litigation involving a debtor company may impair the debtor's ability to focus and concentrate its efforts on the business purpose of negotiating the compromise or arrangement. The Sino-Forest Actions, including the Sino-Forest Class Action, are complex and have required, and may reasonably be expected to continue to require, significant resources to be expended by the directors, officers and employees of Sino-Forest. The diversion of such resources has affected Sino-Forest's ability to conduct is operations in the normal course of business. Sino-Forest's timber and trading businesses have effectively been frozen and have ground to a halt.

Campeau at para. 17, Brief of Authorities of the Underwriters, Tab 9

Martin Affidavit at para. 183, Application Record of Sino-Forest, Tab 2

43. In addition, Sino-Forest has and will continue to incur a substantial amount of fees and expenses in connection with the Sino-Forest Actions. Further, pursuant to indemnification

agreements between Sino-Forest and its directors and certain officers as well as with auditors, underwriters and other parties, including the Related Agreements and Indemnities in the case of the Sino-Forest Class Action, Sino-Forest is obligated to indemnify such individuals for additional legal and other expenses pursuant to such proceedings. The aggregate of such fees and expenses is substantial and has had an extremely negative effect on Sino-Forest's operating results. If the litigation continues, it will have the effect of increasing the quantum of claims against Sino-Forest.

> Martin Affidavit at para. 190, Application Record of Sino-Forest, Tab 2
>
> Wise Affidavit at paras. 8-10, Responding Motion Record of the Underwriters named in Class Actions, Tab 1

Considerations Germane to Underwriters

44. As discussed above, the impact on the Underwriters and other defendants in any Sino-Forest Actions in which they are named as defendants, including the Sino-Forest Class Action, of permitting such actions to proceed would be significant and prejudicial to their ability to make a full answer and defence to allegations made against them. The absence of ongoing indemnification of the Underwriters by Sino-Forest would also be prejudicial to the Underwriters.

45. In the case of the Sino-Forest Class Action, in particular, in the event that the Stay of Proceedings does not extend to the Underwriters and the Sino-Forest Class Action proceeds, then (absent any further order) the effect of the Initial Order, by precluding the effective participation of Sino-Forest and the D&Os in the Sino-Forest Class Action, may be to limit certain of the likely principal defenses of the remaining defendants in the Sino-Forest Class Action, as described above, resulting in prejudice to such defendants, including the Underwriters. For example, without the participation of Sino-Forest and the D&Os, evidence that would ordinarily be available to the defendants and obtainable through the discovery process, would not be available to the Underwriters, with ramifications for establishing certain defences and disadvantaging the Underwriters in the Sino-Forest Class Action.

46. On the other hand, in the event that the scope of the Stay of Proceedings extends to stay the Sino-Forest Class Action, the defendants in the Sino-Forest Class Action will remain on a more equal footing with one another and the prejudice that could result from the non-participation of certain defendants and the continued participation of others can be avoided. The interests of justice are not served by the non-participation of Sino-Forest and the D&Os in the Sino-Forest Class Action and the resulting dearth of evidence from these parties available to the Underwriters and the absence of ongoing indemnification from Sino-Forest.

47. The impact on the Underwriters of the continuation of other Sino-Forest Actions, would be substantially similar.

Issue III: Stay of Proceedings Should Not be Lifted

48. It is respectfully submitted that, in the event that the scope of the Stay of Proceedings presently extends to stay the Sino-Forest Actions in their entirety, this Court should not lift the Stay of Proceedings to permit the Sino-Forest Actions, including the Sino-Forest Class Action, to continue. In this respect, the Underwriters are supportive of the arguments advanced by Ernst & Young LLP in its factum filed in connection with this motion.

49. There is no express statutory test under the CCAA to guide courts in lifting a stay of proceedings to permit a creditor to proceed; but there are recognized situations in which courts will lift a stay. The court will lift the stay when the moving party would be significantly prejudiced by a refusal to lift the stay and there would be no resulting prejudice to the debtor company or the positions of creditors, and where it is in the interests of justice to do so.

> R.H. McLaren, *Canadian Commercial Reorganization: Preventing Bankruptcy* looseleaf (Aurora: Canada Law Book, 2009) at 3.3400 to 3.3570 [*McLaren*], Brief of Authorities of the Underwriters, Tab 12
>
> *Canadian Airlines* at para. 20, Brief of Authorities of the Underwriters, Tab 8

50. In determining whether a stay should be lifted, a court will balance a number of interests, taking into account not only the relative prejudice to the moving party, the debtor company and

the creditors, but also the interests of the other stakeholders or constituents involved in the process.

> *Canadian Airlines* at para. 38, Brief of Authorities of the Underwriters, Tab 8

51. Lifting a stay of proceedings is a discretionary decision, though the party seeking such an order faces a very heavy onus. In considering whether to grant a lift stay, the court should consider whether there are sound reasons for lifting the stay consistent with the objectives of the CCAA, including considering the balance of convenience, relative prejudice to the parties and where relevant, the merits of the proposed action.

> *Re Canwest Global Communications Corp.* (2009), 61 C.B.R. (5th) 200 at para. 32 (Ont. S.C.J.) [*Canwest*], Brief of Authorities of the Underwriters, Tab 13
>
> *Re NFC Acquisition GP Inc.*, 2012 ONSC 1244 at para. 11 (Ont. S.C.J.) [*NFC Acquisition*], Brief of Authorities of the Underwriters, Tab 14

52. Courts regularly deny applications to lift stays of proceedings, particularly where the creditor or other stakeholder seeks to have their claims adjudicated in class proceedings or would gain an advantage over other creditors generally in the CCAA proceedings. Except in circumstances where it can be clearly demonstrated that the claim can be dealt with more expeditiously than through a claims process, such motions are usually dismissed.

> *Re Canadian Red Cross Society* (1999), 12 C.B.R. (4th) 194 (Ont. S.C.J.), Brief of Authorities of the Underwriters, Tab 15
>
> *Re Air Canada* (2004), 47 C.B.R. (4th) 177 (Ont. S.C.J.), Brief of Authorities of the Underwriters, Tab 16

53. This Court recently held in the *Timminco* case that it makes no sense to permit a class action to be stayed as against debtor companies but be allowed to proceed against the remaining defendants. This Court found that to order otherwise would be prejudicial to the debtor companies' business and property, unfair to the remaining defendants and wasteful of judicial resources. As in *Timminco*, there is no urgency or other reason to come to a different conclusion in the present case.

Re Timminco Limited, 2012 ONSC 2515 at paras. 23-24(Ont. S.C.J.), Brief of Authorities of the Underwriters, Tab 17

54. The following circumstances, set out first by Professor R.H. McLaren and adopted by this Court on a number of occasions, have been identified as instances in which lifting a stay of proceedings may be appropriate:

(a) When the plan is likely to fail.

(b) The moving party shows hardship (the hardship must be caused by the stay itself and be independent of any pre-existing condition of the moving party).

(c) The moving party shows necessity for payment (where the moving party's financial problems are created by the order or where the failure to pay the moving party would cause it to close and thus jeopardize the debtor's company's existence).

(d) The moving party would be significantly prejudiced by refusal to lift the stay and there would be no resulting prejudice to the debtor company or the positions of creditors.

(e) It is necessary to permit the moving party to take steps to protect a right which could be lost by the passing of time.

(f) After the lapse of a significant time period, the insolvent is no closer to a proposal than at the commencement of the stay period.

(g) There is a real risk that a moving party's loan will become unsecured during the stay period.

(h) It is necessary to allow the moving party to perfect a right that existed prior to the commencement of the stay period.

(i) It is in the interests of justice to do so.

McLaren at 3.3400 to 3.3570, Brief of Authorities of the Underwriters, Tab 12

Canwest at para. 33, Brief of Authorities of the Underwriters, Tab 13

NFC Acquisition, at para. 11, Brief of Authorities of the Underwriters Named in Class Actions, Tab 14

Plan Not Likely to Fail

55. Sino-Forest only filed under the CCAA on March 30, 2012. To date, a plan of arrangement or compromise has not yet been presented to creditors, though Sino-Forest may reasonably be expected to present one in due course. As such, there is no evidence to suggest that such a plan is likely to fail.

No Hardship to Plaintiffs

56. Effective March 6, 2012, the plaintiffs and defendants in the Sino-Forest Class Action entered into a tolling agreement (the "Tolling Agreement"). Accordingly, the continued operation of the Stay of Proceedings in respect of the Sino-Forest Class Action, in particular, has not resulted in hardship to the plaintiffs. It is open to the plaintiffs and defendants in other Sino-Forest Actions to negotiate similar arrangements, if the circumstances warrant such an arrangement.

No Necessity of Payment

57. There is no necessity for payment in the present case. Any losses sustained by the plaintiffs in the Sino-Forest Actions, including the Sino-Forest Class Action, were not as a result of the Initial Order or Stay of Proceedings, and pre-existed Sino-Forest's filing under the CCAA. The Sino-Forest Class Action, in particular, was not near its conclusion at the time of Sino-Forest's filing under the CCAA, and judgment and awards were not imminent.

Prejudice to Plaintiffs, Sino-Forest and Creditors

58. As a result of, *inter alia*, the Tolling Agreement, the continued operation of the Stay of Proceedings in respect of the Sino-Forest Class Action is not prejudicial to the plaintiffs, and it is open to the plaintiffs and defendants in other Sino-Forest Actions to negotiate similar arrangements, if the circumstances warrant such an arrangement. To the extent there is any prejudice to the plaintiffs in the present case, the prejudice that would be suffered by Sino-Forest

and its other creditors as a result of the lifting of the Stay of Proceedings would be significant and would outweigh any such prejudice to the plaintiffs. As discussed in greater detail in section II B of Part III of this Factum, the prejudice arising from the threat to the stabilization of Sino-Forest's business while it remains under CCAA protection that would be caused by permitting the Sino-Forest Actions to proceed would be significant and hinder the efforts of Sino-Forest to negotiate an acceptable restructuring plan with its creditors.

59. In addition, in determining whether stays of proceedings should be lifted, courts examine the interests of the other stakeholders or constituents involved in the process. Stakeholders other than creditors and the plaintiffs, such as employees and suppliers, typically have the most to gain by the emergence of a debtor company from a CCAA process. Any damage to Sino-Forest's business caused by permitting the Sino-Forest Actions to continue will have a negative effect on these stakeholders and the CCAA process, itself.

60. As discussed in greater detail in section II B of Part III of this Factum, the impact on the Underwriters and other defendants in the Sino-Forest Actions of lifting the Stay of Proceedings to permit the Sino-Forest Actions to proceed would also be significant and prejudicial to their ability to make a full answer and defence in such litigation, and the Sino-Forest Class Action in particular. Such prejudice also outweighs any prejudice that would be suffered by the plaintiffs in the Sino-Forest Actions by leaving the Stay of Proceedings in place.

Passing of Time

61. It is not necessary to lift the Stay of Proceedings in order to permit the plaintiffs in the Sino-Forest Actions, including the Sino-Forest Class Action, to take steps to protect a right which could be lost by the passing of time. The present case is not an instance where a creditor's security or priority is in jeopardy if, for example, not perfected properly.

No Lapse of Significant Time Period

62. Sino-Forest filed under the CCAA on March 30, 2012 and the Stay of Proceedings only commenced on that date. The intervening period of time has not been significant and it is premature to consider the lapse of time in the present case at this time.

No Risk to Creditor's Loan

63. The plaintiffs in the Sino-Forest Actions, including the Sino-Forest Class Action, do not have loans at risk of becoming unsecured as a result of the Stay of Proceedings.

Not Necessary to Perfect a Right

64. In the present case, it is not necessary to permit the plaintiffs in the Sino-Forest Actions, including the Sino-Forest Class Action, to perfect a right that existed prior to the commencement of the Stay of Proceedings.

Interests of Justice

65. The interests of justice militate heavily in favour of denying a lift stay in the present case and include interests germane to: (1) the CCAA process in respect of Sino-Forest and; (2) the Underwriters, which are discussed, in turn, below.

Interests Germane to CCAA Process

66. The objectives of the CCAA are best served by permitting Sino-Forest to restructure its business and negotiate with creditors without having to simultaneously defend the Sino-Forest Actions or allowing them to impact Sino-Forest's Business or Property. Lifting the Stay of Proceedings will do nothing to contribute to the emergence of Sino-Forest as a viable economic entity. As discussed in greater detail in section II B of Part III of this Factum, the Sino-Forest Actions, including the Sino-Forest Class Action, represent a significant threat to the successful preservation of Sino-Forest's business, and contributed to the urgency and necessity of Sino-Forest's filing under the CCAA in the first instance. Accordingly, in the present case, the maintenance of the Stay of Proceedings will result in the alignment of the objectives of the CCAA, the Stay of Proceedings and Sino-Forest's restructuring.

67. In addition, permitting the Sino-Forest Actions to continue will provide the plaintiffs with a second forum to pursue their claims against Sino-Forest and others that is not available to Sino-Forest's creditors and could alter the post-filing positioning of creditors and providing the plaintiffs with an advantage over other creditors. The cost to the plaintiffs in the Sino-Forest Actions and other creditors of maintaining the Stay of Proceedings is only the continuation of the

status quo that predates Sino-Forest's filing under the CCAA. However, as Courts have found previously, successful restructurings under the CCAA benefit society and the company in the long run, along with the company's creditors, shareholders, employees and other stakeholders.

Interests Germane to CCAA Process

68. When the relative prejudice between the plaintiffs and Underwriters is weighed, it is evident that the prejudice suffered by the Underwriters as a result of permitting the Sino-Forest Actions to proceed would be greater than the prejudice to the plaintiffs if the Sino-Forest Actions are stayed in their entirety.

69. As discussed in greater detail in section II B of Part III of this Factum, the impact on the Underwriters and other defendants in the Sino-Forest Actions, in particular, of lifting the Stay of Proceedings to permit the Sino-Forest Class Action to proceed would be significant and prejudicial to their ability to make a full answer and defence to the Sino-Forest Class Action. The absence of ongoing indemnification of the Underwriters by Sino-Forest would also be prejudicial to the Underwriters.

70. The interests of justice are not served by the non-participation of Sino-Forest and the D&Os in the Sino-Forest Actions and the resulting dearth of evidence from these parties available to the Underwriters and the absence of ongoing indemnification from Sino-Forest. A result in which the Underwriters are left to defend the Sino-Forest Actions without the participation of Sino-Forest and the D&Os would disadvantage the Underwriters in the Sino-Forest Actions relative to a result in which the Underwriters and other defendants remain on a more equal footing with one another.

PART IV - RELIEF REQUESTED

71. This Factum is filed by the Underwriters in connection with the motion of Sino-Forest for a determination of the scope of the Stay of Proceedings.

72. It is respectfully submitted that when the principles outlined above are applied in the present case: (1) the scope of the Stay of Proceedings extends to stay the Sino-Forest Actions, including the Sino-Forest Class Action, in their entirety; (2) in the event that the Stay of

Proceedings does not so extend, this Court has the requisite jurisdiction to exercise its discretion to so extend the Stay of Proceedings; and (3) in the event that the scope of the Stay of Proceedings extends to stay the Sino-Forest Actions in their entirety, the Stay of Proceedings should not be lifted to permit the Sino-Forest Actions to continue.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

John Fabello per AMS

John Fabello

David Bish per AMS

David Bish

Andrew Gray per AMS

Andrew Gray

Lawyers for the Underwriters
named in Class Actions

SCHEDULE "A"

LIST OF AUTHORITIES

1. *Hongkong Bank of Canada v. Chef Ready Foods Ltd.* (1990), 4 C.B.R. (3d) 311 (B.C.C.A.)

2. *Re Babcock & Wilcox Canada Ltd.* (2000), 18 C.B.R. (4th) 157 (Ont. S.C.J.)

3. *Molson Canada v. O-I Canada Corp.* (2003), 43 C.B.R. (4th) 172 (Ont. C.A.)

4. *Re Woodward's Ltd.* (1993), 79 B.C.L.R. (2d) 257 (B.C.S.C.)

5. *Re Stelco Inc.* (2005), 15 C.B.R. (5th) 288 (Ont. C.A.)

6. Order of Houlden J. made February 27, 1997 in the CCAA case in respect of T. Eaton Company Limited et al. (Court File No. RE7483/97) (Ont. Gen. Div.)

7. Order of Farley J. made January 18, 2006 in the CCAA case in respect of MuscleTech Research and Development Inc. et al. (Court File No. 06-CL-6241) (Ont. S.C.J.)

8. *Re Canadian Airlines* (2000), 19 C.B.R. (4th) 1 (Alta. Q.B.)

9. *Campeau v. Olympia & York Developments Ltd.* (1992), 14 C.B.R. (3d) 303 (Ont. Gen. Div.)

10. *Re Pacific National Lease Holding Corp.* (1992), 72 B.C.L.R. (2d) 368 (B.C.C.A.)

11. *Re Alberta-Pacific Terminals Ltd.* (1991), 8 C.B.R. (3d) 99 (B.C.S.C.)

12. R.H. McLaren, *Canadian Commercial Reorganization: Preventing Bankruptcy* looseleaf (Aurora: Canada Law Book, 2009)

13. *Re Canwest Global Communications Corp.* (2009), 61 C.B.R. (5th) 200 (Ont. S.C.J.)

14. *Re NFC Acquisition GP Inc.*, 2012 ONSC 1244 (Ont. S.C.J.)

15. *Re Canadian Red Cross Society* (1999), 12 C.B.R. (4th) 194 (Ont. S.C.J.)

16. *Re Air Canada* (2004), 47 C.B.R. (4th) 177 (Ont. S.C.J.)

17. *Re Timminco Limited*, 2012 ONSC 2515 (Ont. S.C.J.)

SCHEDULE "B"

COMPANIES' CREDITORS ARRANGEMENT ACT

General power of court

11. Despite anything in the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act*, if an application is made under this Act in respect of a debtor company, the court, on the application of any person interested in the matter, may, subject to the restrictions set out in this Act, on notice to any other person or without notice as it may see fit, make any order that it considers appropriate in the circumstances.

Stays, etc. — initial application

11.02 (1) A court may, on an initial application in respect of a debtor company, make an order on any terms that it may impose, effective for the period that the court considers necessary, which period may not be more than 30 days,

- (*a*) staying, until otherwise ordered by the court, all proceedings taken or that might be taken in respect of the company under the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act*;
- (*b*) restraining, until otherwise ordered by the court, further proceedings in any action, suit or proceeding against the company; and
- (*c*) prohibiting, until otherwise ordered by the court, the commencement of any action, suit or proceeding against the company.

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

FACTUM OF THE UNDERWRITERS NAMED IN CLASS ACTIONS
(Stay of Proceedings
(returnable on May 8, 2012))

TORYS LLP
79 Wellington Street West
Suite 300, TD Centre
Toronto, Ontario M5K 1N2

Fax: 416.865.7380

John Fabello (LSUC#: 35449W)
Tel: 416.865.8228
Email : jfabello@torys.com

David Bish (LSUC#: 41629A)
Tel: 416.865.7353
Email : dbish@torys.com

Andrew Gray (LSUC#: 46626V)
Tel: 416.865.7630
Email : agray@torys.com

Lawyers for the Underwriters
named in Class Actions