

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

COURT OF APPEAL FOR ONTARIO

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

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

**COMPENDIUM OF EVIDENCE OF THE UNDERWRITERS
NAMED IN CLASS ACTIONS
(Motion Seeking Leave to Appeal)**

TORYS LLP
79 Wellington Street West
Suite 3000, TD Centre
Toronto, Ontario
M5K 1N2 Canada

Fax: 416.865.7380

David Bish (LSUC#: 41629A)
Tel: 416.865.7353
Email : dbish@torys.com

John Fabello (LSUC#: 35449W)
Tel: 416.865.8228
Email : jfabello@torys.com

Adam M. Slavens (LSUC#: 54433J)
Tel: 416.865.7333
Email : aslavens@torys.com

Lawyers for the Underwriters
named in Class Actions

INDEX

COURT OF APPEAL FOR ONTARIO

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

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

TABLE OF CONTENTS

Tab	Document
1.	Pre-Filing Report of the Proposed Monitor, FTI Consulting Canada Inc., dated March 30, 2012 (w/o Appendices)
2.	Affidavit of Elizabeth Fimio, sworn June 8, 2012 (w/o Exhibits)
3.	Affidavit of Rebecca L. Wise, sworn April 23, 2012 (w/o Exhibits), Excerpt from Underwriting Agreement, dated May 28, 2007, in connection with Sino-Forest Corporation's June 5, 2007 equity offering (Offering Amount \$201,135,000) containing definition and indemnity provisions, Excerpt from Underwriting Agreement, dated May 22, 2009, in connection with Sino-Forest Corporation's June 1, 2009 equity offering (Offering Amount \$379,500,000) containing definition and indemnity provisions and Excerpt from Underwriting Agreement, dated December 10, 2009, in connection with Sino-Forest Corporation's December 10, 2009 equity offering (Offering Amount \$367,080,000) containing definition and indemnity provisions
4.	Initial Order of Justice Morawetz, dated March 30, 2012
5.	Scope of the Stay Order of Justice Morawetz, dated May 8, 2012
6.	First Report of the Monitor, FTI Consulting Canada Inc., dated April 11, 2012 (w/o Appendices)
7.	Sales Process Order of Justice Morawetz, dated March 30, 2012
8.	Fourth Report of the Monitor, FTI Consulting Canada Inc., dated July 10, 2012 (w/o Appendices)
9.	Claims Procedure Order of Justice Morawetz, dated May 14, 2012 (w/o Schedules)

10. Sixth Report of the Monitor, FTI Consulting Canada Inc., dated August 10, 2012 (w/o Appendices)
11. Equity Claims Order of Justice Morawetz, dated July 27, 2012
12. Endorsement of Justice Morawetz, dated July 27, 2012

TAB 1

Court File No. _____

Sino-Forest Corporation

PRE-FILING REPORT OF THE PROPOSED MONITOR

March 30, 2012

Court File No. _____

**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

**PRE-FILING REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS PROPOSED MONITOR**

INTRODUCTION

1. FTI Consulting Canada Inc. ("FTI Canada" or the "Proposed Monitor") has been informed that Sino-Forest Corporation (the "Company") intends to make an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") and to seek an initial order (the "Initial Order") from the Ontario Superior Court of Justice (Commercial List) (the "Court"), granting, *inter alia*, a stay of proceedings against the Company until April 29, 2012, (the "Stay Period") and appointing FTI Canada as monitor of the Company's CCAA Proceedings (defined below). The proceedings commenced by the Company under the CCAA, if granted, will be referred to herein as the "CCAA Proceedings".
2. FTI Canada is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA. FTI Canada has provided its consent to act as Monitor.

Engagement of FTI Consulting and Preparation of this Report

3. FTI was originally retained through its Hong Kong office, FTI Consulting (Hong Kong) Limited (“FTI HK” and together with FTI Canada, “FTI Consulting”) in October 2011. The purpose of FTI HK’s retainer was primarily in connection with the work being done to determine whether the Q3 Results (defined below) could be issued. The scope of FTI HK’s retention was expanded in January 2012. The expanded role of FTI HK included assisting management in the review and preparation of detailed cash flow forecasts and analysis of outstanding receivables, including collection options. FTI Canada has been formally retained since March 12, 2012. FTI HK and FTI Canada have worked together in advising the Company and in the preparation of this report.

4. Since its engagement, FTI Consulting has worked with the Company and its advisors extensively. Among other things, FTI Consulting has:
 - (a) Attended in-person meetings involving Houlihan (defined below), senior management including the chief executive officer, chief financial officer and Allen Chan (Sino-Forest’s founder and chief executive officer up to August 2011) and others in order to gain information regarding Sino-Forest and its situation;
 - (b) Attended in-person and telephone meetings with other stakeholders including the Ad Hoc Noteholders (defined below), the Board (defined below) and others;
 - (c) Engaged legal counsel in Canada who has also participated in certain of these meetings;
 - (d) Had a local team review certain Sino-Forest documents and engage in discussions with Sino-Forest in both Hong Kong and the PRC (defined below);
 - (e) Met with Sino-Forest finance personnel located in Canada, Hong Kong

and the PRC;

- (f) Obtained financial and other information produced by Sino-Forest relating to its operations, its cash flow forecasts and current financial situation;
 - (g) Reviewed redacted versions of the IC Reports (defined below);
 - (h) Reviewed certain of the books and records of the Company;
 - (i) Reviewed the Note Indentures (defined below) and related guarantee and security documents; and
 - (j) Reviewed various other documents and materials relevant to the Company and its business.
5. As a result of these efforts, FTI Consulting has become familiar with the Company's current state of affairs including the basis on which it is now seeking CCAA protection, and approval of the Sale Process (defined below).
6. Although this Report has been prepared in anticipation of FTI Canada's appointment as monitor of the Company, it has been prepared with the same duty and care and with the same level of diligence as though FTI Canada had already been appointed to such role.
7. In preparing this report, the Proposed Monitor has relied upon unaudited financial information of the Company, the Company's books and records, certain financial information prepared by the Company, the IC Reports (defined below) and discussions with the Company's management. Other than as described in paragraph 4 above, the Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Proposed Monitor expresses no opinion or other form of assurance on the information contained in this Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

Purpose of this Report

8. The purpose of this report is to:
- (a) Inform the Court on the following:
 - (i) an overview of the Company and its current situation;
 - (ii) an outline of the Proposed Monitor's understanding of circumstances that have led to the Company's current request for relief;
 - (iii) the proposed restructuring activities of the Company including the Support Agreement (defined below);
 - (iv) the Sale Process to be undertaken for the business and assets of the Sino-Forest Companies (defined below);
 - (v) the Company's March 29 Forecast (defined below); and
 - (b) Support the Company's application and recommend that the Court grant the proposed Initial Order and Sale Process Order including the following relief:
 - (i) a stay of proceedings to April 29, 2012;
 - (ii) approval of certain payments during the CCAA Proceedings;
 - (iii) approval of a charge securing the fees and expenses of the Monitor, its counsel and counsel to the Company, counsel to the Board (defined below), Houlihan, FTI HK, counsel to the Ad Hoc Noteholders (defined below) and the financial advisor to the Ad Hoc Noteholders in the aggregate amount of CAD\$15 million (the "Administration Charge");
 - (iv) approval of a charge securing an indemnity in favour of the

directors and officers of the Company in the aggregate amount of CAD\$3.2 million (the “**Directors’ Charge**”);

- (v) approval of the engagement of Houlihan Lokey Capital, Inc. (“**Houlihan**”), pursuant to an engagement letter dated as of December 22, 2011, (the “**Financial Advisor Agreement**”);
- (vi) approval of the Sale Process (defined below); and
- (vii) authorizing and directing the Company and the Proposed Monitor to engage in certain procedures to notify the Company’s noteholders regarding certain issues related to the Support Agreement (defined below).

9. Unless otherwise stated, all monetary amounts contained herein are expressed in US Dollars.
10. The terms “**Sino-Forest Companies**” and “**Sino-Forest**” refer to the global enterprise as a whole but do not include references to the Greenheart Group (defined below).
11. This report focuses on the Company’s current situation and immediate need for court protection. This report should be read in conjunction with the affidavit of W. Judson Martin, vice-chairman and chief executive officer of the Company, sworn March 30, 2012 (the “**Martin Affidavit**”) which provides an overview as to Sino-Forest’s history, business and operations and is therefore not repeated herein.

BACKGROUND

Overview of Sino-Forest

12. Sino-Forest conducts business as a forest plantation operator in the People’s Republic of China (“**PRC**”). Its principal businesses include ownership and management of forest plantation trees, the sale of standing timber and wood logs

and complementary manufacturing of downstream engineered-wood products.

13. The Company is a public holding company whose common shares are listed on the Toronto Stock Exchange (“TSX”). Prior to August 26, 2011 (the date of the Cease Trade Order, defined below), the Company had 246,095,926 common shares issued and outstanding and trading under the trading symbol “TRE” on the TSX.
14. On June 2, 2011, Muddy Waters, LLC (“MW”), which held a short position on the Company’s shares, issued a report (the “MW Report”) alleging, among other things, that Sino-Forest is a “ponzi-scheme” and a “near total fraud”. The MW Report was issued publicly and immediately caught the attention of the media on a world-wide basis.
15. Since the issuance of the MW Report, the Company has devoted extensive time and resources to investigate and address the allegations in the MW Report as well as responding to additional inquiries from, among others, the Ontario Securities Commission (the “OSC”), the Royal Canadian Mounted Police (“RCMP”) and the Hong Kong Securities and Futures Commission (“HKSF”).
16. To carry out this work, on June 2, 2011, the Company’s board of directors (the “Board”) appointed a three (3) person independent committee (the “IC”) to investigate the allegations contained in the MW Report. The IC retained three (3) law firms in Canada, Hong Kong and the PRC as well as financial advisors to assist in the IC investigation.
17. The IC ultimately issued three (3) reports on August 10, 2011, November 13, 2011 and January 31, 2012 (the “First Interim Report” the “Second Report” and the “Final Report” and collectively, the “IC Reports”). The IC was able to reach many conclusions addressing many of the allegations contained in the MW Report. However, the IC was unable to make certain conclusions, particularly as it related to certain of Sino-Forest’s relationships with third party intermediaries and suppliers. The inability of the IC (and others) to have conclusively resolved those

issues has had an ongoing impact on the Company, namely the ability of the Company to issue its Q3 Results and the 2011 Financial Statements (both defined below).

18. With the issuance of its Final Report, the IC concluded its active investigation. However, the Board established a Special Restructuring Committee of the Board comprised exclusively of directors independent of management of the Company for the purpose of supervising, analyzing and managing strategic options available to the Company.
19. Despite the work that was done by the IC, the IC's advisors, the Company (including senior management) and others in the last nine months, it is apparent to the Proposed Monitor that the MW Report, the subsequent litigation and regulatory investigations and other issues continue to have a significant negative impact on the Company and have threatened the long term viability of Sino-Forest's operations. For the reasons discussed below, the Proposed Monitor is of the view that the events and occurrences over the last nine months have led the Company and the business into a stalemate that cannot be resolved without a Court supervised solution.

Current State of Sino-Forest

20. The Proposed Monitor understands that the current state of the Sino-Forest Companies is effectively as follows:
 - (a) Business impact:
 - (i) The ability of Sino-Forest to access new offshore capital injections for expansion has dried up and PRC funding has been substantially curtailed given the uncertainty around the Company;
 - (ii) The Proposed Monitor understands that operations in the trading and standing timber business outside the PRC and the standing timber business in the WFOEs are effectively frozen, the trading

business has stopped importing (other than the existing Thai Redwood transaction which is ongoing) and manufacturing is operating at lower levels than normal;

- (iii) Many customers have ceased paying their receivables despite concentrated efforts by Sino-Forest to collect on outstanding balances, which, the Proposed Monitor understands includes SFC's counsel in the PRC sending legal demand letters to 12 BVI trading companies for accounts receivable totalling approximately \$126 million and 5 WFOE companies totalling approximately RMB 224.5 million;
 - (iv) Sino-Forest has had to reserve millions of dollars to pay suppliers for outstanding debts, in order to avoid litigation or further hostile situations from its suppliers and landlords/farmers (which the Proposed Monitor understands has historically involved threats of violence and occupation of Sino-Forest offices in Hunan);
 - (v) The Company has been unable to release its financial results for the nine-month period ended September 30, 2011 (the "**Q3 Results**") and for reasons discussed below, is unlikely to be in a position to release such statements in the near term, if ever;
 - (vi) The Company has been unable to release its 2011 audited financial statements for the year ended December 31, 2011 ("**2011 Financial Statements**") and for reasons discussed below, is unlikely to be in a position to release such statements in the near term, if ever;
- (b) Financial situation:
- (i) As of March 23, 2012, the Company has approximately \$70.5 million in cash;

- (ii) The ability to repatriate funds from the PRC into off shore (i.e. non-PRC) companies is limited by many factors including the historic “BVI” corporate structure, state administration of foreign exchange (“SAFE”) regulations and other currency control issues (which are discussed extensively in the Martin Affidavit);
 - (iii) The Company has limited prospects of being able to raise further capital or debt in the near future;
 - (iv) Sino-Forest has not been able to secure or renew certain existing onshore banking facilities, has been unable to obtain offshore letters of credit to facilitate Sino-Forest’s trading business, and all offshore banking facilities have been repaid and frozen, or cancelled;
 - (v) Sino-Forest’s operating subsidiaries have lost access to capital injections, local bank financing and intercompany funding for expansion opportunities due to the Company’s financial situation;
 - (vi) Due to the business constraints above, Sino-Forest’s operations are now operating on a significant burn as they are being pressured to continue to honour payables while collecting minimal receivables and failing to generate significant new sales;
- (c) Legal and Regulatory Proceedings:
- (i) Sino-Forest continues to divert significant resources to address the ongoing regulatory and criminal investigations by the OSC and the RCMP as well as inquiries from the HKSFC;
 - (ii) Numerous class actions have been commenced in Canada and the US and more are threatened;
 - (iii) The OSC has issued a Cease Trade Order in respect of the Company’s shares, which is ongoing;

- (d) Default under the Note Indentures:
- (i) As a result of the Company's failure to issue its Q3 Results, the Company is in default (the "**Financial Reporting Covenant Default**") under its four (4) series of issued notes (the "**Notes**") and is unlikely to be in a position to cure such default in the near term, if ever;
 - (ii) On January 12, 2012, the Company announced that holders of a majority of its 2014 Senior Notes and 2017 Senior Notes (who had issued default notices under their respective note indentures) had agreed to waive (the "**Waiver Agreements**") the Financial Reporting Covenant Default on certain terms and conditions (discussed below) including a covenant to make certain interest payments;
 - (iii) The Waiver Agreements terminate on the earlier of April 30, 2012 and any earlier termination of the Waiver Agreements in accordance with their terms;
 - (iv) The failure to deliver the 2011 Financial Statements by March 31, 2011 will constitute a further default under the Note Indentures (subject to a 30 day cure period);
- (e) Failure to Produce Q3 Results and 2011 Audited Statements
- (i) As set out in the IC's Second Report, subsequent to August 26, 2011, a number of documents came to the IC's attention that required further investigation and review;
 - (ii) On or before November 15, 2011, the deadline for the release of the Q3 Results, the Board's audit committee recommended and the Board agreed that the Company should defer the release of the Q3 Results until certain issues could be resolved to the satisfaction of

the Board and the Company's external auditor;

- (iii) The issues included (A) determining the nature and scope of the relationships between Sino-Forest and certain of its AIs (defined below) and suppliers, as discussed in the Second Report, and (B) the satisfactory explanation and resolution of issues raised by certain documents identified by the IC's advisors, the Company's counsel, the Company's auditors, and/or by OSC staff;
 - (iv) Although the Company (and the IC) continued to work to resolve these issues, the allegations set out in the MW Report and raised by the OSC, the Company subsequently announced that there was no assurance that it would be able to release the Q3 Results, or, if able, as to when such release would occur;
 - (v) Those same issues outlined above remain gating items to the Company's ability to release 2011 Audited Financial Statements;
- (f) Political Factors:
- (i) Sino-Forest requires ongoing support from all levels of the PRC government to operate its business in a manner that will be profitable;
 - (ii) To date, the PRC government has been supportive, but has recently expressed concern regarding the ongoing distress of the business and has indicated that it expects the Company to propose a viable solution in the near future; and
 - (iii) Loss of support from the PRC government would likely be fatal to any chance of success in restructuring the Company in a way that maximizes value for the Company's stakeholders.

21. In summary, Sino-Forest's state of affairs is such that it cannot maintain a status quo for much longer.

CIRCUMSTANCES OF THE CCAA APPLICATION

22. The Martin Affidavit provides a detailed outline of Sino-Forest's corporate structure, business, reported assets and financial information. The Martin Affidavit also provides a detailed chronology of the Company and its actions since the issuance of the MW Report in June 2011 including the formation of the IC, the issuance and conclusions set out in the IC Reports, the Class Actions, the OSC, RCMP and HKSFC investigations and the defaults under the Notes.
23. This Report does not propose to repeat those details. Instead, the Proposed Monitor has focused on the following areas, which it believes are relevant for understanding the basis on which it is recommending the granting of the Initial Order and the approval of the Sale Process at this time:
- (a) Sino-Forest's historical method of doing business and certain of the legal issues that are embedded within that structure;
 - (b) the role of the PRC government and the forestry industry in the PRC; and
 - (c) Sino-Forest's current options.

The Company's history

24. Sino-Forest operates through two different corporate models – the "BVI" model and the "WFOE" model. It is significant to understand the corporate models used by Sino-Forest in its operations because of the corresponding issues associated with repatriating value offshore from each of those various entities.

BVI Forestry Holding Companies ("BVIs")

25. Until 2004, Sino-Forest used the BVI model exclusively to invest in timber rights in the PRC. The Proposed Monitor understands that the BVI model essentially involves the use of a British Virgin Island company to invest in timber rights in the PRC. Due to the restrictions on foreign companies under PRC law which do not permit foreign companies to conduct business in the PRC without business

licenses granted by competent government authorities, BVIs must carry on their sale activities through authorized intermediaries (“AIs”) onshore. Further, BVIs are not permitted to have bank accounts in the PRC. It is the AIs who enter into the direct contracts for the sale of standing timber with end customers. AIs are also responsible for remitting taxes arising from sales to the relevant PRC tax authorities. Once money is in the BVI system, it has never been repatriated off shore and any profit has always been re-invested in further plantation timber rights. The only exception to that are in the small instances where Sino-Forest has tested its on-shoring strategy (discussed in further detail below).

26. The BVI model was the model used by Sino-Forest when it started operations in 1994 due to the restrictions on foreign business operations in the PRC. Over the years, the BVI model was therefore used to purchase significant amounts of Sino-Forest’s reported timber holdings (approximately 60% of its reported timber holdings). From an investor/creditor perspective, the model is problematic for a number of reasons including:
- (a) BVIs are restricted from carrying on business directly in the PRC – as such, many of the title verification issues that were contained in the MW Report and arose during the IC investigation were due to the fact that when BVIs purchase timber, they are only purchasing the timber rights and not any underlying land use rights (which interests are capable of being registered in most parts of the PRC);
 - (b) BVIs must sell through the AIs. This has resulted in a certain lack of transparency in a number of issues that were the focus of the MW Report and the IC investigation – including the relationships between the AIs and certain of the suppliers, an inability to see into the books and records of the AIs to verify booked sales, and the extent to which the AIs had, in fact, remitted applicable taxes to relevant tax authorities; and
 - (c) The Proposed Monitor understands that for various reasons, but primarily related to the SAFE regulations, there is no way for a BVI to efficiently

repatriate cash off shore without giving rise to significant negative tax consequences - as such, since the businesses' inception, all profit has simply been further re-invested in the BVI model in new trees.

WFOEs

27. In 2004, the Ministry of Commerce for the PRC began allowing wholly foreign owned enterprises ("WFOEs") to conduct business in the trading of timber on shore in the PRC. Post 2004, almost all of Sino-Forest's new capital invested in timber assets has been employed through the WFOE model. The Proposed Monitor understands that the WFOE model is preferable for several reasons including:

- (a) WFOEs can conduct business on shore in the PRC and as such, they do not need to use the AI model. They can (and do) transact directly with customers;
- (b) Financial information as to the WFOE holdings on Sino-Forest's books and records is more readily verifiable and therefore more transparent in nature;
- (c) WFOEs can acquire land use rights through pre-paid long term leases. The ability of WFOEs to invest in land use rights is advantageous because (i) for the most part, it appears that these rights can be registered and are therefore more easily verifiable; (ii) the WFOE can finance its business against its land rights; and (iii) it is viewed favourably by the PRC because it is evidence of Sino-Forest's long term intentions within the forestry industry in the PRC; and
- (d) WFOEs are preferable from a foreign investor perspective because there is an identifiable process for the repatriation of funds off-shore to the foreign investor parent.

28. As of December 31, 2010, approximately 40% of Sino-Forest's reported timber

holdings were held through the WFOE structure.

On-shoring

29. As part of its long term strategy, the Company has been considering options to transition its BVI assets into WFOE assets. This process is referred to as “on-shoring”. The Proposed Monitor understands there is no single standard protocol for on-shoring Sino-Forest’s assets and that Sino-Forest is looking into various alternative methods of migrating the ownership of the BVI assets. At its root, on-shoring requires the creation of a new WFOE that is capitalized to receive timber rights from the BVIs and at the same time, acquire the accompanying underlying land use rights. The Proposed Monitor understands that the precise methods for successfully on-shoring varies on a county to county basis and requires extensive negotiations with various stakeholders including potentially the land owners and tax authorities. It could also involve the cooperation of suppliers and AIs.
30. The Proposed Monitor understands there are no assurances that on-shoring will be successful on a large scale basis and that, even if the Company is successful in on-shoring certain of its assets, that does not necessarily mean it will be successful in other regions. However, the Company has indicated that it believes there are incentives for parties to cooperate with an on-shoring process as it generally involves the promotion of business in more rural areas, the ongoing employment of individuals in those regions and cash injections to the land owners on the pre-paid leases.

The Role of the PRC Government

31. Based on the conversations that the Proposed Monitor has had with members of senior management of the Company and various of its advisors, the Proposed Monitor understands that the PRC government has and will continue to play a key role in any successful restructuring.
32. The forestry industry in the PRC is subject to The Forestry Law which provides for a limited system pursuant to which verification as to legal ownership of timber

- or land may be obtained. The Monitor has also been advised that it is not clear that the Forestry Law has been fully implemented on a nation-wide basis such that, in some instances, no verification from regional forestry bureaus may be available.
33. The Company has advised that the PRC has taken numerous steps in the last years to promote the timber plantation industry including opportunities for foreign investment. It is also apparent that navigating timber operations within the PRC has obvious political and state related implications due to the role of the Chinese government in business operations in China generally, the geographic location of many of the plantations, the reliance upon provincial and other registries for asset verification, and the uncertainty surrounding certain taxation and other laws in the PRC that could have significant implications on Sino-Forest's business structure and/or ability to expand.
34. Further, it is clear that in many instances, there is an emphasis put on "business relationships" among parties that is paramount to any contractual or legal relationship that may have been entered into by the parties. These relationships are relied upon for the conduct of business in this industry in the PRC. In the course of its investigation, the IC reported that it was apparent that integral to Sino-Forest's business model was its relationships with business partners.
35. The Company has advised the Proposed Monitor that it believes that the PRC has been and will continue to be supportive of Sino-Forest as an ongoing business. Sino-Forest is the largest private forestry operator in the PRC and it has complied with and promoted PRC policy in terms of growth and efficiency in the natural resource sector over its 18 years of business. All of these factors have resulted in Sino-Forest having a positive and encouraging relationship with the PRC government. Consequently, the PRC government has, by and large, been facilitative of Sino-Forest's business. Ongoing support will be required if this restructuring process is to be successful. Maintaining relations with the PRC government both nationally and locally will also be crucial to Sino-Forest's on-shoring strategy.

36. Through extensive discussions that the Proposed Monitor has had with the Company and various advisors to the Company, it has become apparent that much of Sino-Forest's historical success has been due to the leadership of Allen Chan. Although Mr. Chan resigned as CEO and chairman after the issuance of the MW Report, Mr. Chan has remained involved in Sino-Forest and, in particular, plays a key role in maintaining and building on existing PRC relations. The Martin Affidavit also contains further detail as to the importance of Mr. Chan in any restructuring.
37. It is equally clear to the Proposed Monitor that the PRC government has the ability to be a significant impediment to solutions that it does not view as favourable or in furtherance of PRC policy. The Company and Houlihan have both expressed the view that if attempts were made to break up the company, that could be viewed as being contrary to the general direction of, and have a significant impact on, the PRC's natural resource growth policies and would likely be viewed negatively by the PRC government. Further, the PRC government is cognizant of the location of many of the Sino-Forest plantations and their proximity to state run facilities and has expressed concern to the Company as to how these issues will be addressed going forward if ownership is to change hands.

The Company's Options

38. The Proposed Monitor is aware that the Company, in consultation with its various advisors, has considered many alternatives to solve both the Company's current problems as well as to provide longer term solutions to the issues inherent in the BVI structure. For various reasons, the options of maintaining the status quo or attempting to liquidate the assets (i.e. timber) are not feasible options notwithstanding the guarantees and pledges that may have given the noteholders certain rights to do so. Some of the issues that would prohibit status quo or liquidation are as follows:

- (a) Status quo – as set out above and in the Martin Affidavit, the MW Report

and subsequent events have left the Sino-Forest business paralyzed and unable to continue. Sources of outside funding for expansion have dried up, sales have been halted while the business continues to burn money necessary to its operations. Further, the Company has advised that based on meetings between members of senior management and the PRC, the PRC is not content to allow Sino-Forest's current situation to continue indefinitely and has insisted that a path forward for Sino-Forest be proposed;

(b) Liquidation – It is not clear to the Proposed Monitor that a liquidation could even be achieved in this circumstance. However, even if it could be, liquidating the timber assets within the PRC is unlikely to achieve any desired result. As set out above, given the historical structural issues inherent within the BVI structure, it is doubtful that any proceeds of a liquidation could be moved off shore successfully.

39. The Proposed Monitor is aware that the Company and its advisors have engaged in extensive conversations and negotiations with an ad hoc committee of noteholders (the “Ad Hoc Noteholders”) for the past several months as to the various options available to Sino-Forest as well as the noteholders.
40. The Proposed Monitor understands that these extensive arm's length negotiations involved email, telephonic and in-person meetings between the various parties and have included, at different times, the Company's senior management (including Mr. Martin, the Company's chief financial officer, Mr. David Horsley and Mr. Chan), Houlihan, the Company's legal advisors, certain of the Ad Hoc Noteholders themselves and their legal and financial advisors. During the course of these meetings, the parties have explored the options available to both the Company and the noteholders including the liquidation option.

THE SUPPORT AGREEMENT AND PROPOSED RESTRUCTURING

41. Following extensive arm's length negotiations, the Company and the Ad Hoc

Noteholders have reached agreement on the terms of a support agreement (the “**Support Agreement**”). The Proposed Support Agreement has been executed by holders of the Notes holding approximately 40% of the Notes. The Support Agreement contemplates (and provides incentive for) additional noteholders becoming party to the Support Agreement by way of Joinder Agreement. As set out below, it is contemplated that the Proposed Monitor will post a copy of the Support Agreement on its website. The material terms of the Support Agreement are set out in the Martin Affidavit.

42. The Proposed Monitor has reviewed the terms of the Support Agreement. The Proposed Monitor believes that the terms of the Support Agreement are reasonable in the circumstances. In reaching that conclusion, the Proposed Monitor first considered the fact that Sino-Forest’s situation is not that of a typical debtor. The Company’s options in terms of realizing value on its assets are limited given not only the legal impediments, but also the nature and location of the physical assets. Further, other considerations included the following:
- (a) Neither maintaining the status quo nor liquidation are realistic options;
 - (b) The debt outstanding under the Indentures constitutes an overwhelming majority of the Company’s overall debt;
 - (c) The Support Agreement proposes a solution through the use of a CCAA plan that provides for, among other things:
 - (i) a structured solution pursuant to which the business operations will be liberated from the existing legal challenges facing the Company (namely the extensive litigation and contingent claims) and put into a new structure which will ultimately be able to work to fix the structural issues in Sino-Forest’s business;
 - (ii) participation rights for certain junior constituents whose claims rank behind the noteholders;

- (iii) a framework for the litigation and/or resolution of the claims faced by the Company;
- (d) As discussed below, there are significant challenges to finding another buyer of the business;
- (e) Notwithstanding those challenges, the Support Agreement contemplates a Sale Process (defined and discussed below) to determine whether a higher or better option is available; and
- (f) As discussed above, neither maintaining the status quo nor liquidation are desirable or possibly viable options.

THE PROPOSED SALE PROCESS

Sale Process Terms

- 43. As contemplated under the Support Agreement, the Company is also seeking approval of certain sale process procedures (the “Sale Process”) and related relief. If approved, the Company, in consultation with the Proposed Monitor and Houlihan, will immediately commence a marketing process for the Sino-Forest business.
- 44. The material terms of the Sale Process are set out in the Martin Affidavit. The Proposed Monitor has been consulted in the development of the proposed Sale Process terms and believes they are reasonable in the circumstances.
- 45. The Company, the Proposed Monitor, Houlihan, and advisors to the Ad Hoc Noteholders have had extensive discussions as to the appropriate time frame in which the business may be marketed. The Proposed Monitor believes that it is appropriate for the Company to seek approval of the Sale Process as part of its initial application based on the following factors:
 - (a) As set out above, the growth of the forestry business and the trading business has effectively come to a halt and are rapidly burning cash;

- (b) The Sino-Forest business is extremely complicated – for any buyer, there will be significant legal, tax, regulatory, political and cultural considerations that will need to be addressed;
 - (c) Given the extensive negative publicity that has surrounded the business, buyers will likely require extensive due diligence and that may include not just document review, but meetings in HK as well as the PRC, site visits and other time intensive exercises;
 - (d) Timber is a seasonal business with the majority of sales taking place in Q3 and Q4 of each year – if a transaction is not completed before the end of Q3 of this year, that will effectively result in a further year with few or no sales; and
 - (e) The Company needs to be able to demonstrate to the PRC government, in the near future, that it has a clear path forward, absent which it risks losing its support.
46. The proposed Sale Process is intended to be a market test of the terms of the proposed restructuring set out in the Support Agreement. However, given the size of the business and the issues surrounding the business, both Houlihan and the Company have indicated that there is likely to be a limited landscape of potential buyers. The Proposed Monitor agrees that this may be the case but nonetheless believes that it is important as part of the CCAA Proceedings that the Sale Process be commenced to determine what other interest may exist.
47. Given the urgency described above, the Proposed Monitor is aware that Houlihan has already commenced certain efforts in respect of the proposed Sale Process. Given the circumstances of this situation, the Proposed Monitor is of the view that such actions by Houlihan have been prudent.

Retention of Houlihan

48. In anticipation of a potential filing and Sale Process, the Company retained

Houlihan pursuant to the terms of the Financial Advisor Agreement. The terms of the Financial Advisor Agreement, including the proposed fee structure, are set out in the Martin Affidavit. The Proposed Monitor is aware that the Company considered at least three (3) other candidates, all of whom are well-known international investment banks, prior to retaining Houlihan.

49. The Proposed Monitor understands that the Board's decision to retain Houlihan was based on Houlihan's experience in debt restructurings including working with noteholders as well as its extensive presence in North American and Asian markets.
50. The Proposed Monitor has reviewed the terms of the Financial Advisor Agreement. The Proposed Monitor believes that, in the circumstances, it is reasonable for the Company to have retained Houlihan and negotiated the terms contained in the Financial Advisor Agreement. Accordingly, the Proposed Monitor recommends the approval of the Financial Advisor Agreement.

THE COMPANY'S CASH FLOW FORECAST

Cash Flow Projections

51. The Company, with the assistance of the Proposed Monitor, has prepared consolidated 13-week cash flow projections of its receipts and disbursements (the "**March 29 Forecast**"). The March 29 Forecast, together with the management's report on the cash-flow statement as required by section 10(2)(b) of the CCAA, is attached hereto as Appendix A. The March 29 Forecast shows a negative net cash flow of approximately \$19.3 million in the period March 31 to June 29, 2012, and is summarized below:

	\$000 CAD
Cash inflow	
Interest Income	\$ 412
Total cash inflows	\$ 412
Cash outflow	
Payroll and Benefits	\$ 181
Board & Committee Fees	\$ 253
Travel	\$ 315
Rent, Communication & Utilities	\$ 60
Taxes & Other	\$ 195
Total cash outflows	\$ 1,004
Net Operating Cashflow	\$ (591)
Restructuring Costs	
Professional Fees	\$ 18,730
Total Restructuring Costs	\$ 18,730
Net Cash Flow	\$ (19,321)
Opening Cash Balance	\$ 67,846
Net Cash Balance	\$ (19,321)
Ending Cash Balance	\$ 48,525

52. It is anticipated that the Company’s projected liquidity requirements throughout the CCAA Proceedings will be met by existing cash available to the Company.

Proposed Monitor’s Report on the Reasonableness of the Cash Flow Projections

53. Section 23(1)(b) of the CCAA states that the Proposed Monitor shall:

“review the company’s cash-flow statement as to its reasonableness and file a report with the court on the Proposed Monitor’s findings;”

54. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1 (“CAIRP SOP 09-1”), the Proposed Monitor hereby reports as follows:

(a) The March 29 Forecast has been prepared by the management of the

Applicant for the purpose described in Note 1, using the Probable and Hypothetical Assumptions set out in Notes 2 to 6;

- (b) The Proposed Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of the management and employees of the Company. Since Hypothetical Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the March 29 Forecast. The Proposed Monitor has also reviewed the support provided by management of the Company for the Probable Assumptions, and the preparation and presentation of the Cash-Flow Statement;
- (c) Based on its review, nothing has come to the attention of the Proposed Monitor that causes it to believe that, in all material respects:
 - (i) the Hypothetical Assumptions are not consistent with the purpose of the March 29 Forecast;
 - (ii) as at the date of this report, the Probable Assumptions developed by management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the March 29 Forecast, given the Hypothetical Assumptions; or
 - (iii) the March 29 Forecast does not reflect the Probable and Hypothetical Assumptions;
- (d) Since the March 29 Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the March 29 Forecast will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by the

Proposed Monitor in preparing this report; and

- (e) The March 29 Forecast has been prepared solely for the purpose described in Note 1 on the face of the March 29 Forecast and readers are cautioned that it may not be appropriate for other purposes.

RELIEF SOUGHT

The Stay of Proceedings

- 55. For the reasons set out herein, the Company requires a stay of proceedings while it carries out its proposed restructuring activities. The Monitor believes that the initial 30-day request is fair and reasonable in the circumstances.

Payments During the CCAA Proceedings

- 56. The Company intends to make certain ordinary course payments during the course of the CCAA Proceedings in accordance with and as set out in the March 29 Forecast. The Monitor believes this course of action is fair and reasonable in the circumstances.

Administration Charge

- 57. The Company is seeking an Administration Charge in the amount of CAD\$15 million with priority over all encumbrances against the Company's assets other than the Company's assets which are subject to *Personal Property Security Act* registrations (the "Encumbered Property"). Based on personal property registry searches that were conducted by the Proposed Monitor's counsel as of March 28, 2012, other than the Indenture Trustees under the Notes who have security in respect of the pledged shares of the Company's subsidiaries there was only one registration that appeared on its face to be with respect to specific equipment.
- 58. The beneficiaries of the Administration Charge if granted would be the Proposed Monitor, the Proposed Monitor's counsel, counsel to the Board, FTI HK, counsel to the Company, Houlihan, counsel to the Ad Hoc Noteholders and the financial

advisor to the Ad Hoc Noteholders.

59. The Proposed Monitor has reviewed the underlying assumptions upon which the Company has based the quantum of the proposed Administration Charge, the complexities of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge and believes that the limit of CAD\$15 million is reasonable in the circumstances.
60. The Proposed Monitor also believes that it is appropriate that the other proposed beneficiaries of the Administration Charge be afforded the benefit of a charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.

The Directors' Charge

61. The Company is seeking the Directors' Charge in the amount of CAD\$3.2 million with priority over all encumbrances on the Company's assets other than the Administration Charge and the Encumbered Property. The Proposed Monitor understands that the Board has insisted on the protection of the Directors' Charge in order to remain on the Board during the course of the CCAA Proceedings. The Martin Affidavit also sets out a summary of the current insurance policies that are available to the Board as well as the exclusions and possibility of non-renewal at the end of the term.

The Financial Advisor Agreement

62. Houlihan's engagement is reasonable given the Company's proposed Sale Process. As set out above, Houlihan was considered along with other international investment banks and selected on merit-based criteria.

Publication of Notices Support Agreement

63. The proposed initial order contemplates that the Monitor will, among other things,
 - (a) Without delay, post a copy of the Support Agreement on its website at <http://cfcanada.fticonsulting.com/sfc>; and

- (b) Publish a notice in the Globe and Mail and the Wall Street Journal (in form and substance satisfactory to the Company, the Monitor and counsel to the Ad Hoc Noteholders) notifying noteholders of the Support Agreement and the deadline of 5:00pm (Toronto time) on the Consent Date (as defined in the Support Agreement) by which any noteholders (other than an Initial Consenting Noteholder) who wishes to become entitled to the Early Consent Consideration pursuant to the Support Agreement must execute and return a Joinder Agreement.

The Sale Process

64. As set out above, the proposed Sale Process is contemplated by the Support Agreement and is intended to test the market to determine whether a higher or better offer than the transaction contemplated under the Support Agreement is available. Further, given the circumstances and complexities of the situation as set out above, the Proposed Monitor recommends approval of the Sale Process Order on the date of this application.

CONCLUSION

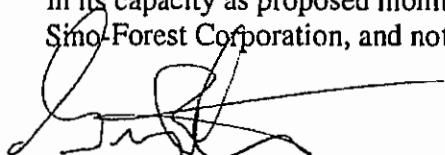
65. The Proposed Monitor is of the view that the relief requested by the Company is necessary, reasonable and justified. The Proposed Monitor is also of the view that granting the relief requested will provide the Company the best opportunity to undertake the CCAA Proceedings, to preserve value and maximize recoveries for the Company's stakeholders. As set out above, absent a restructuring, the Monitor is of the view that the business has little chance of viability. Further, given the circumstances, liquidation would likely destroy any stakeholder value.
66. Accordingly, the Proposed Monitor respectfully recommends that the Company's request for the Initial Order and the Sale Process Order.

The Proposed Monitor respectfully submits to the Court this Pre-Filing Report.

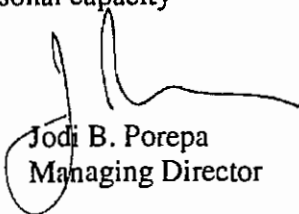
Dated this 30th day of March, 2012.

FTI Consulting Canada Inc.

In its capacity as proposed monitor of
Sino-Forest Corporation, and not in its personal capacity



Greg Watson
Senior Managing Director



Jodi B. Porepa
Managing Director

Court File No.:

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)

**PRE-FILING REPORT OF THE PROPOSED
MONITOR, FTI CONSULTING CANADA INC.**

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Derrick Tay (LSUC No. 21152A)

Tel: (416) 369-7330 / Fax: (416) 862-7661
Email: derrick.tay@gowlings.com

Jennifer Stam (LSUC No 46735J)

Tel: (416) 862-5697 / Fax: (416) 862-7661
Email: jennifer.stam@gowlings.com

Lawyers for the Proposed Monitor,
FTI Consulting Canada Inc.

1089

TAB 2

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 IN THE MATTER OF SINO-FOREST
CORPORATION**

**AFFIDAVIT OF ELIZABETH FIMIO
(Sworn June 8, 2012)**

I, **ELIZABETH FIMIO**, of the City of Burlington, in the Regional Municipality of Halton, **MAKE OATH AND SAY:**

1. I am an assistant of Bennett Jones LLP, counsel for Sino-Forest Corporation ("SFC"). I therefore have personal knowledge of the matters set out below, except where otherwise stated. Where I do not possess personal knowledge, I have stated the source of my information and I believe such information to be true.
2. SFC and certain of its current and former officers, directors and employees, along with SFC's current and former auditors, technical consultants and various underwriters involved in prior equity and debt offerings, have been named as defendants in class actions in Ontario, Quebec, Saskatchewan and New York.
3. A copy of this Fresh as Amended Statement of Claim in the Ontario class action is attached as Exhibit "A".

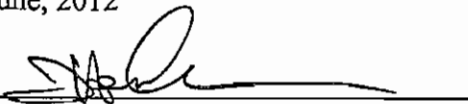
4. Copies of the originating documents in the Quebec and Saskatchewan class actions are attached as Exhibits "B" and "C" respectively.

5. A copy of the complaint in the New York class action is attached as Exhibit "D".

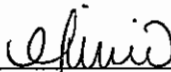
SUPPORT OF THE NOTEHOLDERS

6. On June 8, 2012, SFC issued a press release advising that as of that date, noteholders holding in excess of \$1,296,000 and approximately 72% of the total debt of approximately \$1.8 billion of SFC's noteholder debt have executed written support agreements to support the plan outlined in the announced SFC CCAA plan dated March 30, 2012. A copy of the June 8, 2012 press release is attached as Exhibit "E".

SWORN BEFORE ME at the City of
Toronto, in the Province of Ontario, this 8th
day of June, 2012



Daniel Holden
Barrister & Solicitor



Elizabeth Fimio

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

AFFIDAVIT OF ELIZABETH FIMIO
(Sworn June 8, 2012)

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

Robert W. Staley (LSUC #27115J)
Kevin Zych (LSUC #33129T)
Derek J. Bell (LSUC #43420J)
Jonathan Bell (LSUC #55457P)
Tel: 416-863-1200
Fax: 416-863-1716

Lawyers for the Applicant

TAB 3

**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 OR COMPROMISE OR
ARRANGEMENT OF SINO-FOREST CORPORATION**

**AFFIDAVIT OF REBECCA L. WISE
(SWORN APRIL 23, 2012)**

I, Rebecca L. Wise, of the City of Toronto in the Province of Ontario, MAKE OATH
AND SAY:

1. I am an associate with the law firm of Torys LLP, lawyers for the Defendants, Credit Suisse Securities (Canada) Inc., Credit Suisse Securities (USA) LLC, TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated (successor by merger to Banc of America Securities LLC), Canaccord Financial Ltd., and Maison Placements Canada Inc. (the "Underwriters") in *The Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al. v. Sino-Forest Corporation et al.*, CV-11-431153-00CP, (the "Sino-Forest Class Action"), and, as such, have knowledge of the matters contained in this affidavit.

The Sino-Forest Class Action

2. The Plaintiffs in the Sino-Forest Class Action claim damages against various parties in connection with alleged misrepresentations made by Sino-Forest Corporation ("Sino-Forest") between 2006-2011.

3. The claims asserted by the Plaintiffs involve, in part, alleged misrepresentations made by Sino-Forest in its equity and note offerings in the primary market through prospectuses and offering memoranda.

4. In particular, the following prospectuses for three equity offerings are in issue in the Sino-Forest Class Action: Sino-Forest's Short Form Prospectuses, dated June 5, 2007, June 1, 2009, and December 10, 2009. The Plaintiffs claim general damages in respect of the June 2007 offering in the amount of \$175,835,000. The Plaintiffs claim general damages in respect of the June 2009 offering in the amount of \$330,000,000. Lastly, the Plaintiffs claim general damages in respect of the December 2009 offering in the amount of \$319,200,000.

5. In addition, the following offering and exchange offer memoranda for four note offerings are in issue in the Sino-Forest Class Action: Sino-Forest's Offering and Exchange Offer Memoranda, dated July 17, 2008, June 24, 2009, December 10, 2009 and October 14, 2010. The Plaintiffs claim general damages in the amount of US\$345,000,000 in respect of the July 17, 2008 offering. The Plaintiffs claim general damages in the amount of US\$400,000,000 in respect of the June 24, 2009 offering. The Plaintiffs claim general damages in the amount of US\$460,000,000 in respect of the December 10, 2009 offering. Finally, the Plaintiffs claim general damages in the amount of US\$600,000,000 in respect of the October 14, 2010 offering.

6. The alleged misrepresentations made by Sino-Forest in connection with these seven offerings in the primary market form the basis upon which general and other damages are claimed by the Plaintiffs against the Underwriters.

7. Not all of the Underwriters participated in each of the equity and note offerings at issue in the Sino-Forest Class Action. The Plaintiffs have therefore set out in their statement of claim against which Underwriters they claim damages for each offering.

Indemnifications Provided to the Underwriters Under Agreements Related to the Offerings in Issue

8. In connection with the three equity offerings described in paragraph 4 above, certain Underwriters have entered into related agreements with Sino-Forest and certain of its subsidiaries. In connection with the four note offerings described in paragraph 5 above, certain Underwriters (defined in the relevant agreements as either Initial Purchasers or Dealer Manager and Solicitation Agent) have entered into related agreements with Sino-Forest, as well as with certain of its subsidiaries, affiliates and/or related companies (the "Sino-Forest Subsidiary Companies"). These related agreements are as follows:

- (a) the Underwriting Agreement, dated May 28, 2007, in connection with the June 2007 equity offering, a copy of which is attached as Exhibit "A" hereto;
- (b) the Purchase Agreement, dated July 17, 2008, in connection with the July 2008 note offering, a copy of which is attached as Exhibit "B" hereto;
- (c) the Underwriting Agreement, dated May 22, 2009, in connection with the June 2009 equity offering, a copy of which is attached as Exhibit "C" hereto;
- (d) the Dealer Manager and Solicitation Agent Agreements, both dated June 24, 2009, in connection with June/July 2009 exchange note offering, copies of which are attached together as Exhibit "D" hereto;
- (e) the Purchase Agreement, dated December 10, 2009, in connection with the December 2009 note offering, a copy of which is attached as Exhibit "E" hereto;
- (f) the Underwriting Agreement, dated December 10, 2009, in connection with the December 2009 equity offering, a copy of which is attached as Exhibit "F" hereto;
and
- (g) the Purchase Agreement, dated October 14, 2010, in connection with the October 2010 note offering, a copy of which is attached as Exhibit "G" hereto.

9. I refer below to the agreements described in subparagraphs 8(a)-(g) above as the "Related Agreements".

10. The Related Agreements among Sino-Forest, the Sino-Forest Subsidiary Companies and the Underwriters contain provisions in which Sino Forest (and, in the cases of the Related Agreements for the four note offerings, except for the Solicitation Agent Agreement, also 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 seven offerings described in paragraphs 4 and 5 above.

11. Schedule "1" to my affidavit lists in chart format the offerings, the relevant indemnity/contribution provisions in the Related Agreements, the specific Sino-Forest Subsidiary Companies, if any, in addition to Sino-Forest, that are parties to indemnity provisions

in each of the Related Agreements and the Underwriters that are parties to each of the Related Agreements.

12. In particular, Sino-Forest and the Sino-Forest Subsidiary Companies have jointly and severally agreed to indemnify and hold harmless the Underwriters that are parties to the following Related Agreements: the Purchase Agreements, dated July 17, 2008, December 10, 2009 and October 14, 2010, and the Dealer Manager Agreement, dated June 24, 2009, in connection with an array of matters that could arise from the four note offerings.

Stay of Proceedings

13. 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* (the "CCAA"), which granted a stay of proceedings in respect of Sino-Forest (the "Stay of Proceedings") and other relief under the CCAA.

14. The Stay of Proceedings extends to, *inter alia*, Sino-Forest, as well as its directors and officers (the "D&Os"), who are also defendants in the Sino-Forest Class Action.

15. Subsequent to the Initial Order, Bennett Jones LLP, counsel for Sino-Forest and some of the individual defendants in the Sino-Forest Class Action wrote a letter (the "Bennett Jones Letter") 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, Sino and all of the individual defendants do not intend to participate in the Sino-Forest Class Action. A copy of the Bennett Jones Letter is attached as Exhibit "H" hereto.

16. Further to the Bennett Jones Letter, Osler, Hoskin & Harcourt LLP, counsel for certain current and former directors of Sino-Forest in the Sino-Forest Class Action, namely Mr. William E. Ardell, Mr. James P. Bowland, Mr. James M.E. Hyde and Mr. Garry J. West (collectively, the "Directors"), wrote a letter (the "Osler Letter") to the Honourable Mr. Justice Paul M. Perell stating, *inter alia*, that, as a result of the Stay of Proceedings, the Directors do not intend to participate in the Sino-Forest Class Action. A copy of the Osler Letter is attached as Exhibit "I" hereto.

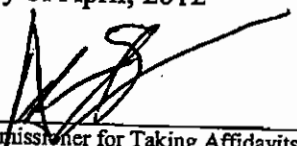
17. Also further to the Bennett Jones Letter, Miller Thomson LLP, counsel for Mr. Allen Chan, the former CEO of Sino-Forest, wrote a letter (the "Miller Thomson Letter") to the Honourable Mr. Justice Paul M. Perell stating, *inter alia*, that, as a result of the Stay of Proceedings, Mr. Chan does not intend to participate in the Sino-Forest Class Action. A copy of the Miller Thomson Letter is attached as Exhibit "J" hereto.

18. If the Stay of Proceedings continues and is not extended to the Underwriters and the Sino-Forest Class Action proceeds, then (absent any further order) it appears that the effect of the Initial Order may be as follows:

- (a) Sino-Forest and 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.

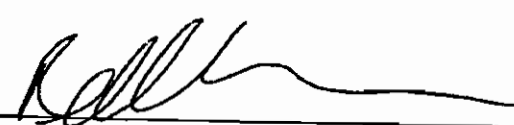
19. It is likely that the principal, though not the only, defences available to a defendant in a matter such as the Sino-Forest Class Action include demonstrating: (i) there were no misrepresentations of the kind alleged; and (ii) the defendant is not liable for any misrepresentations because it was duly diligent. Requiring the remaining defendants to develop either of these defences in a case where the public company and its directors and senior managers are absent (in the manner described in paragraph 18 above) will, 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, prejudice such remaining defendants (including the Underwriters) due to (without any further order): (a) the absence of relevant evidence with which to assess and prove defences; and (b) the absence of ongoing indemnification from Sino-Forest.

SWORN BEFORE ME at the City of
Toronto, in the Province of Ontario
this 23rd day of April, 2012



Commissioner for Taking Affidavits
(or as may be)

ADAM MÄRCUS SLAVENS
Barrister and Solicitor, Notary
Public for the Province of Ontario
My Commission is unlimited as to time.



Rebecca L. Wise

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

AFFIDAVIT OF
REBECCA L. WISE
(sworn April 23, 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

SCHEDULE "1"

Summary of Indemnities Provided by Sino-Forest Corporation and the Sino Subsidiary Companies in the Note Offerings in Issue in the Sino-Forest Class Action

OFFERING IN ISSUE U.S. DOLLARS	INDemnITY (CONTRIBUTION) SPECIFICATIONS OF THE RELATED AGREEMENTS	SINO-FOREST CORPORATION, SINO-PANEL HOLDINGS LTD. AND SINO-PANEL (ASIA) INC. INDemnITY IN THE RELATED AGREEMENTS	UNDERWRITERS AND OTHER RELATED AGENTS
<p>July 17, 2008 \$345,000,000</p>	<p>Sections 7 and 8, Purchase Agreement dated July 17, 2008</p>	<p>Sino-Forest Corporation Sino-Panel Holdings Limited Sino-Panel (Asia) Inc. Sino-Panel (Gaoyao) Ltd. SFR (China) Inc. Sino-Wood Partners, Ltd. Sino-Forest Resources Inc. Suri-Wood Inc. Sino-Plantation Limited Sino-Wood (Guangxi) Limited Sino-Wood (Jiangxi) Limited Sino-Wood (Guangdong) Limited Sino-Global Holdings Inc. Sino-Panel (North East China) Limited Sinowin Investments Limited Sino-Panel [Hunan] Limited Sino-Panel [Xiangxi] Limited Sino-Panel Bio-Science Limited Sino-Panel (Guangzhou) Limited Sino-Panel [Suzhou] Limited Sino-Panel (Yunnan) Limited Sino-Panel (Guangxi) Limited Sino-Panel (Guizhou) Limited Sino-Panel (Qinzhou) Limited Sino-Panel (Shaoyang) Limited Sino-Panel (Yongzhou) Limited Sino-Panel (Fujian) Limited</p>	<p>Merrill, Lynch, Pierce, Fenner & Smith Incorporated ("MLPFS") Credit Suisse Securities (USA) LLC</p>
<p>June 24, 2009 \$212,330,000 of \$300,000,000 Exchanged</p>	<p>Section 12, Dealer Manager Agreement, dated June 24, 2009</p>	<p>Sino-Forest Corporation Sino-Panel Holdings Limited (BVI) Sino-Panel (Asia) Inc. (BVI) Sino-Panel (Gaoyao) Ltd. (BVI) SFR (China) Inc. (BVI) Sino-Wood Partners, Limited (HK) Sino-Forest Resources Inc. (BVI) Suri-Wood Inc. (BVI) Sino-Plantation Limited (HK) Sino-Wood (Guangxi) Limited (HK) Sino-Wood (Jiangxi) Limited (HK) Sino-Wood (Guangdong) Limited (HK)</p>	<p>Credit Suisse Securities (USA) LLC</p>

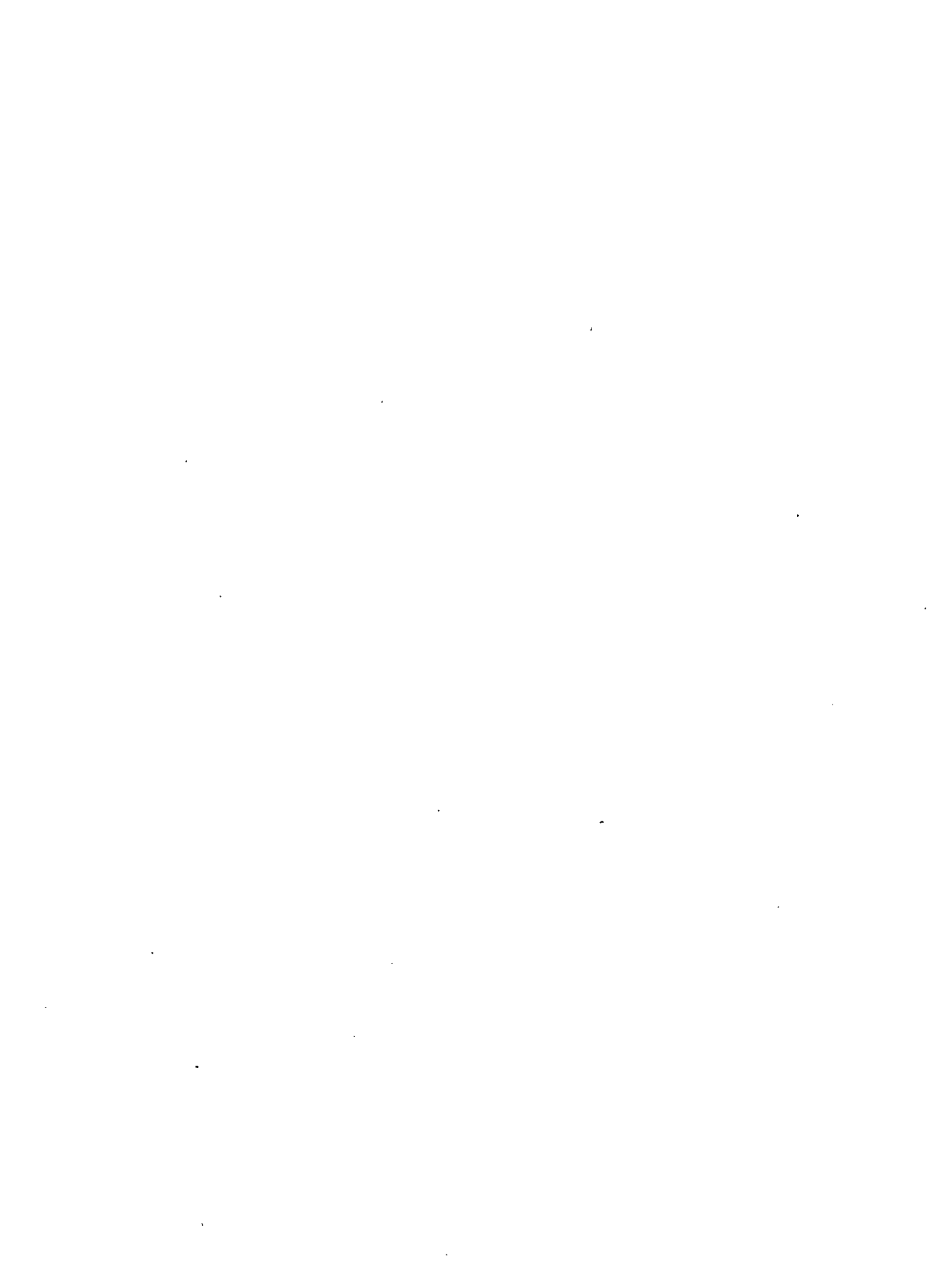
	<p>Section 11, Solicitation Agent Agreement, dated June 24, 2009</p>	<p>Sino-Wood (Fujian) Limited (HK) Sino-Forest Investments Limited (BVI) Sino-Global Holdings Inc. (BVI) Grandeur Winway Ltd. (BVI) Sinowin Investments Ltd. (BVI) Sino Limited (Cayman Islands) Sino-Forest Bio-Science Limited (formerly known as: Sino-Two Limited (BVI)) Express Point Holdings Limited (BVI) Smart Sure Enterprises Limited (BVI) Ace Supreme International Limited (BVI) Glory Billion International Limited (BVI) Amplemax Worldwide Limited (BVI) Expert Bonus Investment Limited (BVI) Sino-Panel (Yunnan) Limited (BVI) Sino-Panel (Guangxi) Limited (BVI) Sino-Panel (North East China) Limited (BVI) Sino-Panel (Xiangxi) Limited (formerly known as: Rich Base Worldwide Limited (BVI)) Sino-Panel (Hunan) Limited (formerly known as: Comtech Universal Limited (BVI)) Sino-Panel (Suzhou) Limited (formerly known as: Pacific Harvest Holdings Limited (BVI)) Sino-Panel (Guangzhou) Limited (BVI) Sino-Panel (North Sea) Limited (BVI) Sino-Panel (Guizhou) Limited (BVI) Sino-Panel (Huaihua) Limited (BVI) Sino-Panel (Qinzhou) Limited (formerly known as: Sino-Panel (Jiayu) Ltd. (BVI)) Sino-Panel (Yongzhou) Limited (BVI) Sino-Panel (Fujian) Limited (BVI) Sino-Panel (Shaoyang) Limited (BVI)</p> <p>Sino-Forest Corporation</p>	<p>Credit Suisse Securities (USA) LLC</p>
<p>December 10, 2009 \$460,000,000</p>	<p>Sections 7 and 8, Purchase Agreement, dated December 10, 2009</p>	<p>Sino-Forest Corporation Sino-Panel Holdings Limited (BVI) Sino-Panel (Asia) Inc. (BVI) Sino-Panel (Gaoyao) Ltd. (BVI) SFR (China) Inc. (BVI) Sino-Wood Partners, Limited (H.K.) Sino-Forest Resources Inc. (BVI) Suri-Wood Inc. (BVI) Sino-Plantation Limited (H.K.) Sino-Wood (Guangxi) Limited (H.K.) Sino-Wood (Jiangxi) Limited (H.K.) Sino-Wood (Guangdong) Limited (H.K.) Sino-Global Holdings Inc. (BVI) Sinowin Investments Limited (BVI) Sino-Panel (North East China) Limited (BVI) Sino-Panel [Hunan] Limited (BVI)</p>	<p>Credit Suisse Securities (USA) LLC MLPFS TD Securities Inc.</p>

		<p>Sino-Panel [Xiangxi] Limited (BVI) Sino-Forest Bio-Science Limited (BVI) (formerly known as: Sino-Two Limited) Sino-Panel (Guangzhou) Limited (BVI) Sino-Panel [Suzhou] Limited (BVI) Sino-Panel (Yunnan) Limited (BVI) Sino-Panel (Guangxi) Limited (BVI) Sino-Panel (Guizhou) Limited (BVI) Sino-Panel (Qinzhou) Limited (BVI) Sino-Panel (Shaoyang) Limited (BVI) Sino-Panel (Yongzhou) Limited (BVI) Sino-Panel (Fujian) Limited (BVI) Grandeur Winway Ltd. (BVI) Sinowood Limited (Cayman Islands) Sino-Forest Investments Limited (BVI) Sino-Wood (Fujian) Limited (HK) Sino-Panel (North Sea) Limited (BVI) Sino-Panel (Huaihua) Limited (BVI) Amplemax Worldwide Limited (BVI) Ace Supreme International Limited (BVI) Express Point Holdings Limited (BVI) Glory Billion International Limited (BVI) Smart Sure Enterprises Limited (BVI) Expert Bonus Investment Limited (BVI) Dynamic Profit Holdings Limited (BVI)</p>	
<p>October 14, 2010 \$600,000,000</p>	<p>Sections 7 and 8, Purchase Agreement, dated October 14, 2010</p>	<p>Sino-Forest Corporation Sino-Panel Holdings Limited (BVI) Sino-Panel (Asia) Inc. (BVI) Sino-Panel (Gaoyao) Ltd. (BVI) SFR (China) Inc. (BVI) Sino-Wood Partners, Limited (H.K.) Sino-Forest Resources Inc. (BVI) Suri-Wood Inc. (BVI) Sino-Plantation Limited (H.K.) Sino-Wood (Guangxi) Limited (H.K.) Sino-Wood (Jiangxi) Limited (H.K.) Sino-Wood (Guangdong) Limited (H.K.) Sino-Global Holdings Inc. (BVI) Sinowin Investments Limited (BVI) Sino-Panel (North East China) Limited (BVI) Sino-Panel [Hunan] Limited (BVI) (formerly known as: Comtech Universal Limited) Sino-Panel [Xiangxi] Limited (BVI) (formerly known as: Rich Base Worldwide Limited) Sino-Forest Bio-Science Limited (BVI) (formerly known as: Sino-Two Limited) Sino-Panel (Guangzhou) Limited (BVI) Sino-Panel [Suzhou] Limited (BVI) (formerly known as: Pacific Harvest Holdings Limited) Sino-Panel (Yunnan) Limited (BVI) Sino-Panel (Guangxi) Limited (BVI) Sino-Panel (Guizhou) Limited (BVI) Sino-Panel (Qinzhou) Limited (BVI) (formerly known as: Sino-Panel (Jiayu) Ltd.)</p>	<p>Credit Suisse Securities (USA) LLC Banc of America Securities LLC (now MLPFS)</p>

		<p>Sino-Panel (Shaoyang) Limited (BVI) Sino-Panel (Yongzhou) Limited (BVI) Sino-Panel (Fujian) Limited (BVI) Grandeur Winway Ltd. (BVI) Sinowood Limited (Cayman Islands) Sino-Forest Investments Limited (BVI) Sino-Wood (Fujian) Limited (HK) Sino-Panel (North Sea) Limited (BVI) Sino-Panel (Huaihua) Limited (BVI) Amplemax Worldwide Limited (BVI) Ace Supreme International Limited (BVI) Express Point Holdings Limited (BVI) Glory Billion International Limited (BVI) Smart Sure Enterprises Limited (BVI) Expert Bonus Investment Limited (BVI) Dynamic Profit Holdings Limited (BVI) Alliance Max Limited (BVI) Brain Force Limited (BVI) Cheer Gold Worldwide Limited (BVI) General Excel Limited (BVI) Harvest Wonder Worldwide Limited (BVI) Homix Limited (BVI) Mega Harvest International Limited (BVI) Poly Market Limited (BVI) Prime Kinetic Limited (BVI) Regal Win Capital Limited (BVI) Rich Choice Worldwide Limited (BVI) Sino-Forest International (Barbados) Corporation (Barbados) Sino-Global Management Consulting Inc. (BVI) Sino-Panel (China) Nursery Limited (BVI) Sino-Panel (Russia) Limited (BVI) Sino-Wood Trading Limited (BVI) Sino-Panel Trading Limited (BVI) Trillion Edge Limited (BVI) Value Quest International Limited (BVI) Well Keen Worldwide Limited (BVI)</p>	
--	--	---	--

**Summary of Indemnities Provided by Sino-Forest Corporation in the
Equity Offerings in Issue in the Sino-Forest Class Action**

OFFERING IN ISSUE	INDEMNITY/ CONTRIBUTION SECTION OF THE RELEVANT AGREEMENTS	SINO-FOREST CORPORATION SHARE PARTIES TO THE INDEMNITY	INDEMNIFYING PARTIES TO THE RELEVANT AGREEMENTS
<p>June 5, 2007 \$201,135,000</p>	<p>Section 9, Underwriting Agreement, dated May 28, 2007</p>	<p>Sino-Forest Corporation</p>	<p>Dundee Securities Corporation CIBC World Markets Inc. Merrill Lynch Canada Inc. Credit Suisse Securities (Canada) Inc. Also: UBS Securities Canada Inc. and Haywood Securities Inc.</p>
<p>June 1, 2009 \$379,500,000</p>	<p>Section 9, Underwriting Agreement, dated May 22, 2009</p>	<p>Sino-Forest Corporation</p>	<p>Credit Suisse Securities (Canada) Inc. Dundee Securities Corporation Merrill Lynch Canada Inc. Scotia Capital Inc. TD Securities Inc.</p>
<p>December 10, 2009 \$367,080,000</p>	<p>Section 9, Underwriting Agreement, December 10, 2009</p>	<p>Sino-Forest Corporation</p>	<p>Credit Suisse Securities (Canada) Inc. TD Securities Inc. Dundee Securities Corporation RBC Dominion Securities Inc. Scotia Capital Inc. CIBC World Markets Inc. Merrill Lynch Canada Inc. Canaccord Financial Ltd. Maison Placements Canada Inc.</p>



UNDERWRITING AGREEMENT

May 28, 2007

Dundee Securities Corporation
1 Adelaide Street East
Suite 2700
Toronto, Ontario
M5C 2V9

Dear Sirs and Mesdames:

SINO-FOREST CORPORATION, a *Canada Business Corporations Act* corporation (the "Company"), proposes to issue and sell to Dundee Securities Corporation ("Dundee"), CIBC World Markets Inc., Merrill Lynch Canada, Inc., Credit Suisse Securities (Canada) Inc. ("Credit Suisse"), UBS Securities Canada Inc. and Haywood Securities Inc. (collectively, the "Underwriters") 13,900,000 common shares in the capital of the Company (the "Firm Shares"). The Company also proposes to issue and sell to the Underwriters not more than an additional 2,000,000 Common Shares in the capital of the Company (the "Optional Shares") if and to the extent that the Underwriters shall have determined to exercise the right to purchase such Optional Shares granted to the Underwriters in Section 3 hereof. The Firm Shares and the Optional Shares are hereinafter collectively referred to as the "Offered Shares".

We also understand that the Company is eligible to file, and will prepare and file a preliminary short form prospectus and a (final) short form prospectus and all other necessary documents in order to qualify the Offered Shares and the Over-Allotment Option for distribution to the public in each of the provinces of Canada other than Québec (the "Offering").

The following are the terms and conditions of the agreement among the Company and the Underwriters:

1. *Definitions.* In this Agreement, unless otherwise defined herein, the following words and terms shall have the following meanings:
 - (a) "1933 Act" means the United States *Securities Act of 1933*, as amended.
 - (b) "1934 Act" means the United States *Securities Exchange Act of 1934*, as amended.
 - (c) "Affiliates" or "affiliates" has the meaning specified in Rule 501(b) of Regulation D under the 1933 Act.

- (d) **"Business Day"** means a day which is not a Saturday, a Sunday or a statutory or civic holiday in the City of Toronto, Ontario, the City of New York, New York or the City of Hong Kong, SAR.
- (e) **"Canadian Securities Laws"** means the securities laws, regulations, rules, published national and local instruments, policy statements, notices, blanket rulings and orders, discretionary rulings and orders applicable to the Company, and prescribed forms, collectively, of each of the Qualifying Jurisdictions and all rules, by-laws and regulations governing the TSX, all as the same are in effect at the date hereof and as amended, supplemented or replaced from time to time.
- (f) **"CJVs"** means, collectively, Jiangxi Jiachang Forestry Development Co. Ltd. and Heyuan Jiahe Forestry Development Co., Ltd., each a Sino-foreign cooperative joint venture enterprise with limited liability established in the PRC under the relevant PRC laws.
- (g) **"Claim"** has the meaning specified in Section 9(a).
- (h) **"Closing Date"** has the meaning specified in Section 4.
- (i) **"Closing Time"** means 8:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date, as the Company and the Underwriters, may agree.
- (j) **"Common Shares"** means the common shares in the capital of the Company.
- (k) **"Company's Auditors"** means BDO McCabe Lo Limited.
- (l) **"Company's Canadian Counsel"** means the law firm of Aird & Berlis LLP.
- (m) **"Company's Counsel"** means, collectively, Company's Canadian Counsel, Company's PRC Counsel, Company's Hong Kong Counsel and Company's U.S. Counsel.
- (n) **"Company's Hong Kong Counsel"** means Linklaters in Hong Kong.
- (o) **"Company's PRC Counsel"** means the law firm of Jingtian & Gongcheng.
- (p) **"Company's U.S. Counsel"** means the law firm of Weil, Gotshal & Manges LLP.

- (q) **"Condition of the Company"** means the business, affairs, operations, assets, properties, prospects, liabilities (contingent or otherwise), capital, earnings or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole.
- (r) **"Defaulted Securities"** has the meaning specified in Section 10.
- (s) **"Directed Selling Efforts"** means **"directed selling efforts"** as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Agreement, it means, subject to the exclusions from the definition of **"directed selling efforts"** contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Shares, and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the Offering.
- (t) **"distribution"** and **"distribution to the public"** shall have the respective meanings ascribed thereto in the Canadian Securities Laws.
- (u) **"Final International Offering Memorandum"** means the final international offering memorandum prepared by the Company for use in connection with the International Offering, which consists of the Prospectus and certain additional pages, as amended or supplemented.
- (v) **"Final MRRS Decision Document"** means the document issued in accordance with MRRS evidencing that a final receipt has been issued in respect of the Prospectus by each of the Securities Regulators.
- (w) **"Foreign Companies"** means, collectively, Sino-Forest Resources Inc. and Suri-Wood Inc.
- (x) **"Foreign Parties"** means, collectively, Sino-Wood (Jiangxi) Limited and Sino-Wood (Guangdong) Limited.
- (y) **"including"** means including, without limitation.
- (z) **"Indemnified Party"** has the meaning specified in Section 9(a).
- (aa) **"International Offering"** means the distribution of the Offered Shares by the Underwriters and their affiliates outside of Canada.

- (bb) **"Joint Venture Documents"** means the cooperative joint venture contract and the articles of association, pursuant to which a CJV was organized.
- (cc) **"MRRS"** means National Policy 43-201 *Mutual Reliance Review System for Prospectuses and Annual Information Forms*.
- (dd) **"Master Agreements"** means the agreements between certain Subsidiaries of the Company with their respective authorized intermediaries, pursuant to which the Company appoints the authorized intermediaries to manage its wood chips trading transactions on its behalf.
- (ee) **"misrepresentation", "material fact" and "material change"** mean, with respect to circumstances to which the Canadian Securities Laws of a particular Qualifying Jurisdiction are applicable, a misrepresentation, material fact, and material change as defined under the Canadian Securities Laws of that Qualifying Jurisdiction and, if not so defined or in circumstances in which the particular Canadian Securities Laws of a particular Qualifying Jurisdiction are not applicable, mean a misrepresentation, material fact and material change as defined under the *Securities Act* (Ontario).
- (ff) **"NI 44-101"** means National Instrument 44-101 - *Short Form Prospectus Distributions*.
- (gg) **"Offering Documents"** means the Preliminary Prospectus, the Prospectus, the Supplementary Material, the Preliminary International Offering Memorandum and the Final International Offering Memorandum.
- (hh) **"Option Closing Date"** has the meaning specified in Section 3.
- (ii) **"Option Closing Time"** has the meaning specified in Section 4.
- (jj) **"Operational Procedures"** means the supplemental agreements to the Master Agreements, which set forth certain operational procedures relating to the wood chips sales transactions.
- (kk) **"Over-Allotment Option"** has the meaning specified in Section 3.
- (ll) **"Plantation Purchase Agreements"** means the purchase agreements and the relevant supplemental agreements (if applicable) relating to the purchase by Foreign Companies of the rights to the trees on the relevant forestry plantation land.

- (mm) **"Plantation Rights Certificates"** means certificates issued under the PRC Forestry Law in respect of the right to use the plantation land and to own the planted trees (in the case of planted forestry plantations) or to the owners of the plantation trees (in the case of purchased tree plantations).
- (nn) **"PRC"** means the People's Republic of China (excluding Hong Kong, Macau and Taiwan for the purposes of this Agreement).
- (oo) **"Preferred Shares"** means preference shares, issuable in series, in the capital of the Company.
- (pp) **"Preliminary International Offering Memorandum"** means the preliminary international offering memorandum prepared by the Company for use in connection with the International Offering, which consists of the Preliminary Prospectus and certain additional pages, as amended or supplemented.
- (qq) **"Preliminary Prospectus"** means the preliminary short form prospectus of the Company, in English, and filed with the Securities Regulators in connection with the qualification of the Offered Shares and the Over-Allotment Option for distribution in the Qualifying Jurisdictions, and the term **"Preliminary Prospectus"** shall be deemed to refer to and to include all the documents incorporated therein by reference and any amendment or restatement thereto. For avoidance of doubt, reference to **"Preliminary Prospectus"** shall include the Preliminary Prospectus included in the Preliminary International Offering Memorandum.
- (rr) **"Prospectus"** means the (final) short form prospectus of the Company dated the date of this Agreement, approved, signed and certified in accordance with the Canadian Securities Laws, relating to the qualification for distribution of the Offered Shares and the Over-Allotment Option under applicable Canadian Securities Laws in the Qualifying Jurisdictions, and the term **"Prospectus"** shall be deemed to refer to and include all the documents incorporated therein by reference. For avoidance of doubt, reference to **"Prospectus"** shall include the Prospectus included in the Final International Offering Memorandum.
- (ss) **"Qualified Institutional Buyer"** means a **"qualified institutional buyer"** as that term is defined in Rule 144A.

- (tt) **"Qualifying Jurisdictions"** means the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.
- (uu) **"Regulation D"** means Regulation D adopted by the SEC under the 1933 Act.
- (vv) **"Regulation S"** means Regulation S adopted by the SEC under the 1933 Act.
- (ww) **"Rule 144A"** means Rule 144A under the 1933 Act.
- (xx) **"SEC"** means the United States Securities and Exchange Commission.
- (yy) **"Securities Regulators"** means the applicable securities commission or regulatory authority in each of the Qualifying Jurisdictions and in the United States, as applicable.
- (zz) **"Subsidiary"** means:
 - (i) any corporation of which securities, having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation might have voting power by reason of the happening of any contingency, unless the contingency has occurred and then only for as long as it continues), are at the time directly, indirectly or beneficially owned or controlled by the Company or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries;
 - (ii) any partnership of which the Company, or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries: (x) directly, indirectly or beneficially owns or controls more than 50% of the income, capital, beneficial or ownership interest (however designated) thereof; and (y) is a general partner, in the case of a limited partnership, or is a partner that has the authority to bind the partnership in all other cases; or
 - (iii) any other person of which at least a majority of the income, capital, beneficial or ownership interest (however designated) is at the time directly, indirectly or beneficially owned or controlled by the Company, or one or more of its Subsidiaries or the Company and one or more of its Subsidiaries;

provided that the term **Subsidiary** shall in any event include the CJVs, the WFOEs and each of the additional entities identified in Schedule 1 (excluding the Company).

- (aaa) **"Substantial U.S. Market Interest"** means **"substantial U.S. market interest"** as that term is defined in Regulation S.
- (bbb) **"Supplementary Material"** means, collectively, any amendment or supplement to the Prospectus or any other similar documents required to be filed by the Company under the Canadian Securities Laws in connection with the Offering.
- (ccc) **"to the best of the knowledge, information and belief of"** means (unless otherwise expressly stated) a statement of the declarant's knowledge of the facts or circumstances to which such phrase relates after having made due inquiries and investigations in connection with such facts and circumstances.
- (ddd) **"TSX"** means the Toronto Stock Exchange.
- (eee) **"United States"** means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.
- (fff) **"Underwriters' Canadian Counsel"** means the law firm of Stikeman Elliott LLP.
- (ggg) **"Underwriters' Counsel"** means collectively, Underwriters' Canadian Counsel, Underwriters' PRC Counsel and Underwriters' U.S. Counsel.
- (hhh) **"Underwriters' PRC Counsel"** means the law firm of Commerce & Finance Law Offices.
- (iii) **"Underwriters' U.S. Counsel"** means the law firm of Davis Polk & Wardwell.
- (jjj) **"U.S. Securities Laws"** means all applicable securities legislation in the United States, including, the 1933 Act, as amended, and the 1934 Act, as amended, and the rules and regulations promulgated thereunder.
- (kkk) **"WFOEs"** means, collectively, Guangxi Guijia Forestry Co., Ltd., Gaoyao Jiayao Forestry Development Co., Ltd., Zhangzhou Jiamin Forestry Development Co., Ltd., SFR (Suzhou) Co., Ltd., Jiafeng Wood (Suzhou) Co., Ltd., Guangdong Jiayao Wood Products Development

Co., Ltd., Sinowin Plantings (Suzhou) Co., Ltd., Sino-Maple (Shanghai) Trading Co., Ltd., Sino-Forest (China) Investments Co., Ltd., Sino-Forest (Heyuan) Co., Ltd., Sino-Forest (Guangzhou) Co., Ltd., Sino-Forest (Guangzhou) Trading Co., Ltd., Sino-Forest (Anhui) Co., Ltd., Sino-Forest (Suzhou) Trading Co., Ltd., Heilongjiang Jiamu Panel Co., Ltd., Hunan Jiayu Wood Products Co., Ltd., Xiangxi Autonomous State Jiayi Forest Development Co., Ltd., Sino-Maple (Shanghai) Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. each an enterprise established in the PRC in accordance with the relevant PRC laws, with capital provided solely by foreign investors.

2. *Representations and Warranties.* The Company represents and warrants to the Underwriters and acknowledges that the Underwriters are relying upon such representations and warranties in connection with their execution and delivery of this Agreement, and delivery of each of the Offering Documents by the Company to the Underwriters shall constitute the representation and warranty of the Company to the Underwriters, that:

- (a) The Company is continued under the laws of Canada and is validly existing as a corporation in good standing under the laws of Canada, has the corporate power and authority to own its property and to conduct its business as described in the Offering Documents and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole.
- (b) Each Subsidiary has been duly incorporated, amalgamated, formed or continued, as the case may be, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, amalgamation, formation or continuance, has the corporate power and authority to own its property and to conduct its business as described in the Offering Documents and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole; all of the issued shares of capital stock of each Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and the

- (iv) the Underwriters have offered the Offered Shares and will offer and sell the Offered Shares in offshore transactions outside the United States as part of their distribution at any time only in accordance with Rule 903 of Regulation S or as otherwise permitted under the 1933 Act. Accordingly, none of the Underwriters, its Affiliates nor any persons acting on their behalf have engaged or will engage in any Directed Selling Efforts with respect to the Offered Shares and any of the Underwriters, their Affiliates and any such persons have complied and will comply with the offering restrictions requirement of Regulation S.

9. *Indemnity and Contribution.*

- (a) The Company agrees to indemnify and hold harmless the Underwriters, their directors, their officers and each person, if any, who controls the Underwriters within the meaning of either Section 15 of the 1933 Act or Section 20 of the 1934 Act, and each affiliate of the Underwriters within the meaning of Rule 405 under the 1933 Act (each an "Indemnified Party") from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (collectively, a "Claim") caused by (i) any untrue statement or alleged untrue statement made by the Company in Section 2 hereof or in any certificate delivered to the Underwriters pursuant to this Agreement; (ii) any misrepresentation or alleged misrepresentation (for purposes of Canadian Securities Laws), or any untrue statement or alleged untrue statement of a material fact contained in any of the Offering Documents (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances under which they are made not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such misrepresentation, untrue statement or omission or alleged misrepresentation, untrue statement or omission based upon information relating to the Underwriters furnished to the Company in writing by the Underwriters expressly for use therein; (iii) the Company not complying with any requirement of Canadian Securities Laws or U.S. Securities Laws; or (iv) any order made or inquiry, investigation or proceeding (formal or informal) commenced or threatened by any officer or official of any Securities Regulator based

upon the circumstances described in paragraphs 9(a)(ii) or 9(a)(iii) above which operates to prevent or restrict trading in or distribution of the Offered Shares or any other securities of the Company in any of the Qualifying Jurisdictions.

- (b) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 9(a), such Indemnified Party shall promptly notify the Company in writing of the nature of the Claim and the Company, upon request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Company may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless i) the Company and the Indemnified Party shall have mutually agreed to the retention of such counsel or ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Company shall not, in respect of the legal expenses of any Indemnified Party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such Indemnified Parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Underwriters, in the case of parties indemnified pursuant to Section 9(a). The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Party shall have requested an Company to reimburse the Indemnified Party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such Company of the aforesaid request and (ii) the Company shall not have reimbursed the Indemnified Party in accordance with such request prior to the date of

such settlement. The Company shall not, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

- (c) In the event that the Company does not assume the defence of a Claim within thirty (30) days after receiving notice thereof, the Indemnified Party shall have the right to retain his, her or its own legal counsel and the Company shall bear the reasonable fees, costs and expenses of such counsel. Notwithstanding the foregoing, in no event shall the Company be required to pay the fees and expenses of more than one set of counsel for all of the Indemnified Parties in a jurisdiction in respect of any particular Claim or related set of Claims.
- (d) The Company hereby waives its right to recover contribution from any of the Underwriters or any other Indemnified Party with respect to any liability of the Company by reason of or arising out of any misrepresentation (for the purposes of the Canadian Securities Laws or any of them) contained in the Offering Documents provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of or arising out of:
 - (i) any misrepresentation (for the purposes of the Canadian Securities Laws or any of them) which is based upon or results from a statement or information relating solely to the Underwriters contained in such documents; or
 - (ii) any failure by the Underwriters or members of their banking or selling group (if any) to provide to purchasers of the Offered Shares any document which the Company is required to provide to such purchasers and which it has provided to the Underwriters to forward to such purchasers.
- (e) With respect to any Indemnified Party who is not a party to this Agreement, the Underwriters shall obtain and hold the rights and benefits of this Section 9 in trust for and on behalf of such Indemnified Party.
- (f) To the extent the indemnification provided for in Section 9(a) is unavailable to an Indemnified Party or insufficient in respect of any Claims referred to therein, then the Company, in lieu of indemnifying

such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Offered Shares or (ii) if the allocation provided by clause 9(f)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 9(f)(i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the misrepresentation, statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Offered Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Offered Shares (net of the fee payable to the Underwriters but before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, bear to the aggregate offering price of the Offered Shares. The Underwriters shall not in any event be liable to contribute, in the aggregate, any amounts in excess of the aggregate fees actually received by the Underwriters from the Company. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the misrepresentation or alleged misrepresentation, the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such misrepresentation, statement or omission.

- (g) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by *pro rata* allocation or by any other method of allocation that does not take account of the equitable considerations referred to in clause 9(f). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages and liabilities referred to in clause 9(f) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, the Underwriters shall not in any event be liable to contribute, in the aggregate, any

amounts in excess of the aggregate fees actually received by the Underwriters from the Company. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Party at law or in equity.

- (h) The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of the Underwriters, any person controlling the Underwriters or any affiliate of the Underwriters or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Offered Shares.

10. *Obligations of Underwriters*

- (a) Subject to the terms hereof, the obligations of the Underwriters to purchase the Offered Shares at the Closing Time or Option Closing Time, as applicable, shall be several and not joint and several and their respective obligations and rights in this regard shall be in the following percentages:

Dundee Securities Corporation	45%
CIBC World Markets Inc.	20%
Merrill Lynch Canada, Inc.	10%
Credit Suisse Securities (Canada) Inc.	10%
UBS Securities Canada Inc.	10%
Haywood Securities Inc.	5%

- (b) If one or more of the Underwriters should default in its obligations to purchase its respective percentage of the Offered Shares (the "Defaulted Securities") at the Closing Time or Option Closing Time, the non-defaulting Underwriters shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all but not less than all of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Underwriters shall not have completed such arrangements within such 24 -hour period, then:

UNDERWRITING AGREEMENT

May 22, 2009

Credit Suisse Securities (Canada) Inc.
1 First Canadian Place
Suite 2900
Toronto, ON M5X 1C9

Dundee Securities Corporation
2700, 1 Adelaide Street East
Toronto, ON M5C 2V9

Merrill Lynch Canada Inc.
BCE Place,
181 Bay Street, Suite 400
Toronto, Ontario
M5J 2V8

Scotia Capital Inc.
40 King Street West
Scotia Plaza
P.O. Box 4085, Station A
Toronto, Ontario
M5W 2X6

TD Securities Inc.
66 Wellington Street West
P.O. Box 1, TD Bank Tower
Toronto, Ontario
M5K 1A2

Dear Sirs and Mesdames:

SINO-FOREST CORPORATION, a *Canada Business Corporations Act* corporation (the "Company"), proposes to issue and sell to Credit Suisse Securities (Canada) Inc., Dundee Securities Corporation (together, the "Co-Lead Underwriters") Merrill Lynch Canada Inc., Scotia Capital Inc. and TD Securities Inc. (collectively, the "Underwriters") 30,000,000 common shares in the capital of the Company (the "Firm Shares"). The Company also proposes to issue and sell to the Underwriters not more than an additional 4,500,000 Common Shares in the capital of the Company (the "Optional Shares") if and to the extent that the Underwriters shall have determined to exercise the right to purchase such Optional Shares granted to the Underwriters in Section 3 hereof. The Firm Shares and the Optional Shares are hereinafter collectively referred to as the "Offered Shares".

We also understand that the Company is eligible to file, and will prepare and file a preliminary short form prospectus and a (final) short form prospectus and all other necessary documents in order to qualify the Offered Shares for distribution to the public in each of the provinces of Canada other than Québec (the "Offering").

The following are the terms and conditions of the agreement among the Company and the Underwriters:

1. *Definitions.* In this Agreement, unless otherwise defined herein, the following words and terms shall have the following meanings:

- (a) "1933 Act" means the United States *Securities Act of 1933*, as amended.
- (b) "1934 Act" means the United States *Securities Exchange Act of 1934*, as amended.
- (c) "Affiliates" or "affiliates" has the meaning specified in Rule 501(b) of Regulation D under the 1933 Act.
- (d) "Agreement" means this underwriting agreement between the Company and the Underwriters dated May 22, 2009, and all schedules attached hereto and any and all amendments made hereto and thereto.
- (e) "Agreements and Instruments" has the meaning specified in Section 2(tt).
- (f) "Business Day" means a day which is not a Saturday, a Sunday or a statutory or civic holiday in the City of Toronto, Ontario, the City of New York, New York or the City of Hong Kong, SAR.
- (g) "Canadian Securities Laws" means the securities laws, regulations, rules, published national and local instruments, policy statements, notices, blanket rulings and orders, discretionary rulings and orders applicable to the Company, and prescribed forms, collectively, of each of the Qualifying Jurisdictions and all rules, by-laws and regulations governing the TSX, all as the same are in effect at the date hereof and as amended, supplemented or replaced from time to time.
- (h) "CJV Conversion" has the meaning specified in Section 2(j).
- (i) "Claim" has the meaning specified in Section 9(a).
- (j) "Closing Date" has the meaning specified in Section 4.
- (k) "Closing Time" means 8:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date, as the Company and the Underwriters, may agree.
- (l) "Co-Lead Underwriters" has the meaning set forth in the Recitals.
- (m) "Common Shares" means the common shares in the capital of the Company.
- (n) "Company" has the meaning set forth in the Recitals.
- (o) "Company Public Documents" has the meaning specified in Section 2(ii).
- (p) "Company's Auditors" means Ernst & Young LLP.
- (q) "Company's BVI and Cayman Counsel" means the law firm of Appleby in the British Virgin Islands.

- (r) "Company's Canadian Counsel" means the law firm of Aird & Berlis LLP.
- (s) "Company's Counsel" means, collectively, Company's Canadian Counsel, Company's PRC Counsel, Company's Hong Kong Counsel, Company's BVI and Cayman Counsel and Company's U.S. Counsel.
- (t) "Company's Hong Kong Counsel" means the law firm of Linklaters.
- (u) "Company's PRC Counsel" means the law firm of Jingtian & Gongcheng.
- (v) "Company's U.S. Counsel" means the law firm of Linklaters.
- (w) "Condition of the Company" means the business, affairs, operations, assets, properties, prospects, liabilities (contingent or otherwise), capital, earnings or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole.
- (x) "critical accounting policies" has the meaning specified in Section 2(nn).
- (y) "Defaulted Securities" has the meaning specified in Section 10(b).
- (z) "Directed Selling Efforts" means "directed selling efforts" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Agreement, it means, subject to the exclusions from the definition of "directed selling efforts" contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Shares, and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the Offering.
- (aa) "distribution" and "distribution to the public" shall have the respective meanings ascribed thereto in the Canadian Securities Laws.
- (bb) "Enterprise Income Tax Law" means the PRC Enterprise Income Tax Law enacted on March 16, 2007 and effective on January 1, 2008 and its Implementation Rules issued on December 6, 2007 and effective on January 1, 2008.
- (cc) "Environmental Laws" has the meaning specified in Section 2(ee).
- (dd) "Final International Offering Memorandum" means the final international offering memorandum prepared by the Company for use in connection with the International Offering, which consists of the Prospectus and certain additional pages, as amended or supplemented.
- (ee) "Firm Shares" has the meaning specified in the Recitals.
- (ff) "GAAP" has the meaning specified in Section 2(jj).

- (gg) "Governmental Authorizations" has the meaning specified in Section 2(d).
- (hh) "Hazardous Substance" has the meaning specified in Section 2(ff).
- (ii) "including" means including, without limitation.
- (ji) "Indemnified Party" has the meaning specified in Section 9(a).
- (kk) "Intellectual Property Rights" has the meaning specified in Section 2(f).
- (ll) "International Offering" means the distribution of the Offered Shares by the Underwriters and their affiliates outside of Canada.
- (mm) "Master Agreements" means the agreements entered into by certain Subsidiaries, pursuant to which the Company secures its supply of standing timber.
- (nn) "misrepresentation", "material fact" and "material change" mean, with respect to circumstances to which the Canadian Securities Laws of a particular Qualifying Jurisdiction are applicable, a misrepresentation, material fact, and material change as defined under the Canadian Securities Laws of that Qualifying Jurisdiction and, if not so defined or in circumstances in which the particular Canadian Securities Laws of a particular Qualifying Jurisdiction are not applicable, mean a misrepresentation, material fact and material change as defined under the *Securities Act* (Ontario).
- (oo) "NI 44-101" means National Instrument 44-101 - *Short Form Prospectus Distributions*.
- (pp) "OFAC" has the meaning specified in Section 2(dd).
- (qq) "Offered Shares" has the meaning specified in the Recitals.
- (rr) "Offering" has the meaning specified in the Recitals.
- (ss) "Offering Documents" means the Preliminary Prospectus, the Prospectus, the Supplementary Material, the Preliminary International Offering Memorandum and the Final International Offering Memorandum.
- (tt) "Option Closing Date" has the meaning specified in Section 3.
- (uu) "Option Closing Time" has the meaning specified in Section 4.
- (vv) "Optional Shares" has the meaning specified in the Recitals.
- (ww) "Original CJVs" has the meaning specified in Section 2(j).
- (xx) "Over-Allotment Option" has the meaning specified in Section 3.

- (yy) **"Plantation Rights Certificates"** means certificates issued under the PRC Forestry Law in respect of the right to use the plantation land and to own the planted trees (in the case of planted forestry plantations) or to the owners of the plantation trees (in the case of purchased tree plantations).
- (zz) **"PRC"** means the People's Republic of China (excluding Hong Kong, Macau and Taiwan for the purposes of this Agreement).
- (aaa) **"PRC Limited Company Subsidiary" or "PRC Limited Company Subsidiaries"** has the meaning specified in Section 2(k).
- (bbb) **"PRC Subsidiaries"** has the meaning specified in Section 2(k).
- (ccc) **"Preliminary International Offering Memorandum"** means the preliminary international offering memorandum prepared by the Company for use in connection with the International Offering, which consists of the Preliminary Prospectus and certain additional pages, as amended or supplemented.
- (ddd) **"Preliminary Prospectus"** means the preliminary short form prospectus of the Company dated the date of this Agreement, in English, and filed with the Securities Regulators in connection with the qualification of the Offered Shares for distribution in the Qualifying Jurisdictions, and the term **"Preliminary Prospectus"** shall be deemed to refer to and to include all the documents incorporated therein by reference and any amendment or restatement thereto. For avoidance of doubt, reference to **"Preliminary Prospectus"** shall include the Preliminary Prospectus included in the Preliminary International Offering Memorandum.
- (eee) **"Prospectus"** means the (final) short form prospectus of the Company, approved, signed and certified in accordance with the Canadian Securities Laws, relating to the qualification for distribution of the Offered Shares under applicable Canadian Securities Laws in the Qualifying Jurisdictions, and the term **"Prospectus"** shall be deemed to refer to and include all the documents incorporated therein by reference. For avoidance of doubt, reference to **"Prospectus"** shall include the Prospectus included in the Final International Offering Memorandum.
- (fff) **"Purchase Price"** has the meaning specified in Section 3.
- (ggg) **"Qualified Institutional Buyer"** means a **"qualified institutional buyer"** as that term is defined in Rule 144A.
- (hhh) **"Qualifying Jurisdictions"** means the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

- (iii) **"Regulation D"** means Regulation D adopted by the SEC under the 1933 Act.
 - (jjj) **"Regulation S"** means Regulation S adopted by the SEC under the 1933 Act.
 - (kkk) **"Repayment Event"** has the meaning set forth in Section 2(vv).
 - (lll) **"Rule 144A"** means Rule 144A under the 1933 Act.
 - (mmm) **"SEC"** means the United States Securities and Exchange Commission.
 - (nnn) **"Securities Regulators"** means the applicable securities commission or regulatory authority in each of the Qualifying Jurisdictions and in the United States, as applicable.
 - (ooo) **"Solvent"** has the meaning specified in Section 2(t).
 - (ppp) **"Subsidiary"** means:
 - (i) any corporation of which securities, having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation might have voting power by reason of the happening of any contingency, unless the contingency has occurred and then only for as long as it continues), are at the time directly, indirectly or beneficially owned or controlled by the Company or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries;
 - (ii) any partnership of which the Company, or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries: (x) directly, indirectly or beneficially owns or controls more than 50% of the income, capital, beneficial or ownership interest (however designated) thereof; and (y) is a general partner, in the case of a limited partnership, or is a partner that has the authority to bind the partnership in all other cases; or
 - (iii) any other person of which at least a majority of the income, capital, beneficial or ownership interest (however designated) is at the time directly, indirectly or beneficially owned or controlled by the Company, or one or more of its Subsidiaries or the Company and one or more of its Subsidiaries;
- provided that the term Subsidiary shall in any event include any cooperative joint venture corporations, the WFOEs and each of the additional entities identified in Schedules 1, 2, 3, 4, 5 and 7 but excludes Sinowood Holdings Limited, Sinowood Finance Limited, Khan Forestry Inc. and Max Grain Development Limited which are inactive.
- (qqq) **"Substantial U.S. Market Interest"** means "substantial U.S. market interest" as that term is defined in Regulation S.

- (rrr) **"Supplementary Material"** means, collectively, any amendment or supplement to the Prospectus or any other similar documents required to be filed by the Company under the Canadian Securities Laws in connection with the Offering.
- (sss) **"to the best of the knowledge, information and belief of"** means (unless otherwise expressly stated) a statement of the declarant's knowledge of the facts or circumstances to which such phrase relates after having made due inquiries and investigations in connection with such facts and circumstances.
- (ttt) **"TSX"** means the Toronto Stock Exchange.
- (uuu) **"Underwriters"** has the meaning set forth in the Recitals.
- (vvv) **"Underwriters' Canadian Counsel"** means the law firm of Stikeman Elliott LLP.
- (www) **"Underwriters' Counsel"** means collectively, Underwriters' Canadian Counsel, Underwriters' PRC Counsel and Underwriters' U.S. Counsel.
- (xxx) **"Underwriters' PRC Counsel"** means the law firm of Commerce & Finance Law Offices.
- (yyy) **"Underwriters' U.S. Counsel"** means the law firm of Davis Polk & Wardwell.
- (zzz) **"United States"** means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.
- (aaaa) **"U.S. Securities Laws"** means all applicable securities legislation in the United States, including, the 1933 Act, as amended, and the 1934 Act, as amended, and the rules and regulations promulgated thereunder.
- (bbbb) **"WFOEs"** has the meaning set forth in 2(k).

2. *Representations and Warranties.* The Company represents and warrants to the Underwriters and acknowledges that the Underwriters are relying upon such representations and warranties in connection with their execution and delivery of this Agreement, and delivery of each of the Offering Documents by the Company to the Underwriters shall constitute the representation and warranty of the Company to the Underwriters, that:

- (a) The Company is continued under the laws of Canada and is validly existing as a corporation in good standing under the laws of Canada, has the corporate power and authority to own its property and to conduct its business as described in the Offering Documents and is duly qualified to transact business and is in good standing in each jurisdiction in which the

9. *Indemnity and Contribution.*

- (a) The Company agrees to indemnify and hold harmless the Underwriters, their directors, their officers and each person, if any, who controls the Underwriters within the meaning of either Section 15 of the 1933 Act or Section 20 of the 1934 Act, and each affiliate of the Underwriters within the meaning of Rule 405 under the 1933 Act (each an "Indemnified Party") from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (collectively, a "Claim") caused by (i) any untrue statement or alleged untrue statement made by the Company in Section 2 hereof or in any certificate delivered to the Underwriters pursuant to this Agreement; (ii) any misrepresentation or alleged misrepresentation (for purposes of Canadian Securities Laws), or any untrue statement or alleged untrue statement of a material fact contained in any of the Offering Documents (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances under which they are made not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such misrepresentation, untrue statement or omission or alleged misrepresentation, untrue statement or omission based upon information relating to the Underwriters furnished to the Company in writing by the Underwriters expressly for use therein; (iii) the Company not complying with any requirement of Canadian Securities Laws or U.S. Securities Laws; or (iv) any order made or inquiry, investigation or proceeding (formal or informal) commenced or threatened by any officer or official of any Securities Regulator based upon the circumstances described in paragraphs 9(a)(ii) or 9(a)(iii) above which operates to prevent or restrict trading in or distribution of the Offered Shares or any other securities of the Company in any of the Qualifying Jurisdictions.
- (b) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 9(a), such Indemnified Party shall promptly notify the Company in writing of the nature of the Claim and the Company, upon request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Company may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless i) the Company and the Indemnified Party shall have mutually agreed to the retention of such counsel or ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Indemnified Party and representation of both

parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Company shall not, in respect of the legal expenses of any Indemnified Party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such Indemnified Parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Underwriters, in the case of parties indemnified pursuant to Section 9(a). The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Party shall have requested an Company to reimburse the Indemnified Party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such Company of the aforesaid request and (ii) the Company shall not have reimbursed the Indemnified Party in accordance with such request prior to the date of such settlement. The Company shall not, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

- (c) In the event that the Company does not assume the defence of a Claim within thirty (30) days after receiving notice thereof, the Indemnified Party shall have the right to retain his, her or its own legal counsel and the Company shall bear the reasonable fees, costs and expenses of such counsel. Notwithstanding the foregoing, in no event shall the Company be required to pay the fees and expenses of more than one set of counsel for all of the Indemnified Parties in a jurisdiction in respect of any particular Claim or related set of Claims.
- (d) The Company hereby waives its right to recover contribution from any of the Underwriters or any other Indemnified Party with respect to any liability of the Company by reason of or arising out of any misrepresentation (for the purposes of the Canadian Securities Laws or any of them) contained in the Offering Documents provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of or arising out of:
 - (i) any misrepresentation (for the purposes of the Canadian Securities Laws or any of them) which is based upon or results from a statement

or information relating solely to the Underwriters contained in such documents; or

- (ii) any failure by the Underwriters or members of their banking or selling group (if any) to provide to purchasers of the Offered Shares any document which the Company is required to provide to such purchasers and which it has provided to the Underwriters to forward to such purchasers.
- (e) With respect to any Indemnified Party who is not a party to this Agreement, the Underwriters shall obtain and hold the rights and benefits of this Section 9 in trust for and on behalf of such Indemnified Party.
- (f) To the extent the indemnification provided for in Section 9(a) is unavailable to an Indemnified Party or insufficient in respect of any Claims referred to therein, then the Company, in lieu of indemnifying such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Offered Shares or (ii) if the allocation provided by clause 9(f)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 9(f)(i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the misrepresentation, statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Offered Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Offered Shares (net of the fee payable to the Underwriters but before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, bear to the aggregate offering price of the Offered Shares. The Underwriters shall not in any event be liable to contribute, in the aggregate, any amounts in excess of the aggregate fees actually received by the Underwriters from the Company. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the misrepresentation or alleged misrepresentation, the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such misrepresentation, statement or omission.
- (g) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by *pro*

rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in clause 9(f). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages and liabilities referred to in clause 9(f) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, the Underwriters shall not in any event be liable to contribute, in the aggregate, any amounts in excess of the aggregate fees actually received by the Underwriters from the Company. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Party at law or in equity.

- (h) The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of the Underwriters, any person controlling the Underwriters or any affiliate of the Underwriters or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Offered Shares.

10. *Obligations of Underwriters*

- (a) Subject to the terms hereof, the obligations of the Underwriters to purchase the Offered Shares at the Closing Time or Option Closing Time, as applicable, shall be several and not joint and several and their respective obligations and rights in this regard shall be in the following percentages:

Credit Suisse Securities (Canada) Inc.	35%
Dundee Securities Corporation	35%
Merrill Lynch Canada Inc.	10%
Scotia Capital Inc.	10%
TD Securities Inc.	10%

- (b) If one or more of the Underwriters should default in its obligations to purchase its respective percentage of the Offered Shares (the "Defaulted Securities") at the Closing Time or Option Closing Time, the non-defaulting Underwriters shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all but not less than all of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Underwriters shall not have completed such arrangements within such 24-hour period, then:

UNDERWRITING AGREEMENT

December 10, 2009

Credit Suisse Securities (Canada) Inc.
1 First Canadian Place
Suite 3000, P.O. Box 301
Toronto, Ontario M5X 1C9
Canada

TD Securities Inc.
1 Place Ville Marie Suite 2315
Montreal, Quebec H3B 3M5
Canada

Dundee Securities Corporation
2700, 1 Adelaide Street East
Toronto, ON M5C 2V9
Canada

RBC Dominion Securities
P.O. Box 7500, Station "A"
77 King Street West
Toronto, ON M5W 1P9
Canada

Scotia Capital Inc.
18th Floor, Scotia Tower
650 West Georgia Street
Vancouver, BC V6B 4N9
Canada

CIBC World Markets
161 Bay St, Brookfield Place
P.O. Box 500
Toronto, ON M5J 2S8
Canada

Merrill Lynch Canada Inc.
Brookfield Place, Wellington Tower
181 Bay Street, Suite 400
Toronto, ON M5J 2V8
Canada

Canaccord Financial Ltd.
161 Bay Street, Suite 2900
P.O. Box 516
Toronto, ON M5J 2S1
Canada

Maison Placements Canada Inc.
Suite 906, 130 Adelaide Street West
Toronto, ON M5H 3P5
Canada

(together, the "Underwriters")

Dear Sirs and Mesdames:

SINO-FOREST CORPORATION, a *Canada Business Corporations Act* corporation (the "Company"), proposes to issue and sell to Credit Suisse Securities (Canada) Inc. ("Credit Suisse"), TD Securities Inc., (together, the "Co-Lead Underwriters"), Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., and Maison Placements Canada Inc. (collectively, the "Underwriters") 19,000,000 common shares in the capital of the Company (the "Firm Shares"). The Company also proposes to issue and sell to the Underwriters not more than an additional 2,850,000 Common Shares in the capital of the Company (the "Optional Shares") if and to the extent that the Underwriters shall have determined to exercise the right to purchase such Optional Shares granted to the Underwriters in Section 3

hereof. The Firm Shares and the Optional Shares are hereinafter collectively referred to as the "Offered Shares".

We also understand that the Company is eligible to file, and will prepare and file a preliminary short form prospectus and a (final) short form prospectus and all other necessary documents in order to qualify the Offered Shares for distribution to the public in each of the provinces of Canada (the "Offering").

The following are the terms and conditions of the agreement among the Company and the Underwriters:

1. *Definitions:* In this Agreement, unless otherwise defined herein, the following words and terms shall have the following meanings:

- (a) "1933 Act" means the United States *Securities Act of 1933*, as amended.
- (b) "1934 Act" means the United States *Securities Exchange Act of 1934*, as amended.
- (c) "Affiliates" or "affiliates" has the meaning specified in Rule 501(b) of Regulation D under the 1933 Act.
- (d) "Agreement" means this underwriting agreement between the Company and the Underwriters dated December 10, 2009, and all schedules attached hereto and any and all amendments made hereto and thereto.
- (e) "Agreements and Instruments" has the meaning specified in Section 2(ss).
- (f) "Business Day" means a day which is not a Saturday, a Sunday or a statutory or civic holiday in the City of Toronto, Ontario, the City of New York, New York or the City of Hong Kong, SAR.
- (g) "Canadian Securities Laws" means the securities laws, regulations, rules, published national and local instruments, policy statements, notices, blanket rulings and orders, discretionary rulings and orders applicable to the Company, and prescribed forms, collectively, of each of the Qualifying Jurisdictions and all rules, by-laws and regulations governing the TSX, all as the same are in effect at the date hereof and as amended, supplemented or replaced from time to time.
- (h) "Claim" has the meaning specified in Section 9(a).
- (i) "Closing Date" has the meaning specified in Section 4.
- (j) "Closing Time" means 8:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date, as the Company and the Underwriters, may agree.
- (k) "Co-Lead Underwriters" has the meaning set forth in the Recitals.

- (l) "Common Shares" means the common shares in the capital of the Company.
- (m) "Company" has the meaning set forth in the Recitals.
- (n) "Company Public Documents" has the meaning specified in Section 2(hh).
- (o) "Company's Auditors" means Ernst & Young LLP.
- (p) "Company's BVI and Cayman Counsel" means the law firm of Appleby in the British Virgin Islands.
- (q) "Company's Canadian Counsel" means the law firm of Aird & Berlis LLP.
- (r) "Company's Counsel" means, collectively, Company's Canadian Counsel, Company's PRC Counsel, Company's Hong Kong Counsel, Company's BVI and Cayman Counsel and Company's U.S. Counsel.
- (s) "Company's Hong Kong Counsel" means the law firm of Linklaters.
- (t) "Company's PRC Counsel" means the law firm of Jingtian & Gongcheng.
- (u) "Company's U.S. Counsel" means the law firm of Linklaters.
- (v) "Condition of the Company" means the business, affairs, operations, assets, properties, prospects, liabilities (contingent or otherwise), capital, earnings or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole.
- (w) "critical accounting policies" has the meaning specified in Section 2(mm).
- (x) "Defaulted Securities" has the meaning specified in Section 10(b).
- (y) "Directed Selling Efforts" means "directed selling efforts" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Agreement, it means, subject to the exclusions from the definition of "directed selling efforts" contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Shares, and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the Offering.
- (z) "distribution" and "distribution to the public" shall have the respective meanings ascribed thereto in the Canadian Securities Laws.
- (aa) "Enterprise Income Tax Law" means the PRC Enterprise Income Tax Law enacted on March 16, 2007 and effective on January 1, 2008 and its

Implementation Rules issued on December 6, 2007 and effective on January 1, 2008.

- (bb) "Environmental Laws" has the meaning specified in Section 2(dd).
- (cc) "Final International Offering Memorandum" means the final international offering memorandum prepared by the Company for use in connection with the International Offering, which consists of the Prospectus in the English language and certain additional pages, as amended or supplemented.
- (dd) "Financial Information" has the meaning specified in Section 6(j)(vi).
- (ee) "Firm Shares" has the meaning specified in the Recitals.
- (ff) "GAAP" has the meaning specified in Section 2(ii).
- (gg) "Governmental Authorizations" has the meaning specified in Section 2(d).
- (hh) "Hazardous Substance" has the meaning specified in Section 2(ee).
- (ii) "including" means including, without limitation.
- (jj) "Indemnified Party" has the meaning specified in Section 9(a).
- (kk) "Intellectual Property Rights" has the meaning specified in Section 2(f).
- (ll) "International Offering" means the distribution of the Offered Shares by the Underwriters and their affiliates outside of Canada.
- (mm) "Master Agreements" means the agreements entered into by certain Subsidiaries, pursuant to which the Company secures its supply of standing timber.
- (nn) "misrepresentation", "material fact" and "material change" mean, with respect to circumstances to which the Canadian Securities Laws of a particular Qualifying Jurisdiction are applicable, a misrepresentation, material fact, and material change as defined under the Canadian Securities Laws of that Qualifying Jurisdiction and, if not so defined or in circumstances in which the particular Canadian Securities Laws of a particular Qualifying Jurisdiction are not applicable, mean a misrepresentation, material fact and material change as defined under the *Securities Act* (Ontario).
- (oo) "NI 44-101" means National Instrument 44-101 - *Short Form Prospectus Distributions*.

- (pp) "Notes" means US\$400 million of 4.25% convertible senior notes due 2016, as more particularly described in the final offering memorandum dated December 10, 2009.
- (qq) "OFAC" has the meaning specified in Section 2(cc).
- (rr) "Offered Shares" has the meaning specified in the Recitals.
- (ss) "Offering" has the meaning specified in the Recitals.
- (tt) "Offering Documents" means the Preliminary Prospectus, the Prospectus, the Supplementary Material, the Preliminary International Offering Memorandum and the Final International Offering Memorandum.
- (uu) "Option Closing Date" has the meaning specified in Section 3.
- (vv) "Option Closing Time" has the meaning specified in Section 4.
- (ww) "Optional Shares" has the meaning specified in the Recitals.
- (xx) "Over-Allotment Option" has the meaning specified in Section 3.
- (yy) "Plantation Rights Certificates" means certificates issued under the PRC Forestry Law in respect of the right to use the plantation land and to own the planted trees (in the case of planted forestry plantations) or to the owners of the plantation trees (in the case of purchased tree plantations).
- (zz) "PRC" means the People's Republic of China (excluding Hong Kong, Macau and Taiwan for the purposes of this Agreement).
- (aaa) "PRC Limited Company Subsidiary" or "PRC Limited Company Subsidiaries" has the meaning specified in Section 2(j).
- (bbb) "PRC Subsidiaries" has the meaning specified in Section 2(j).
- (ccc) "Preliminary International Offering Memorandum" means the preliminary international offering memorandum prepared by the Company for use in connection with the International Offering, which consists of the Preliminary Prospectus in the English language and certain additional pages, as amended or supplemented.
- (ddd) "Preliminary Prospectus" means the preliminary short form prospectus of the Company dated the date of this Agreement, in English and French, and filed with the Securities Regulators in connection with the qualification of the Offered Shares for distribution in the Qualifying Jurisdictions, and the term "Preliminary Prospectus" shall be deemed to refer to and to include all the documents incorporated therein by reference and any amendment or restatement thereto. For avoidance of doubt, reference to "Preliminary

Prospectus" shall include the Preliminary Prospectus included in the Preliminary International Offering Memorandum.

- (eee) "Prospectus" means the (final) short form prospectus of the Company in English and French, approved, signed and certified in accordance with the Canadian Securities Laws, relating to the qualification for distribution of the Offered Shares under applicable Canadian Securities Laws in the Qualifying Jurisdictions, and the term "Prospectus" shall be deemed to refer to and include all the documents incorporated therein by reference. For avoidance of doubt, reference to "Prospectus" shall include the Prospectus included in the Final International Offering Memorandum.
- (fff) "Purchase Price" has the meaning specified in Section 3.
- (ggg) "Qualified Institutional Buyer" means a "qualified institutional buyer" as that term is defined in Rule 144A.
- (hhh) "Qualifying Jurisdictions" means the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.
- (iii) "Regulation D" means Regulation D adopted by the SEC under the 1933 Act.
- (jjj) "Regulation S" means Regulation S adopted by the SEC under the 1933 Act.
- (kkk) "Repayment Event" has the meaning set forth in Section 2(vv).
- (lll) "Rule 144A" means Rule 144A under the 1933 Act.
- (mmm) "SEC" means the United States Securities and Exchange Commission.
- (nnn) "Securities Regulators" means the applicable securities commission or regulatory authority in each of the Qualifying Jurisdictions and in the United States, as applicable.
- (ooo) "Solvent" has the meaning specified in Section 2(t).
- (ppp) "Subsidiary" means:
 - (i) any corporation of which securities, having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation might have voting power by reason of the happening of any contingency, unless the contingency has occurred and then only for as long as it continues), are at the time directly, indirectly or beneficially owned or controlled by the Company or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries;

- (ii) any partnership of which the Company, or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries: (x) directly, indirectly or beneficially owns or controls more than 50% of the income, capital, beneficial or ownership interest (however designated) thereof; and (y) is a general partner, in the case of a limited partnership, or is a partner that has the authority to bind the partnership in all other cases; or
- (iii) any other person of which at least a majority of the income, capital, beneficial or ownership interest (however designated) is at the time directly, indirectly or beneficially owned or controlled by the Company, or one or more of its Subsidiaries or the Company and one or more of its Subsidiaries;

provided that the term Subsidiary shall in any event include the WFOEs and each of the additional entities identified in Schedules 1, 2, 3, 4, 5 and 6 but excludes Sino-Panel Corporation, Sinowood Holdings Limited, Sinowood Finance Limited, Khan Forestry Inc. and Max Gain Development Limited which have no or minimal assets or liabilities, are not engaged in any operation and are currently considered inactive.
- (qqq) **"Substantial U.S. Market Interest"** means **"substantial U.S. market interest"** as that term is defined in Regulation S.
- (rrr) **"Supplementary Material"** means, collectively, any amendment or supplement to the Prospectus or any other similar documents required to be filed by the Company under the Canadian Securities Laws in connection with the Offering.
- (sss) **"to the best of the knowledge, information and belief of"** means (unless otherwise expressly stated) a statement of the declarant's knowledge of the facts or circumstances to which such phrase relates after having made due inquiries and investigations in connection with such facts and circumstances.
- (ttt) **"TSX"** means the Toronto Stock Exchange.
- (uuu) **"Underwriters"** has the meaning set forth in the Recitals.
- (vvv) **"Underwriters' Canadian Counsel"** means the law firm of Stikeman Elliott LLP.
- (www) **"Underwriters' Counsel"** means collectively, Underwriters' Canadian Counsel, Underwriters' PRC Counsel and Underwriters' U.S. Counsel.
- (xxx) **"Underwriters' PRC Counsel"** means the law firm of Commerce & Finance Law Offices.
- (yyy) **"Underwriters' U.S. Counsel"** means the law firm of Davis Polk & Wardwell.

- (zzz) "United States" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.
- (aaaa) "U.S. Securities Laws" means all applicable securities legislation in the United States, including, the 1933 Act, as amended, and the 1934 Act, as amended, and the rules and regulations promulgated thereunder.
- (bbbb) "WFOEs" has the meaning set forth in 2(j).

2. *Representations and Warranties.* The Company represents and warrants to the Underwriters and acknowledges that the Underwriters are relying upon such representations and warranties in connection with their execution and delivery of this Agreement, and delivery of each of the Offering Documents by the Company to the Underwriters shall constitute the representation and warranty of the Company to the Underwriters, that:

- (a) The Company is continued under the laws of Canada and is validly existing as a corporation in good standing under the laws of Canada, has the corporate power and authority to own its property and to conduct its business as described in the Offering Documents and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole.
- (b) All of the subsidiaries of the Company, except those specifically excluded in Section 1(ppp), are listed on Schedule 6 hereto; there is no other company or undertaking in which any of the Company or its Subsidiaries directly or indirectly owns or controls or proposes to own or control a majority interest (whether by way of shareholding, trust arrangement or otherwise).
- (c) Each Subsidiary has been duly incorporated, amalgamated, formed or continued, as the case may be, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, amalgamation, formation or continuance, has the corporate power and authority to own its property and to conduct its business as described in the Offering Documents and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole; except as disclosed in the following item (m) all of the issued shares of capital stock of each Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and the shares of capital stock of each such Subsidiary owned by the Company of another Subsidiary are owned directly or indirectly by the Company, free and clear of all liens,

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

**COMPENDIUM OF EVIDENCE OF
THE UNDERWRITERS NAMED
IN CLASS ACTIONS**
(motion for an Equity Claims Order,
returnable on June 26, 2012)

TORYS LLP

79 Wellington Street West
Suite 300, TD Centre
Toronto, Ontario M5K 1N2
Fax: 416.865.7380

David Bish (LSUC#: 41629A)
Tel: 416.865.7353
Email : dbish@torys.com

John Fabello (LSUC#: 35449W)
Tel: 416.865.8228
Email : jfabello@torys.com

Adam M. Slavens (LSUC#: 54433J)
Tel: 416.865.7333
Email : aslavens@torys.com

Lawyers for the Underwriters
named in Class Actions

TAB 4



ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.
JUSTICE MORAWETZ

)
)
)

FRIDAY, THE 30th
DAY OF MARCH, 2012

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

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

INITIAL ORDER

THIS APPLICATION, made by Sino-Forest Corporation (the "Applicant"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of W. Judson Martin sworn March 30, 2012 and the Exhibits thereto (the "Martin Affidavit") and the Pre-Filing Report of the Proposed Monitor, FTI Consulting Canada Inc. ("FTI") (the "Monitor's Pre-Filing Report"), and on being advised that there are no secured creditors who are likely to be affected by the charges created herein, and on hearing the submissions of counsel for the Applicant, the Applicant's directors, FTI, the *ad hoc* committee of holders of notes issued by the Applicant (the "Ad Hoc Noteholders"), and no one else appearing for any other party, and on reading the consent of FTI to act as the Monitor,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application, the Application Record and the Monitor's Pre-Filing Report is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

4. THIS COURT ORDERS that the Applicant shall be entitled to seek any ancillary or other relief from this Court in respect of any of its subsidiaries in connection with the Plan or otherwise in respect of these proceedings.

POSSESSION OF PROPERTY AND OPERATIONS

5. THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "Business") and Property. The Applicant shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. THIS COURT ORDERS that the Applicant shall be entitled but not required to pay the following expenses, whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges;
- (c) the fees and disbursements of the directors and counsel to the directors, at their standard rates and charges; and
- (d) such other amounts as are set out in the March 29 Forecast (as defined in the Monitor's Pre-Filing Report and attached as Exhibit "DD" to the Martin Affidavit).

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicant following the date of this Order.

8. THIS COURT ORDERS that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

9. THIS COURT ORDERS that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. THIS COURT ORDERS that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. THIS COURT ORDERS that the Applicant shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Support Agreement (as defined below), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding US\$500,000 in any one transaction or US\$1,000,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business.

12. THIS COURT ORDERS that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims or resiliates the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the

disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicant of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

RESTRUCTURING SUPPORT AGREEMENT

14. THIS COURT ORDERS that the Applicant and the Monitor are authorized and directed to engage in the following procedures to notify noteholders of the restructuring support agreement dated as of March 30, 2012 (the "Support Agreement") between, among others, the Applicant and certain noteholders (the "Initial Consenting Noteholders"), appended as Exhibit "B" to the Martin Affidavit, to enable any additional noteholders to execute a Joinder Agreement in the form attached as Schedule "C" to the Support Agreement and to become bound thereby as Consenting Noteholders (as defined in the Support Agreement):

- (a) the Monitor shall without delay post a copy of the Support Agreement on its website at <http://ofoanada.filconsulting.com/sfc> (the "Monitor's Website"); and
- (b) the notice to be published by the Monitor pursuant to paragraph 51 of this Order shall include a statement in form and substance acceptable to the Applicant, the Monitor and counsel to the Ad Hoc Noteholders, each acting reasonably, notifying noteholders of the Support Agreement and of the deadline of 5:00 p.m. (Toronto time) on May 15, 2012 (the "Consent Date") by which any noteholder (other than an Initial Consenting Noteholder) who wishes to become entitled to the Early Consent Consideration pursuant to the Support Agreement (if such Early Consent Consideration becomes payable pursuant to the terms thereof) must execute and return the Joinder Agreement to the Applicant, and shall direct noteholders to the Monitor's Website where a copy of the Support Agreement (including the Joinder Agreement) can be obtained.

15. THIS COURT ORDERS that any noteholder (other than an Initial Consenting Noteholder) who wishes to become a Consenting Noteholder and become entitled to the Early Consent Consideration (if such Early Consent Consideration becomes payable pursuant to the terms thereof, and subject to such noteholder demonstrating its holdings to the Monitor in accordance with the Support Agreement) must execute a Joinder Agreement and return it to the Applicant and the Noteholder Advisors (as defined below) in accordance with the instructions set out in the Support Agreement such that it is received by the Applicant and the Noteholder Advisors prior to the Consent Deadline and, upon so doing, such noteholder shall become a Consenting Noteholder and shall be bound by the terms of the Support Agreement.

16. THIS COURT ORDERS that as soon as practicable after the Consent Deadline, the Applicant shall provide to the Monitor copies of all executed Joinder Agreements received from noteholders prior to the Consent Deadline.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

17. THIS COURT ORDERS that until and including April 29, 2012, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

18. THIS COURT ORDERS that until and including the Stay Period, no Proceeding shall be commenced or continued by any noteholder, indenture trustee or security trustee (each in respect of the notes issued by the Applicant, collectively, the "Noteholders") against or in respect of any of the Applicant's subsidiaries listed on Schedule "A" (each a "Subsidiary Guarantor", and collectively, the "Subsidiary Guarantors"), except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way by a Noteholder against or in respect of any Subsidiary Guarantors are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

19. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended and shall not be commenced, proceeded with or continued, except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, (iv) prevent the registration of a claim for lien, or (v) prevent the exercise of any termination rights of the Consenting Noteholders under the Support Agreement.

20. THIS COURT ORDERS that during the Stay Period, all rights and remedies of the Noteholders against or in respect of the Subsidiary Guarantors are hereby stayed and suspended and shall not be commenced, proceeded with or continued, except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower any Subsidiary Guarantor to carry on any business which such Subsidiary Guarantor is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

21. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

22. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant or exercising any other remedy provided under such agreement or arrangements, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

23. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

24. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such

obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the affected creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

25. THIS COURT ORDERS that the Applicant shall (i) indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, and (ii) make payments of amounts for which its directors and officers may be liable as obligations they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

26. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property (other than the Applicant's assets which are subject to the Personal Property Security Act registrations on Schedule "B" hereto (the "Excluded Property")), which charge shall not exceed an aggregate amount of \$3,200,000, as security for the indemnity provided in paragraph 25 of this Order. The Directors' Charge shall have the priority set out in paragraphs 38 and 40 herein.

27. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 25 of this Order.

APPOINTMENT OF MONITOR

28. THIS COURT ORDERS that FTI is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor

in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

29. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicant in its preparation of the Applicant's cash flow statements, as required from time to time;
- (d) advise the Applicant in its development of the Plan and any amendments to the Plan;
- (e) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan, as applicable;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (h) carry out and fulfill its obligations under the Support Agreement in accordance with its terms; and
- (i) perform such other duties as are required by this Order or by this Court from time to time.

30. THIS COURT ORDERS that without limiting paragraph 29 above, in carrying out its rights and obligations in connection with this Order, the Monitor shall be entitled to take such reasonable steps and use such services as it deems necessary in discharging its powers and obligations, including, without limitation, utilizing the services of FTI Consulting (Hong Kong) Limited ("FTI HK").

31. THIS COURT ORDERS that the Monitor shall not take possession of the Property (or any property or assets of the Applicant's subsidiaries) and shall take no part whatsoever in the management or supervision of the management of the Business (or any business of the Applicant's subsidiaries) and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof (or of any business, property or assets, or any part thereof, of any subsidiary of the Applicant).

32. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property (or any property of any subsidiary of the Applicant) that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property (or of any property of any subsidiary of the Applicant) within the meaning of any Environmental Legislation, unless it is actually in possession.

33. THIS COURT ORDERS that the Monitor shall provide any creditor of the Applicant with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any

responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

34. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

35. THIS COURT ORDERS that the Monitor, counsel to the Monitor, counsel to the Applicant, counsel to the directors, Houlihan Lokey Capital Inc. (the "Financial Advisor"), FTI HK, counsel to the Ad Hoc Noteholders and the financial advisor to the Ad Hoc Noteholders (together with counsel to the Ad Hoc Noteholders, the "Noteholder Advisors") shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant, whether incurred prior to or subsequent to the date of this Order, as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, counsel for the Applicant, counsel to the directors, the Financial Advisor, FTI HK, and the Noteholder Advisors on a weekly basis or otherwise in accordance with the terms of their engagement letters.

36. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

37. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the Applicant's counsel, counsel to the directors, the Financial Advisor, FTI HK, and the Noteholder Advisors shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property (other than the Excluded Property), which charge shall not exceed an aggregate amount of \$15,000,000 as security for their professional fees and disbursements incurred at their respective standard rates and charges in respect of such services, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 38 and 40 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

38. THIS COURT ORDERS that the priorities of the Directors' Charge and the Administration Charge, as between them, shall be as follows:

First – Administration Charge (to the maximum amount of \$15,000,000); and

Second – Directors' Charge (to the maximum amount of \$3,200,000).

39. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge or the Administration Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

40. THIS COURT ORDERS that each of the Charges shall constitute a charge on the Property (other than the Excluded Property) and shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

41. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicant also obtains the prior written consent of the Monitor, the beneficiaries of the Directors' Charge and the beneficiaries of the Administration Charge, or further Order of this Court.

42. THIS COURT ORDERS that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees"), shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or

other agreement (collectively, an "Agreement") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of any documents in respect thereof shall create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicant pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

43. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant's interest in such real property leases.

APPROVAL OF FINANCIAL ADVISOR AGREEMENT

44. THIS COURT ORDERS that the letter agreement dated as of December 22, 2012 with respect to the Financial Advisor in the form attached as Exhibit "CC" to the Martin Affidavit (the "Financial Advisor Agreement") and the retention of the Financial Advisor under the terms thereof, including the payments to be made to the Financial Advisor thereunder, are hereby approved.

45. THIS COURT ORDERS that the Applicant is authorized and directed to make the payments contemplated in the Financial Advisor Agreement in accordance with the terms and conditions thereof.

POSTPONEMENT OF ANNUAL GENERAL MEETING

46. THIS COURT ORDERS that the Applicant be and is hereby relieved of any obligation to call and hold an annual meeting of its shareholders until further Order of this Court.

FOREIGN PROCEEDINGS

47. THIS COURT ORDERS that the Monitor is hereby authorized and empowered to act as the foreign representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside of Canada.

48. THIS COURT ORDERS that the Monitor is hereby authorized, as the foreign representative of the Applicant and of the within proceedings, to apply for foreign recognition of these proceedings, as necessary, in any jurisdiction outside of Canada, including as "Foreign Main Proceedings" in the United States pursuant to Chapter 15 of the *U.S. Bankruptcy Code*.

49. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Barbados, the British Virgin Islands, Cayman Islands, Hong Kong, the People's Republic of China or in any other foreign jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

50. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and any other Order issued in these proceedings.

SERVICE AND NOTICE

51. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the Globe and Mail and the Wall Street Journal a notice containing the information prescribed under the CCAA, (ii) within seven days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

52. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile transmission or email to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

53. THIS COURT ORDERS that the Applicant, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on the Monitor's Website.

GENERAL

54. THIS COURT ORDERS that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

55. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

56. THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

57. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

A handwritten signature in black ink, appearing to read "M. J. Power", is written over a horizontal line.

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

APR 2 - 2012

Handwritten initials, possibly "NM", in black ink.

Schedule "A"

1. Sino-Panel Holdings Limited (BVI)
2. Sino-Global Holdings Inc. (BVI)
3. Sino-Wood Partners, Limited (HK)
4. Grandeur Winway Limited (BVI)
5. Sinowin Investments Limited (BVI)
6. Sinowood Limited (Cayman Islands)
7. Sino-Forest Bio-Science Limited (BVI)
8. Sino-Forest Resources Inc. (BVI)
9. Sino-Plantation Limited (HK)
10. Suri-Wood Inc. (BVI)
11. Sino-Forest Investments Limited (BVI)
12. Sino-Wood (Guangxi) Limited (HK)
13. Sino-Wood (Jiangxi) Limited (HK)
14. Sino-Wood (Guangdong) Limited (HK)
15. Sino-Wood (Fujian) Limited (HK)
16. Sino-Panel (Asia) Inc. (BVI)
17. Sino-Panel (Guangxi) Limited (BVI)
18. Sino-Panel (Yunnan) Limited (BVI)
19. Sino-Panel (North East China) Limited (BVI)
20. Sino-Panel [Xiangxi] Limited (BVI)
21. Sino-Panel [Hunan] Limited (BVI)
22. SFR (China) Inc. (BVI)
23. Sino-Panel [Suzhou] Limited (BVI)
24. Sino-Panel (Gaoyao) Ltd. (BVI)
25. Sino-Panel (Guangzhou) Limited (BVI)
26. Sino-Panel (North Sea) Limited (BVI)
27. Sino-Panel (Guizhou) Limited (BVI)
28. Sino-Panel (Huaihua) Limited (BVI)
29. Sino-Panel (Qinzhou) Limited (BVI)
30. Sino-Panel (Yongzhou) Limited (BVI)
31. Sino-Panel (Fujian) Limited (BVI)
32. Sino-Panel (Shaoyang) Limited (BVI)
33. Amplemax Worldwide Limited (BVI)
34. Ace Supreme International Limited (BVI)
35. Express Point Holdings Limited (BVI)
36. Glory Billion International Limited (BVI)
37. Smart Sure Enterprises Limited (BVI)
38. Expert Bonus Investment Limited (BVI)
39. Dynamic Profit Holdings Limited (BVI)
40. Alliance Max Limited (BVI)
41. Brain Force Limited (BVI)
42. General Excel Limited (BVI)
43. Poly Market Limited (BVI)
44. Prime Kinetic Limited (BVI)
45. Trillion Edge Limited (BVI)
46. Sino-Panel (China) Nursery Limited (BVI)

47. Sino-Wood Trading Limited (BVI)
48. Hornix Limited (BVI)
49. Sino-Panel Trading Limited (BVI)
50. Sino-Panel (Russia) Limited (BVI)
51. Sino-Global Management Consulting Inc. (BVI)
52. Value quest International Limited (BVI)
53. Well Keen Worldwide Limited (BVI)
54. Harvest Wonder Worldwide Limited (BVI)
55. Cheer Gold Worldwide Limited (BVI)
56. Regal Win Capital Limited (BVI)
57. Rich Choice Worldwide Limited (BVI)
58. Sino-Forest International (Barbados) Corporation
59. Mandra Forestry Holdings Limited (BVI)
60. Mandra Forestry Finance Limited (BVI)
61. Mandra Forestry Anhui Limited (BVI)
62. Mandra Forestry Hubel Limited (BVI)
63. Sino-Capital Global Inc. (BVI)
64. Elite Legacy Limited (BVI)

Schedule "B"

1565

PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
SEARCH RESULTS

Date Search Conducted: 3/29/2012
File Currency Date: 03/28/2012
Family(ies): 6
Page(s): 8

SEARCH : Business Debtor : SINO-FOREST CORPORATION

The attached report has been created based on the data received by Cyberbahn, a Thomson Reuters business from the Province of Ontario, Ministry of Government Services. No liability is assumed by Cyberbahn regarding its correctness, timeliness, completeness or the interpretation and use of the report. Use of the Cyberbahn service, including this report is subject to the terms and conditions of Cyberbahn's subscription agreement.

PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
SEARCH RESULTS

Date Search Conducted: 3/29/2012
File Currency Date: 03/28/2012
Family(ies): 6
Page(s): 8

SEARCH : Business Debtor : SINO-FOREST CORPORATION

FAMILY : 1 OF 6 ENQUIRY PAGE : 1 OF 8
SEARCH : BD : SINO-FOREST CORPORATION

00 FILE NUMBER : 609324408 EXPIRY DATE : 27SEP 2015 STATUS :
01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :
REG NUM : 20040927 1631 1793 0430 REG TYP: P PPSA REG PERIOD: 10

02 IND DOB : IND NAME:
03 BUS NAME: SINO-FOREST CORPORATION

04 ADDRESS : 90 BURNHAMTHORPE ROAD WEST, SUITE 1208 OCN :
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5B3C3

05 IND DOB : IND NAME:
06 BUS NAME:

07 ADDRESS : OCN :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
LAW DEBENTURE TRUST COMPANY OF NEW YORK

09 ADDRESS : 767 THIRD AVENUE, 31ST FLOOR
CITY : NEW YORK PROV: NY POSTAL CODE: 10017
CONS. MV DATE OF OR NO FIXED

10 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
YEAR MAKE X X MODEL V.I.N.

11
12
GENERAL COLLATERAL DESCRIPTION

13 PLEDGE OF SHARES OF CERTAIN SUBSIDIARIES OF THE DEBTOR PURSUANT TO
14 A PLEDGE AGREEMENT AND SHARE CHARGE.
15

16 AGENT: AIRD & BERLIS LLP #2
17 ADDRESS : 181 BAY STREET, SUITE 1800
CITY : TORONTO PROV: ON POSTAL CODE: M5J2T9

FAMILY : 1 OF 6 ENQUIRY PAGE : 2 OF 8
 SEARCH : BD : SINO-FOREST CORPORATION

FILE NUMBER 609324408
 PAGE TOT REGISTRATION NUM REG TYPE
 01 CAUTION : 001 OF 1 MV SCHED: 20090720 1614 1793 6085
 21 REFERENCE FILE NUMBER : 609324408
 22 AMEND PAGE: NO PAGE: CHANGE: A AMNDMNT REN YEARS: CORR PER:
 23 REFERENCE DEBTOR/ IND NAME:
 24 TRANSFEROR: BUS NAME: SINO-FOREST CORPORATION

25 OTHER CHANGE:

26 REASON: TO AMEND SECURED PARTY ADDRESS AND TO AMEND GENERAL COLLATERAL
 27 /DESCR: DESCRIPTION TO DELETE THE WORDS "PURSUANT TO A PLEDGE AGREEMENT AND
 28 : SHARE CHARGE"

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY:

PROV:

POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

LAW DEBENTURE TRUST COMPANY OF NEW YORK

09 ADDRESS : 400 MADISON AVENUE, 4TH FLOOR

CITY : NEW YORK

PROV : NY

POSTAL CODE : 10017

CONS.

MV

DATE OF

NO FIXED

GOODS INVTRY EQUIP ACCTS OTHER

INCL

AMOUNT

MATURITY OR

MAT DATE

10

11

12

13 PLEDGE OF SHARES OF CERTAIN SUBSIDIARIES OF THE DEBTOR

14

15

16 NAME : AIRD & BERLIS LLP

17 ADDRESS : 181 BAY STREET, SUITE 1800, BOX# 754

CITY : TORONTO

PROV : ON

POSTAL CODE : M5J2T9

1568

FAMILY : 1 OF 6
SEARCH : BD : SINO-FOREST CORPORATION

ENQUIRY PAGE : 3 OF 8

FILE NUMBER 609324408

	PAGE	TOT	REGISTRATION NUM	REG TYPE
01 CAUTION :	001 OF 1	MV SCHED:	20090720 1616 1793 6087	
21 REFERENCE FILE NUMBER :	609324408			
22 AMEND PAGE:	NO PAGE:	CHANGE: B	RENEWAL REN YEARS: 1	CORR PER:
23 REFERENCE DEBTOR/	IND NAME:			
24 TRANSFEROR:	BUS NAME: SINO-FOREST CORPORATION			

25 OTHER CHANGE:
 26 REASON:
 27 /DESCR:
 28 :
 02/05 IND/TRANSFEREE;
 03/06 BUS NAME/TRFEE;

OCN:

04/07 ADDRESS:
 CITY: PROV: POSTAL CODE:
 29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :
 CITY : PROV : POSTAL CODE :
 CONS. MV DATE OF NO FIXED
 GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

10
11
12
13
14
15

16 NAME : AIRD & BERLIS LLP
 17 ADDRESS : 181 BAY STREET, SUITE 1800, BOX# 754
 CITY : TORONTO PROV : ON POSTAL CODE : M5J2T9

FAMILY : 2 OF 6 ENQUIRY PAGE : 4 OF 8
 SEARCH : BD : SINO-FOREST CORPORATION

00 FILE NUMBER : 650314305 EXPIRY DATE : 03DEC 2013 STATUS :
 01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :
 REG NUM : 20081203 1055 1793 9576 REG TYP: P PPSA REG PERIOD: 5

02 IND DOB : IND NAME:
 03 BUS NAME: SINO-FOREST CORPORATION

OCN :

04 ADDRESS : 1208-90 BURNHAMTHORPE RD W
 CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5B3C3

05 IND DOB : IND NAME:

06 BUS NAME:

OCN :

07 ADDRESS :
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
 XEROX CANADA LTD

09 ADDRESS : 33 BLOOR ST. E. 3RD FLOOR

CITY : TORONTO PROV: ON POSTAL CODE: M4W3H1

CONS. MV DATE OF OR NO FIXED
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE

10 X X X X X

YEAR MAKE MODEL V.I.N.

11

12

GENERAL COLLATERAL DESCRIPTION

13

14

15

16 AGENT: XEROX CANADA LTD

17 ADDRESS : 33 BLOOR ST. E. 3RD FLOOR

CITY : TORONTO PROV: ON POSTAL CODE: M4W3H1

FAMILY : 3 OF 6 ENQUIRY PAGE : 5 OF 8
 SEARCH : BD : SINO-FOREST CORPORATION

00 FILE NUMBER : 655022304 EXPIRY DATE : 20JUL 2015 STATUS :
 01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :
 REG NUM : 20090720 1615 1793 6086 REG TYP: P PPSA REG PERIOD: 6
 02 IND DOB : IND NAME:
 03 BUS NAME: SINO-FOREST CORPORATION

OCN :

04 ADDRESS : 90 BURNHAMTHORPE ROAD WEST, SUITE 1208
 CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5B3C3
 05 IND DOB : IND NAME:
 06 BUS NAME:

OCN :

07 ADDRESS :
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
 LAW DEBENTURE TRUST COMPANY OF NEW YORK

09 ADDRESS : 400 MADISON AVENUE, 4TH FLOOR
 CITY : NEW YORK PROV: NY POSTAL CODE: 10017
 CONS. MV DATE OF OR NO FIXED
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE

10 YEAR MAKE X X MODEL V.I.N.

11
 12

GENERAL COLLATERAL DESCRIPTION

13 PLEDGE OF SHARES OF CERTAIN SUBSIDIARIES OF THE DEBTOR

14

15

16 AGENT: AIRD & BERLIS LLP - SUSAN PAK

17 ADDRESS : 181 BAY STREET, SUITE 1800
 CITY : TORONTO PROV: ON POSTAL CODE: M5J2T9

1571

FAMILY : 4 OF 6
SEARCH : BD : SINO-FOREST CORPORATION

ENQUIRY PAGE : 6 OF 8

00 FILE NUMBER : 659079036 EXPIRY DATE : 03FEB 2016 STATUS :
01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :
REG NUM : 20100203 1535 1793 2023 REG TYP: P PPSA REG PERIOD: 6
02 IND DOB : IND NAME:
03 BUS NAME: SINO-FOREST CORPORATION

OCN :

04 ADDRESS : 90 BURNHAMTHORPE ROAD WEST, SUITE 1208
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5B3C3
05 IND DOB : IND NAME:
06 BUS NAME:

OCN :

07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
LAW DEBENTURE TRUST COMPANY OF NEW YORK

09 ADDRESS : 400 MADISON AVENUE, 4TH FLOOR
CITY : NEW YORK PROV: NY POSTAL CODE: 10017
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
10 YEAR MAKE X X MODEL V.I.N.

11
12

GENERAL COLLATERAL DESCRIPTION

13 PLEDGE OF SHARES OF CERTAIN SUBSIDIARIES OF THE DEBTOR
14
15

16 AGENT: AIRD & BERLIS LLP (SPAK - 102288)
17 ADDRESS : 181 BAY STREET, SUITE 1800
CITY : TORONTO PROV: ON POSTAL CODE: M5J2T9

FAMILY : 5 OF 6 ENQUIRY PAGE : 7 OF 8
SEARCH : BD : SINO-FOREST CORPORATION

00 FILE NUMBER : 665186985 EXPIRY DATE : 15OCT 2020 STATUS ;
01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :
REG NUM : 20101015 1215 1793 1245 REG TYP: P PPSA REG PERIOD: 10
02 IND DOB : IND NAME;
03 BUS NAME: SINO-FOREST CORPORATION

OCN :
04 ADDRESS : 90 BURNHAMTHORPE ROAD WEST, SUITE 1208
CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5B3C3
05 IND DOB : IND NAME:
06 BUS NAME:

OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
LAW DEBENTURE TRUST COMPANY OF NEW YORK

09 ADDRESS : 400 MADISON AVENUE, 4TH FLOOR
CITY : NEW YORK PROV: NY POSTAL CODE: 10017
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
10 YEAR MAKE X X MODEL V.I.N.

11
12
GENERAL COLLATERAL DESCRIPTION
13 PLEDGE OF SHARES OF CERTAIN SUBSIDIARIES OF THE DEBTOR.
14
15
16 AGENT: AIRD & BERLIS LLP (RMK-106760)
17 ADDRESS : 181 BAY STREET, SUITE 1800
CITY : TORONTO PROV: ON POSTAL CODE: M5J2T9

FAMILY : 6 OF 6
 SEARCH : BD : SINO-FOREST CORPORATION

ENQUIRY PAGE : 8 OF 8

00 FILE NUMBER : 665928963 EXPIRY DATE : 17NOV 2016 STATUS :
 01 CAUTION FILING : PAGE : 01 OF 001 MV SCHEDULE ATTACHED :
 REG NUM : 20101117 1007 1462 0113 REG TYP: P PPSA REG PERIOD: 6

02 IND DOB : IND NAME:
 03 BUS NAME: SINO-FOREST CORPORATION

OCN :

04 ADDRESS : 1208-90 BURNHAMTHORPE RD W
 CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5B3C3

05 IND DOB : IND NAME:
 06 BUS NAME:

OCN :

07 ADDRESS :
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
 XEROX CANADA LTD

09 ADDRESS : 33 BLOOR ST. E. 3RD FLOOR
 CITY : TORONTO PROV: ON POSTAL CODE: M4W3H1

CONS,	GOODS	INVTRY.	EQUIP	ACCTS	OTHER	INCL	AMOUNT	DATE OF MATURITY	OR NO FIXED

10	YEAR MAKE	X	MODEL	V.I.N.	X

11
 12

GENERAL COLLATERAL DESCRIPTION

13
 14
 15

16 AGENT: PPSA CANADA INC. - (3992)

17 ADDRESS : 110 SHEPPARD AVE EAST, SUITE 303
 CITY : TORONTO PROV: ON POSTAL CODE: M2N6Y8

Schedule "A"

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

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

INITIAL ORDER

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

Robert W. Staley (LSUC #27115J)
Kevin Zych (LSUC #33129T)
Derek J. Bell (LSUC #43420J)
Jonathan Bell (LSUC #55457P)
Tel: 416-863-1200
Fax: 416-863-1716

Lawyers for the Applicant

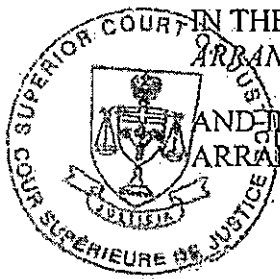
1574

TAB 5

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)	TUESDAY, THE 8 th
)	
JUSTICE MORAWETZ)	DAY OF MAY, 2012



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

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

ORDER

(Third Party Stay)

THIS MOTION, made by Sino-Forest Corporation (the "Applicant") for an order addressing the scope of the stay of proceedings herein was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Applicant's Notice of Motion and the materials summarized in Schedule "A" to the factum dated May 7, 2012, filed on behalf of the Monitor, as amended, including the affidavit of W. Judson Martin sworn April 23, 2012 (the "**Judson Affidavit**"), and on hearing the submissions of counsel for FTI Consulting Canada Inc. in its capacity as monitor (the "**Monitor**"), in the presence of counsel for the Applicant, the Applicant's directors and officers named as defendants (the "**Directors**") in the Ontario Class Action (as defined in the Judson Affidavit), Ernst & Young LLP, the plaintiffs in the Ontario Class Action, the underwriters named as defendants in the Ontario Class Action (the "**Underwriters**") and BDO Limited and those other parties present, no one appearing for the other parties served with the Applicant's Motion Record, although duly served as appears from the affidavit of service, filed:

SERVICE AND INTERPRETATION

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated such that this Motion is properly returnable today and hereby dispenses with further service thereof.

THIRD PARTY STAY AND TOLLING AGREEMENT

2. **THIS COURT ORDERS** that no Proceeding (as defined in the initial order granted by this Court on March 30, 2012 (as the same may be amended from time to time, the “Initial Order”)) against or in respect of the Applicant, the Business or the Property (each as defined in the Initial Order), including without limitation the Ontario Class Action and any litigation in which the Applicant and the Directors, or any of them, are defendants, shall be commenced or continued as against any other party to such Proceeding or between or amongst such other parties (cross-claims and third party claims if any), until and including the expiration of the Stay Period (as defined in the Initial Order and as the same may be extended from time to time), provided that, notwithstanding the foregoing and anything to the contrary in the Initial Order, there shall be no stay of any Proceeding against Pöyry (Beijing) Consulting Co. Limited and/or any affiliate, any other Pöyry entity, representative or agent.

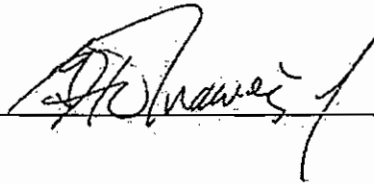
3. **THIS COURT ORDERS** that the Applicant is authorized to enter into agreements among the plaintiffs and defendants in the Ontario Class Action and in the action styled as Guining Liu v. Sino-Forest Corporation et al., bearing (Quebec) Court File No. 200-06-000132-111 (the “Quebec Class Action”), providing for, among other things, the tolling of certain limitation periods, as it sees fit, subject to the Monitor’s approval.

MISCELLANEOUS

4. **THIS COURT ORDERS** that this order is subject to any further order of the court on a motion of any party, and is without prejudice to the right of the parties in the Ontario Class Action to move or vary this order on or after September 1, 2012.

5. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Barbados, the

British Virgin Islands, Cayman Islands, Hong Kong, the People's Republic of China or in any other foreign jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of the Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.



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



MAY 11 2012

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)
(PROCEEDING COMMENCED AT TORONTO)

ORDER

BENNETT JONES LLP
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 3400
Toronto ON M5X 1A4

Rob Stanley (LSUC # 27115J)
Kevin Zych (LSUC #33129T)
Derek Bell (LSUC #43420J)
Jonathan Bell (LSUC #55457F)

Lawyers for the Applicant

TAB 6

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

Sino-Forest Corporation

FIRST REPORT OF THE MONITOR

April 11, 2012

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

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

INTRODUCTION

1. On March 30, 2012 (the "Filing Date"), Sino-Forest Corporation ("Sino-Forest" or the "Company") filed for and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"). Pursuant to the Order of this Honourable Court dated March 30, 2012 (the "Initial Order"), FTI Consulting Canada Inc. ("FTI Canada") was appointed as the Monitor of Sino-Forest (the "Monitor") in the CCAA proceeding. The Initial Order provided, *inter alia*, for a stay of proceedings through to and including April 29, 2012. The proceedings commenced by the Company under the CCAA will be referred to herein as the "CCAA Proceedings". A copy of the Initial Order is attached as Appendix "A" hereto.
2. On the Filing Date, the Court also issued an Order authorizing the Company to conduct a Sale Process (the "Sale Process Order"). A copy of the Sale Process Order is attached as Appendix "B" hereto.

Purpose

3. The purpose of this First Report of the Monitor (the “**First Report**”) is to:
 - (a) provide this Honourable Court with information pertaining to the initial activities of the Company since the date of the Initial Order in respect of the following:
 - (i) Events since the commencement of the CCAA proceedings;
 - (ii) The Company’s actual receipts and disbursements for the period from March 31, 2012 to April 6, 2012;
 - (iii) The Company’s post-filing consolidated cash position and liquidity as detailed in the Company’s April 11 Forecast (defined below);
 - (iv) The Monitor’s other activities since filing; and
 - (b) Support the Company’s motion and recommend that the Court grant an order extending the stay of proceedings (the “**Stay Period**”) to and including July 9, 2012.

4. In preparing this First Report, the Monitor has relied upon unaudited financial information of the Company, the Company’s books and records, certain financial information prepared by the Company, the Reports of the Independent Committee of the Company’s Board of Directors dated August 10, 2011, November 13, 2011, and January 31, 2012, and discussions with the Company’s management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this First Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this First Report is based on management’s assumptions regarding future events; actual results may vary from forecast and such variations may be material.

5. Unless otherwise stated, all monetary amounts contained herein are expressed in US Dollars.
6. The terms “**Sino-Forest Companies**” and “**Sino-Forest**” refer to the global enterprise as a whole but do not include references to the Greenheart Group (defined below).
7. Capitalized terms not defined in this First Report are as defined in the pre-filing report of the proposed monitor dated March 30, 2012 (the “**Pre-Filing Report**”) and the affidavit of W. Judson Martin sworn March 30, 2012 (the “**Initial Order Affidavit**”).

GENERAL BACKGROUND

Sino-Forest Business

8. Sino-Forest conducts business as a forest plantation operator in the People’s Republic of China (“**PRC**”). Its principal businesses include ownership and management of forest plantation trees, the sale of standing timber and wood logs, and complementary manufacturing of downstream engineered-wood products.
9. The Company is a public holding company whose common shares are listed on the Toronto Stock Exchange. Prior to August 26, 2011 (the date of the Cease Trade Order, defined below), the Company had 246,095,926 common shares issued and outstanding and trading under the trading symbol “**TRE**” on the TSX.
10. On June 2, 2011, Muddy Waters, LLC (“**MW**”), which held a short position on the Company’s shares, issued a report (the “**MW Report**”) alleging, among other things, that Sino-Forest is a “ponzi-scheme” and a “near total fraud”. The MW Report was issued publicly and immediately caught the attention of the media on a world-wide basis.
11. Subsequent to the issuance of the MW Report, the Company devoted extensive time and resources to investigate and address the allegations in the MW Report as well as responding to additional inquiries from, among others, the Ontario

Securities Commission, the Royal Canadian Mounted Police and the Hong Kong Securities and Futures Commission.

12. In view of the MW Report, the subsequent litigation and regulatory investigations and other issues continue to have a significant negative impact on the Company and have threatened the long term viability of Sino-Forest's operations. For the reasons discussed in the Pre-Filing Report and the Initial Order Affidavit, the Company and the business was placed into a stalemate that could not be resolved without the Court supervised solution offered by the CCAA Proceedings.
13. The Pre-Filing Report and the Initial Order Affidavit provide a detailed outline of Sino-Forest's corporate structure, business, reported assets and financial information as well as a detailed chronology of the Company and its actions since the issuance of the MW Report in June 2011.

EVENTS SINCE THE PROCEEDINGS

Cooperation with Management and the Establishment of Protocols

14. As was set out in both the Pre-Filing Report and the Initial Order Affidavit as well as stated in submissions during the Initial Order hearing on March 30, 2012, Sino-Forest, for all intents and purposes, does not have any business operations in Canada. Instead, the Company's operations are carried on through its subsidiaries primarily in Hong Kong and the PRC.
15. As such, it has been the priority of the Monitor (both directly as well as through FTI Consulting (Hong Kong) Limited ("FTI HK")) to establish communication protocols and reporting mechanisms with Sino-Forest in Hong Kong and the PRC. It is the Monitor's view that establishing and maintaining these protocols are essential in order for the Monitor to fulfill its powers, duties and obligations under the Initial Order as well as for the Company to comply with its obligations under the Support Agreement.
16. Although it remains early into the proceedings, to date, Sino-Forest's

management has been cooperative in establishing necessary communication and reporting protocols as set out above.

17. The Monitor has held in-person meetings with Senior Management in both Toronto and Hong Kong to outline the Monitor's responsibilities and information required by the Company immediately and on an ongoing basis.
18. The Monitor has held numerous conference calls with the financial advisors and legal counsel to the noteholders (the "Advisors to the Noteholders"), as well as with the Noteholders. The Monitor has participated in in-person meetings with the Advisors to the Noteholders both in Toronto and Hong Kong.

Ontario Securities Commission ("OSC")

19. As was outlined in the Pre-Filing Report and the Initial Order Affidavit, subsequent to the release of the MW Report, the OSC announced that it was launching an investigation into the conduct and affairs of the Company. On August 26, 2011, the Commission issued a temporary cease trade order ("CTO") in respect of the Company's securities as well as in respect of Allen Chan, Albert Ip, Alfred Hung, George Ho and Simon Yeung. The CTO was subsequently extended and remains in effect as of the date of this Report.
20. On April 5, 2012, the Company advised the Monitor that it had received an "enforcement notice" (the "Notice") from the OSC. The Company also advised the Monitor that it was aware that notices had also been issued to Mr. Chan, Ip, Ho and Yeung as well as to David Horsley, the Company's chief financial officer.
21. The Monitor and its counsel were provided a copy of the Notice. However, given the confidential nature of OSC enforcement proceedings, the Monitor and its counsel provided a confidentiality undertaking with respect to the contents of the Notice.
22. The Company has advised the Monitor that it is currently considering the allegations made in the Notice and the appropriate next steps to take. The

Monitor will continue to monitor and consult in the situation as it continues to develop.

The Comeback Date

23. Pursuant to the endorsement of Justice Morawetz in connection with the Initial Order and the Sale Process Order (the “**April 2 Endorsement**”) a comeback date was scheduled for April 13, 2012. A copy of the April 2 Endorsement is attached as Appendix “C” hereto.
24. Since the Filing Date, the Monitor or its counsel has had conversations with the majority of those parties who appeared on the initial hearing to determine whether any such parties intended to seek relief at the comeback motion.
25. On April 10, 2012 counsel for the “Ad Hoc Committee of Purchasers of the Applicant’s Securities, including the Representative Plaintiffs in the Ontario Class Action against the Applicant” served a notice of motion returnable on the comeback date seeking extensive relief with respect to the Company’s CCAA proceedings. A 9:30 chambers appointment was held on April 11, 2012 to discuss certain aspects of that motion, including scheduling. At the chambers appointment, those parties present agreed upon language for an endorsement with respect to the bulk of that motion. A copy of the endorsement is attached as Appendix “D”. There were two aspects of the motion as set out in paragraph 2(a) and (b) of the notice of motion for which there are ongoing discussions regarding scheduling. As of the writing of this Report, a court conference call has been scheduled for April 12, 2012 at which time, the Monitor expects further progress to be made on that matter.

RECEIPTS AND DISBURSEMENTS FOR THE PERIOD TO APRIL 6, 2012

Cost Reduction and Cash Management

26. Since the Filing Date, the Monitor has also been focussed on working with the Company to reduce its projected cash spend during the CCAA proceedings.

Given the nature of the proceedings and the fact that the Company, itself, has little or no operations, the majority of the projected cash outflow during the CCAA proceedings consists of professional fees.

27. The March 29 Forecast was prepared by the Company in consultation with the proposed monitor based on the historical spend on professional fees prior to the commencement of the CCAA proceedings. However, given the Initial Order (including importantly the stay of proceedings) and the Company's obligation to produce a Restructuring Budget (as defined in and pursuant to the Support Agreement) to the Ad Hoc Bondholders, the Company and the Monitor have now reviewed these expenses with a view to reducing fees where the Company is able.
28. These efforts have resulted in a net reduction in the same 13-week period of CDN\$3.9 million and are further described and reflected in the summary of the Company's revised cash flow forecast set out below.

Actual Receipts & Disbursements for the Period March 31, 2012 to April 6, 2012

29. The Company's actual net cash flow for the period from March 31 to April 6, 2012 (the "**Current Period**") together with an explanation of key variances as compared to the March 29 Forecast (as defined in the Monitor's Pre-filing Report) is described below. Actual net cash flows for the Current Period were approximately \$1.9 million higher than forecast and summarized as follows:

\$ 000 CAD	Forecast	Actual	Difference
Cash inflow			
Interest Income	\$ -	\$ 2	\$ 2
Total cash inflows	\$ -	\$ 2	\$ 2
Cash outflow			
Payroll and Benefits	\$ -	\$ -	\$ -
Board & Committee Fees	\$ 71	\$ -	\$ (71)
Travel	\$ 26	\$ 15	\$ (11)
Rent, Communication & Utilities	\$ 1	\$ 7	\$ 6
Taxes & Other	\$ 33	\$ 3	\$ (30)
Total cash outflows	\$ 131	\$ 25	\$ (106)
Net Operating Cashflow	\$ (131)	\$ (23)	\$ 108
Restructuring Costs			
Professional Fees	\$ 1,910	\$ 46	\$ (1,864)
Total Restructuring Costs	\$ 1,910	\$ 46	\$ (1,864)
Net Cash Flow	\$ (2,041)	\$ (69)	\$ 1,972
Opening Cash Balance	\$ 67,846	\$ 67,834	\$ (12)
Net Cash Balance	\$ (2,041)	\$ (69)	\$ 1,972
Ending Cash Balance	\$ 65,805	\$ 67,765	\$ 1,960

30. The key variance in actual receipts and disbursements compared to the March 29 Forecast is a favourable variance of \$1.9 million relating to professional fees. This variance is temporary in nature and is expected to reverse in the coming weeks as invoices are submitted by the professionals and paid by Sino-Forest.

THE COMPANY'S CASH FLOW FORECAST

Cash Flow Projections

31. The Company has prepared a revised cash flow forecast for the period April 7, 2012 to July 13, 2012 (the "April 11 Forecast"). A copy of the April 11 Forecast is attached as Appendix "E". The April 11 Forecast shows a negative net cash flow of approximately \$16.6 million, and is summarized below:

	\$000 CAD
Cash inflow	
Interest Income	\$ 412
Total cash inflows	\$ 412
Cash outflow	
Payroll and Benefits	\$ 211
Board & Committee Fees	\$ 483
Travel	\$ 341
Rent, Communication & Utilities	\$ 76
Taxes & Other	\$ 197
Total cash outflows	\$ 1,308
Net Operating Cashflow	\$ (895)
Restructuring Costs	
Professional Fees	\$ 15,714
Total Restructuring Costs	\$ 15,714
Net Cash Flow	\$ (16,609)
Opening Cash Balance	\$ 67,765
Net Cash Balance	\$ (16,609)
Ending Cash Balance	\$ 51,156

32. It is anticipated that the Company's projected liquidity requirements throughout the CCAA Proceedings will be met by existing cash available to the Company.

EXTENSION OF THE STAY PERIOD

33. The initial 30-day stay period provided by the Initial Order expires on April 29, 2012. In order to allow the Company sufficient time to continue toward its restructuring goals, Sino-Forest is requesting that the stay period be extended to July 9, 2012.
34. The Monitor believes that the proposed extension is fair and reasonable in the circumstances. As set out in the Sale Process Order, the Phase 1 Bid Deadline expires June 28, 2012. The Monitor is of the view that the Company will require the protection of the stay of proceedings throughout this time to determine whether there is any preliminary interest in the business, as marketed pursuant to

the Sale Process Order. The proposed extension will also provide the Company (in consultation with the Monitor and others) with a short window after the Phase 1 bid deadline to consider next steps based on the results.

35. The Monitor believes that Sino-Forest is acting in good faith and with due diligence in taking steps to facilitate its restructuring and sale of its operations.

OTHER ACTIVITIES OF THE MONITOR

36. Pursuant to the Initial Order, on April 5, 2012, the Monitor published a notice in the Wall Street Journal and the Globe and Mail. Copies of the notices published by the Monitor are attached hereto as Appendices "F" and "G".

37. On April 4, 2012, the Monitor also completed its mailing of a notice of the CCAA Proceedings. The mailing was sent to all known creditors.

38. On March 31, the Monitor posted a copy of the Support Agreement and the Joinder Agreement on the Monitor's Website (defined below).

39. The Monitor has made various materials relating to the CCAA proceedings available on a website being maintained by the Monitor at: <http://cfcanada.fticonsulting.com/sfc/> (the "Monitor's Website"), including, the Pre-filing Report, the Company's Application Materials, the Initial Order, a list of the Company's known creditors as at March 30, 2012 and the service list. The Monitor will continue to update the website by posting Monitor's reports, motion materials and Orders granted in the CCAA proceedings.

40. The Monitor has also established a hotline (416-649-8094) to allow creditors and other interested parties to contact the Monitor to obtain additional information concerning the CCAA Proceedings. As of the date of this report, the Monitor has received over 30 calls and emails. The Monitor continues to respond to these enquiries in a timely manner.

41. In accordance with section 23 of the CCAA, the Monitor filed the following documents with the Superintendent of Bankruptcy within the prescribed

deadlines:

- (a) Form 1- Information pertaining to the Initial Order;
- (b) Copies of the initial application and the Initial Order; and
- (c) Form 2- Debtor Company Information Summary (Commencement of Proceedings).

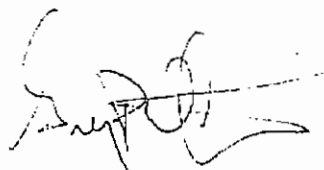
CONCLUSION

42. For the reasons set out above, the Monitor supports and recommends the Company's request for an extension of the Stay Period to July 9, 2012.

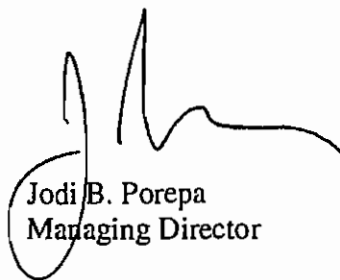
The Monitor respectfully submits to the Court this First Report.

Dated this 11th day of April, 2012.

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



Greg Watson
Senior Managing Director



Jodi B. Porepa
Managing Director

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)

FIRST REPORT OF THE MONITOR

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Derrick Tay (LSUC No. 21152A)

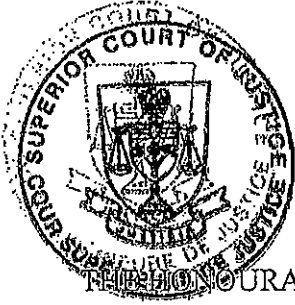
Tel: (416) 369-7330 / Fax: (416) 862-7661
Email: derrick.tay@gowlings.com

Jennifer Stam (LSUC No. 46735J)

Tel: (416) 862-5697 / Fax: (416) 862-7661
Email: jennifer.stam@gowlings.com

Lawyers for the Monitor,
FTI Consulting Canada Inc.

TAB 7



**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

HONOURABLE MR.)
JUSTICE MORAWETZ)

FRIDAY, THE 30th
DAY OF MARCH, 2012

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

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

SALE PROCESS ORDER

THIS APPLICATION, made by Sino-Forest Corporation (the "Applicant"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of W. Judson Martin sworn March 30, 2012 and the Exhibits thereto and the Pre-Filing Report of the Proposed Monitor, FTI Consulting Canada Inc. ("FTI"), and on hearing the submissions of counsel for the Applicant, the Applicant's board of directors, FTI, the Ad Hoc Noteholders, and no one else appearing for any other party,

DEFINED TERMS

1. THIS COURT ORDERS that unless otherwise defined in this Order, all capitalized terms used in this Order shall have the meanings ascribed to such terms in the Initial Order granted in these proceedings on March 30, 2012.

SERVICE

2. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

SALE PROCESS

3. THIS COURT ORDERS AND DIRECTS that sale process procedures substantially in the form attached hereto as Schedule "A", together with all schedules, appendices and exhibits thereto (collectively, the "Sale Process Procedures"), are hereby approved and the Applicant, the Monitor and the Financial Advisor are authorized and directed to perform each of their obligations thereunder and to do all things reasonably necessary to perform their obligations thereunder.

4. THIS COURT ORDERS that each of the Monitor and the Financial Advisor, and their respective affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of the Sale Process Procedures, except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Monitor or the Financial Advisor, as applicable, in performing its obligations under the Sale Process Procedures (as determined by this Court).

GENERAL

5. THIS COURT ORDERS that the Applicant and the Monitor may from time to time apply to this Court for advice and directions with respect to any matter relating to this Order and the Sale Process Procedures and their powers and duties in relation thereto.

6. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

[Handwritten signature]

NB

7. THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

NB

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

APR 2 - 2012

NB

SINO-FOREST CORPORATION

Sale Process Procedures

On March 30, 2012, Sino-Forest Corporation ("SFC") obtained an initial order (the "Initial Order") under the *Companies' Creditors Arrangement Act* ("CCAA") from the Ontario Superior Court of Justice (Commercial List) (the "Court").

On March 30, 2012, SFC also obtained a sale process order (the "Sale Process Order") under the CCAA from the Court approving the sale solicitation process (the "Sale Process") and the procedures to be followed with respect to the Sale Process set forth herein (the "Sale Process Procedures") to determine whether a Successful Bid (as defined herein) can be obtained.

Set forth below are the Sale Process Procedures to be followed with respect to the Sale Process to be undertaken to seek a Successful Bid, and if there is a Successful Bid, to complete the transactions contemplated by the Successful Bid.

All dollar amounts expressed herein, unless otherwise noted, are in United States currency. Unless otherwise indicated herein any event that occurs on a day that is not a Business Day shall be deemed to occur on the next Business Day. Capitalized terms used herein but not otherwise defined herein have the meanings ascribed thereto in Schedule "A".

Solicitation Process

- (1) The Sale Process Procedures set forth herein describe, among other things, (a) the Assets available for sale, (b) the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning SFC, the Assets, and the SFC Business, (c) the manner in which bidders and bids become Qualified Bidders and Qualified Bids, respectively, (d) the receipt and negotiation of bids received, (e) the ultimate selection of a Successful Bidder, and (f) the approval thereof by the Court (collectively, the "Solicitation Process").
- (2) SFC, in consultation with the Financial Advisor, and with oversight by the Monitor, shall conduct the Sale Process Procedures and the Solicitation Process as outlined herein. Certain stages of the Sale Process Procedures may be conducted by SFC simultaneously to the preparation, solicitation or confirmation of a CCAA Plan by SFC. In addition, the closing of any sale may involve additional intermediate steps or transactions to facilitate consummation of such sale, including additional Court filings. If there is disagreement or clarification required as to the interpretation or application of these Sale Process Procedures, the Court will have jurisdiction to hear such matter and provide advice and directions, upon application of the Monitor, SFC or the Initial Consenting Noteholders with a hearing on no less than three (3) Business Days notice.

CCAA Plan

(3) The sale of the Assets to the Successful Bidder, if any, will be completed pursuant to a plan of compromise and arrangement pursuant to the CCAA, such plan to be in form and substance acceptable to SFC and the Initial Consenting Noteholders (the "CCAA Plan").

"As Is, Where Is"

(4) The sale of the Assets will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Financial Advisor, the Monitor, SFC or any of their respective agents, estates, advisors, professionals or otherwise, except to the extent set forth in a definitive purchase agreement with a Successful Bidder.

Free Of Any And All Claims And Interests

(5) The sale of the Assets to the Successful Bidder, if any, will result in all of the rights, title and interests of SFC in and to the Assets to be acquired being transferred free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon and there against (collectively, the "Claims and Interests") pursuant to an approval and vesting order made by the Court. Contemporaneously with such approval and vesting order being made, all such Claims and Interests shall attach to the net proceeds of the sale of such property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant definitive purchase agreement with a Successful Bidder.

Publication Notice

(6) Within seven (7) days of the date the Sale Process Order is granted, (i) the Monitor shall cause a notice of the Sale Process to be published in The Globe and Mail and The Wall Street Journal, which notice shall be in substantially similar form as attached hereto as Schedule "B"; and (ii) SFC shall issue a press release regarding the Sale Process through Canada Newswire, designating dissemination in Canada and major financial centers in the United States.

(7) [Intentionally deleted]

Solicitation of Interest

(8) As soon as reasonably practicable after the granting of the Sale Process Order, SFC, in consultation with the Financial Advisor and the Monitor, will prepare (if not already prepared) an initial offering summary (the "Teaser Letter") notifying prospective purchasers of the Assets (both strategic and financial parties (including existing shareholders and noteholders of SFC and parties proposed by the Noteholder Advisors)) of the existence of the Solicitation Process and inviting prospective purchasers to express their interest in making an offer for the Assets.

Participation Requirements

(9) Unless otherwise ordered by the Court, or otherwise determined by SFC (in consultation with the Monitor), in order to participate in the Solicitation Process, each interested person (a "**Potential Bidder**") must deliver to the Financial Advisor with a copy to the Monitor and the other parties listed on Schedule "C" at the addresses specified in Schedule "C" (by email), prior to the distribution of any confidential information by the Financial Advisor to a Potential Bidder, the following documents (the "**Participation Materials**"):

- (a) an executed Confidentiality Agreement;
- (b) a specific indication of anticipated sources of capital for the Potential Bidder and, if requested by SFC, in consultation with the Monitor and the Financial Advisor, preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit support or enhancement that will allow SFC, in consultation with the Monitor and the Financial Advisor, to make, in its reasonable business judgment, a determination as to the Potential Bidder's financial and other capabilities to consummate an acquisition of the Assets; and
- (c) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and, if requested by SFC, in consultation with the Monitor and the Financial Advisor, full disclosure of the direct and indirect owners of the Potential Bidder and their principals.

(10) If it is determined by SFC, after consultation with the Monitor and the Financial Advisor, that a Potential Bidder (i) has *bona fide* interest in an acquisition of the Assets; (ii) has the financial capability to consummate such a transaction based on such Potential Bidder's financial information; and (iii) has provided all of the Participation Materials, such Potential Bidder will be deemed a "**Phase 1 Qualified Bidder**". The Financial Advisor will promptly notify the Potential Bidder of such determination, and will inform the Noteholder Advisors of any such determination with respect to a Potential Bidder.

(11) The determination as to whether a Potential Bidder is a Phase 1 Qualified Bidder will be made as promptly as practicable after a Potential Bidder delivers all of the Participation Materials.

(12) If there is no Phase 1 Qualified Bidder by the end of Phase 1, SFC shall, in consultation with the Monitor, the Financial Advisor and the Noteholder Advisors, (a) forthwith terminate the Sale Process; and (b) as soon as reasonably practicable take such steps (including bringing motions, holding meetings of creditors, etc.) as may be necessary to complete the Restructuring Transaction.

(13) If the Sale Process has been terminated as provided in section 12, the Financial Advisor shall notify each Potential Bidder that submitted Participation Materials that the Sale Process has been terminated.

Confidential Information Memorandum and Due Diligence for Phase 1 Qualified Bidders

(14) The Confidential Information Memorandum will be made available by the Financial Advisor to Phase 1 Qualified Bidders as soon as practicable after the determination that such party is a Phase 1 Qualified Bidder.

(15) During Phase 1, SFC shall afford each Phase 1 Qualified Bidder (including, for greater certainty, its potential lenders or financiers and its financial and legal advisors, provided however, that such persons have also signed a Confidentiality Agreement (or are representatives for whom the relevant Phase 1 Qualified Bidder is responsible under its Confidentiality Agreement)) access to such due diligence materials and information relating to the Assets and the SFC Business as SFC, in its reasonable business judgment, in consultation with the Monitor and the Financial Advisor, deems appropriate, and which may include discussions with the Financial Advisor and SFC's legal advisors. Unless otherwise determined by SFC, in consultation with the Monitor and the Financial Advisor, Phase 1 Qualified Bidders will not be provided access to the Data Room.

(16) The Monitor, the Financial Advisor and SFC make no representation or warranty as to the information in the materials provided, except, in the case of SFC, to the extent contemplated under any definitive purchase agreement with a Successful Bidder. A copy of the Confidential Information Memorandum shall be provided to the Noteholder Advisors pursuant to their confidentiality agreements with SFC.

Phase 1

Seeking Letters of Intent by the Phase 1 Qualified Bidders

(17) For the period following the date of the Sale Process Order until the Phase 1 Bid Deadline (as defined below) ("**Phase 1**"), SFC and the Financial Advisor, under the supervision of the Monitor, will solicit non-binding letters of intent from Phase 1 Qualified Bidder to acquire the Assets from SFC pursuant to a CCAA Plan (each, a "**Letter of Intent**").

(18) A Phase 1 Qualified Bidder that desires to continue to participate in the Solicitation Process shall deliver written copies of a Letter of Intent to SFC through the Financial Advisor with a copy to the Monitor and the other parties listed on Schedule "C" at the addresses specified in Schedule "C" (by email) so as to be received by all such parties not later than 5:00 p.m. (Toronto time) on June 28, 2012 (the "**Phase 1 Bid Deadline**").

Qualified Letters of Intent

(19) A Letter of Intent will be considered a Qualified Letter of Intent only if it is submitted on or before the Phase 1 Bid Deadline by a Phase 1 Qualified Bidder and contains the following information (a "**Qualified Letter of Intent**"):

- (a) a statement that the Phase 1 Qualified Bidder is offering to acquire the Assets from SFC pursuant to a CCAA Plan for consideration not less than the Qualified Consideration (a "**Sale Proposal**");

- (b) a specific indication of (i) the purchase price range expressed in United States dollars (including details of liabilities to be assumed by the Phase 1 Qualified Bidder and the projected net proceeds to be received by SFC on closing); (ii) the structure and financing of the transaction (including, but not limited to, the sources of financing for the purchase price, preliminary evidence of the availability of such financing and the steps necessary and associated timing to obtain the financing and consummate the proposed transaction and any related contingencies, as applicable); (iii) an outline of the Phase 1 Qualified Bidder's plans for the SFC Business for the first 12 months after completion of the transaction; (iv) the Phase 1 Qualified Bidder's expectations regarding the continued employment of the employees of the direct and indirect subsidiaries of SFC; (v) the general terms of any new agreements or arrangements to be entered into with any current or former employees of SFC and its direct and indirect subsidiaries; (vi) any anticipated corporate, shareholder, internal, regulatory or other approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals; (vii) a description of any additional due diligence required or desired to be conducted during Phase 2; (viii) any conditions to closing that the Phase 1 Qualified Bidder may wish to impose; and (ix) any other terms or conditions of the Sale Proposal which the Phase 1 Qualified Bidder believes are material to the transaction; and
- (c) such other information reasonably requested by SFC, in consultation with the Monitor and the Financial Advisor.

(20) SFC, in consultation with the Monitor and the Financial Advisor, will assess each such Letter of Intent received by the Phase 1 Bid Deadline, if any, and determine whether it is a Qualified Letter of Intent. Such determination will be made as promptly as practicable but no later than seven (7) Business Days after the receipt of any such Letter of Intent. For the purpose of such consultations and assessments, SFC, the Financial Advisor and/or the Monitor may seek clarification from any Phase 1 Qualified Bidder with respect to the terms of such Letter of Intent.

(21) Notwithstanding section 19, in respect of any non-compliant Letter of Intent, SFC may, in consultation with the Monitor and the Financial Advisor, waive compliance with any one or more of the requirements specified herein and deem such non-compliant Letter of Intent to be a Qualified Letter of Intent; provided that, SFC shall not, without the consent of the Monitor and the Initial Consenting Noteholders, waive the requirement that the consideration offered by the Phase 1 Qualified Bidder must be not less than the Qualified Consideration. A Phase 1 Qualified Bidder shall only be deemed a "**Qualified Bidder**" if it submits a Qualified Letter of Intent.

(22) If SFC (a) has received one or more Qualified Letters of Intent prior to the Phase 1 Bid Deadline; and (b) in consultation with the Monitor and the Financial Advisor, determines that there is a reasonable prospect of obtaining a Qualified Bid, the Sale Process will continue until the Phase 2 Bid Deadline in accordance with these Sale Process Procedures ("**Phase 2**").

(23) Subject to the terms of the Sale Process Order, SFC shall, in consultation with the Monitor, the Financial Advisor and the Noteholder Advisors, terminate the Sale Process at the end of Phase 1 if:

- (a) no Qualified Letter of Intent was received by SFC by the Phase 1 Bid Deadline;
- (b) SFC, in consultation with the Monitor and the Financial Advisor, determines that there is no reasonable prospect that any Qualified Letter of Intent received will result in a Qualified Bid that is likely to be consummated; or
- (c) SFC, in consultation with the Monitor and the Financial Advisor, determines that continuing with the Sale Process is not in the best interests of SFC.

(24) If the Sale Process is terminated by SFC in accordance with section 23, or pursuant to an order of the Court, SFC shall, as soon as reasonably practicable, take such steps (including bringing motions, holding meetings of creditors, etc.) as may be necessary to complete the Restructuring Transaction.

(25) If the Sale Process has been terminated as provided in section 23, the Financial Advisor shall notify each Phase 1 Qualified Bidder that submitted a Letter of Intent that the Sale Process has been terminated.

Phase 2

Seeking Qualified Bids by Qualified Bidders

(26) A Qualified Bidder wishing to continue to participate in the Solicitation Process must deliver written copies of a Qualified Bid to SFC through the Financial Advisor with a copy to the Monitor and the other parties listed on Schedule "C" at the addresses specified in Schedule "C" (by email) so as to be received by all such parties not later than 5:00 pm (Toronto time) on September 26, 2012 (the "**Phase 2 Bid Deadline**").

(27) During Phase 2, SFC shall afford each Qualified Bidder (including, for greater certainty, its potential lenders or financiers and its financial and legal advisors, provided, however, that such persons have also signed a Confidentiality Agreement (or are representatives for whom the relevant Qualified Bidder is responsible under its Confidentiality Agreement)) access to such due diligence materials and information relating to the Assets and the SFC Business as SFC, in its reasonable business judgment, in consultation with the Monitor and the Financial Advisor, deems appropriate, including, as appropriate, meetings with senior management of SFC, access to the Data Room and site tours.

(28) The Monitor, the Financial Advisor and SFC make no representation or warranty as to the information in the materials provided, except, in the case of SFC, to the extent contemplated under any definitive purchase agreement with a Successful Bidder.

Qualified Bids

(29) SFC shall make available to each Qualified Bidder a form of purchase agreement developed by SFC in consultation with the Monitor and the Financial Advisor (the "**Form of Purchase Agreement**") no later than 20 days after the Phase 1 Bid Deadline.

(30) A bid submitted by a Qualified Bidder will be considered a Qualified Bid only if it complies with all of the following (a "Qualified Bid"):

- (a) it includes a letter stating that the Qualified Bidder's bid is irrevocable until the earlier of (x) the approval by the Court of the Successful Bid by the Successful Bidder and (y) the Outside Date, provided that if such Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the earlier of (i) the closing of the sale of the Assets to the Successful Bidder and (ii) the Outside Date;
- (b) it includes a duly authorized and executed purchase agreement substantially in the form of the Form of Purchase Agreement, including the purchase price, expressed in United States dollars, the net proceeds to be paid to SFC on closing, together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Qualified Bidder with all exhibits and schedules thereto as well as copies of such materials marked to show those amendments and modifications to the Form of Purchase Agreement and such ancillary agreements;
- (c) it provides for the acquisition of the Assets from SFC pursuant to a CCAA Plan for consideration not less than the Qualified Consideration;
- (d) it includes written evidence of a firm, irrevocable commitment for all required funding and/or financing to consummate the proposed transaction, including the sources and uses of capital, or other evidence satisfactory to SFC, in consultation with the Monitor and the Financial Advisor that will allow SFC, in consultation with the Monitor and the Financial Advisor, to make a reasonable determination as to the Qualified Bidder's financial and other capabilities to consummate the transaction contemplated by the bid;
- (e) it is not conditioned on (i) the outcome of unperformed due diligence by or on behalf of the Qualified Bidder and/or (ii) obtaining any financing or capital;
- (f) it outlines any anticipated regulatory and other approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals;
- (g) it provides a timeline to closing that is no later than the Outside Date, with critical milestones;
- (h) it fully discloses the identity of each entity that is bidding or that will be sponsoring, participating or beneficially interested in the bid, and the complete terms of any such sponsorship, participation or beneficial interest;
- (i) it includes an acknowledgement and representation that the Qualified Bidder (i) has relied solely upon its own independent review, investigation and/or inspection of the documents and/or the assets to be acquired and liabilities to be assumed in making its bid; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express

or implied (by operation of law or otherwise), regarding the Assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly stated in the purchase agreement; (iii) is a sophisticated party capable of making its own assessments in respect of making its bid; and (iv) has had the benefit of independent legal advice in connection with its bid;

- (j) it includes evidence, in form and substance reasonably satisfactory to SFC, in consultation with the Monitor and the Financial Advisor, of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the bid;
- (k) it is accompanied by a deposit in the form of a wire transfer (to a bank account specified by the Monitor), or such other form acceptable to SFC and the Monitor, payable to the order of the Monitor, in trust, of US\$10 million (or any other currency acceptable to the Monitor) to be held and dealt with in accordance with these Sale Process Procedures (the "Deposit");
- (l) if the Qualified Bidder is an entity newly formed for the purpose of the transaction or otherwise has limited net assets and/or operating history, the bid shall contain an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to SFC, in consultation with the Monitor and the Financial Advisor;
- (m) it contains any other information reasonably requested by SFC, in consultation with the Monitor and the Financial Advisor; and
- (n) it is received by the Phase 2 Bid Deadline and otherwise in accordance with section 26; provided, however, that SFC reserves the right following the Phase 2 Bid Deadline to conduct negotiations with each Qualified Bidder with respect to the terms and provisions of a bid and any qualifications or modifications that SFC, in consultation with the Monitor and the Financial Advisor, may seek in order for such bid to be classified as a Qualified Bid.

(31) Notwithstanding section 30, in respect of any non-compliant bid, SFC may, with the consent of the Monitor, waive compliance with any one or more of the requirements specified herein; provided, however, if such consent is not obtained, SFC may seek authority from the Court to waive compliance with any one or more of the requirements specified herein, provided that, in no circumstances shall the requirements in Sections (30)(a) (only with respect to the requirement that if such Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the earlier of (i) the closing of the sale of the Assets to the Successful Bidder and (ii) the Outside Date), (30)(c), (30)(d), (30)(g), (30)(k) and (30)(n) be waived, without the consent of the Monitor and the Initial Consenting Noteholders.

(32) SFC will, in consultation with the Monitor, the Financial Advisor and the Noteholder Advisors, review each bid received by the Phase 2 Bid Deadline, if any, as set forth herein, and

determine whether it is a Qualified Bid. Such determination will be made as promptly as practicable but no later than seven (7) Business Days after the receipt of any such bid.

No Qualified Bids

(33) If at any point during the Sale Process, SFC determines, in consultation with the Monitor, the Financial Advisor and the Noteholder Advisors, that a Qualified Bid will not be obtained by the Phase 2 Bid Deadline, SFC shall (a) forthwith terminate the Sale Process; and (b) as soon as reasonably practicable take such steps (including bringing motions, holding meetings of creditors, etc.) as may be necessary to complete the Restructuring Transaction.

(34) If the Sale Process has been terminated as provided in section 33, the Financial Advisor shall notify each Qualified Bidder that the Sale Process has been terminated.

Evaluation and Selection of Successful Bid

(35) Evaluation criteria with respect to a Qualified Bid may include, but are not limited to items such as: (a) the purchase price (including assumed liabilities and other obligations to be performed or assumed by the bidder) and the net cash proceeds provided by such bid; (b) the claims likely to be created by such bid in relation to other bids; (c) the counterparties to, and the parties beneficially interested in, the transaction; (d) the proposed revisions to the Form of Purchase Agreement and the terms of the transaction documents (any such revisions to be acceptable to SFC in consultation with the Monitor and the Financial Advisor); (e) other factors affecting the speed, certainty and value of the transaction (including any regulatory or other approvals required to close the transaction); (f) the bidder's plans for the SFC Business for the first 12 months after completion of the transaction; (g) the bidder's expectations regarding the continued employment of the employees of the direct and indirect subsidiaries of SFC; (h) the terms of any new agreements or arrangements to be entered into with any current or former employees of the SFC and its direct and indirect subsidiaries; and (i) the likelihood and timing of consummating the transaction.

(36) If one or more Qualified Bids is received, SFC will, after consultation with the Monitor and the Financial Advisor, identify the highest or otherwise most favourable Qualified Bid (the "**Selected Superior Offer**") by October 5, 2012. SFC shall then finalize a definitive agreement in respect of the Selected Superior Offer by October 17, 2012, conditional upon approval of the Court, a vote of affected creditors (if not already obtained) and on the Selected Superior Offer closing on or before the Outside Date.

(37) Once a definitive agreement has been finalized and settled in respect of the Selected Superior Offer and approved by order of the Court in accordance with the provisions hereof, the Selected Superior Offer shall be the "**Successful Bid**" hereunder and the Qualified Bidder who made the Selected Superior Offer shall be the "**Successful Bidder**" hereunder.

(38) All Qualified Bids (other than the Successful Bid) shall be deemed rejected by SFC on and as of the date of approval of the Successful Bid by order of the Court.

(39) Notwithstanding anything contained herein, SFC, in consultation with the Monitor, the Financial Advisor and the Noteholder Advisors, may terminate the Sale Process at any time and

may reject one or more Qualified Bids, if SFC, in consultation with the Monitor and the Financial Advisor, determines that the Sale Process or any such Qualified Bid is not in the best interests of SFC.

(40) If the Sale Process is terminated by SFC in accordance with section 39, SFC shall as soon as reasonably practicable take such steps (including bringing motions, holding meetings of creditors, etc.) as may be necessary to complete the Restructuring Transaction.

(41) If the Sale Process has been terminated as provided in section 39, the Financial Advisor shall notify each Qualified Bidder that the Sale Process has been terminated.

Approval Motion

(42) The hearing to, among other things, (a) approve the Successful Bid; (b) authorize SFC's entering into of agreements with respect to the Successful Bid; and (c) authorize SFC's completing the transaction contemplated thereby including, without limitation, seeking an order directing that a meeting of creditors of SFC be held to consider the CCAA Plan to implement the Successful Bid (the "Approval Motion") will be held on a date to be scheduled by the Court upon application by SFC. Subject to SFC's covenants under the Support Agreement, the Approval Motion may be adjourned or rescheduled by SFC with the consent of the Monitor, without further notice by an announcement of the adjourned date at the Approval Motion. If the Successful Bid is not, or, in the reasonable determination of SFC, in consultation with the Monitor and the Financial Advisor, is not likely to be, consummated on or before Outside Date, then SFC shall, and any other party in interest may, seek direction from the Court in regard to the Sale Process, after notice and a hearing, subject to the respective rights of SFC and all parties in interest, including the Initial Consenting Noteholders, to be heard regarding such relief.

(43) If following approval of the Successful Bid by the Court, the Successful Bidder fails to consummate the transaction for any reason, SFC shall as soon as reasonably practicable after such failure take such steps (including bringing motions, holding meetings of creditors, etc.) as may be necessary to complete the Restructuring Transaction.

Deposits

(44) All Deposits shall be retained by the Monitor and invested in an interest bearing (if available) trust account. If there is a Successful Bid, the Deposit (plus any accrued interest) paid by the Successful Bidder whose bid is approved at the Approval Motion shall be non-refundable and applied to the purchase price to be paid by the Successful Bidder upon closing of the approved transaction. The Deposits (plus any accrued interest) of Qualified Bidders not selected as the Successful Bidder shall be returned to such bidders within five (5) Business Days of the date upon which the Successful Bid is approved by the Court. If there is no Successful Bid, all Deposits (plus any accrued interest) shall be returned to the bidders within five (5) Business Days of the date upon which the Sale Process is terminated in accordance with these Sale Process Procedures.

(45) If a Successful Bidder breaches its obligations to close the transaction subsequent to the approval by the Court of the Successful Bid, it shall forfeit the Deposit, provided however, that

the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that SFC has against such breaching entity.

Approvals

(46) For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or any other statute or as otherwise required at law in order to implement the Successful Bid.

Amendments/Extensions of Time

(47) There shall be no amendments to this Sale Process, including, for greater certainty the process and procedures set out herein, without the prior written consent of the Monitor and the Initial Consenting Noteholders unless otherwise ordered by the Court upon application and appropriate notice, including to the Initial Consenting Noteholders, the Noteholder Advisors and each of the parties listed in Schedule "C". Dates or deadlines set forth herein may be amended or extended by SFC with the prior written consent of the Monitor and the Initial Consenting Noteholders, unless otherwise ordered by the Court upon application and appropriate notice, including to the Initial Consenting Noteholders, the Noteholder Advisors and each of the parties listed in Schedule "C". Notwithstanding the foregoing, SFC may, in consultation with the Monitor and the Financial Advisor, decrease the length of time of Phase 1, and increase or decrease the length of time of Phase 2; provided that in no case shall the number of days in Phases 1 and 2 exceed 180 days in the aggregate.

Consultation

(48) SFC will keep the Noteholder Advisors generally informed regarding the status of the Sale Process and, if determined advisable by SFC in its discretion, may, in consultation with the Monitor and the Financial Advisor, provide the Noteholder Advisors with an opportunity for the Noteholder Advisors to participate in material discussions with interested parties in relation to the Sale Process.

Initial Consenting Noteholder Consent

(49) For the purposes of these Sale Process Procedures, any matter requiring agreement, waiver, consent or approval of the consent of the Initial Consenting Noteholders shall require the agreement, waiver, consent or approval, as the case may be, of Initial Consenting Noteholders representing at least 66 2/3% of the aggregate principal amount of Notes held by the Initial Consenting Noteholders. SFC shall be entitled to rely on written confirmation from the Noteholder Advisors that the Initial Consenting Noteholders representing at least the foregoing percentage of the aggregate principal amount of Notes held by the Initial Consenting Noteholders have agreed, waived, consented to or approved a particular matter.

Further Orders

(50) At any time during the Sales Process, SFC or the Monitor may, following consultation with the Financial Advisor and the Noteholder Advisors, and upon notice to the Initial Consenting Noteholders, the Noteholder Advisors and each of the parties listed in Schedule "C",

apply to the Court for advice and directions with respect to the discharge of their respective powers and duties hereunder following a hearing. For greater certainty, nothing herein provides any Qualified Bidder with any rights other than as expressly set forth herein.

SCHEDULE "A"**DEFINED TERMS**

In these Sale Process Procedures:

"Approval Motion" has the meaning ascribed thereto in section 42;

"Assets" means all of SFC's right, title and interest in and to its 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 SFC, intellectual property, the SFC 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 SFC by any of its subsidiaries), other than the Excluded Assets;

"Business Day" means a day (other than a Saturday or Sunday) on which banks are generally open for business in Toronto, Ontario and Hong Kong, Special Administrative Region of the People's Republic of China;

"CCAA" has the meaning ascribed thereto in the recitals to these Sale Process Procedures;

"CCAA Plan" has the meaning ascribed thereto in section 3;

"Claims and Interest" has the meaning ascribed thereto in section 5;

"Confidential Information Memorandum" means the memorandum relating to the SFC Business and the opportunity to acquire the Assets to be distributed to Phase 1 Qualified Bidders as part of the Sale Process;

"Confidentiality Agreement" means an executed confidentiality agreement in favor of SFC, in form and substance satisfactory to the Monitor, the Financial Advisor and SFC, which shall inure to the benefit of SFC and any purchaser of the Assets (including a purchaser pursuant to the Restructuring Transaction);

"Consenting Noteholders" has the meaning ascribed thereto in the Support Agreement;

"Court" has the meaning ascribed thereto in the recitals to these Sale Process Procedures;

"Data Room" means the virtual data room maintained by SFC through the facilities of Merrill Corporation.

"Deposit" has the meaning ascribed thereto in section 30(k);

"Direct Subsidiaries" means Sino-Panel Holdings Limited, Sino-Global Holdings Inc., Sino-Panel Corporation, Sino-Wood Partners, Sino-Capital Global Inc., Sino-Forest International (Barbados) Corporation and Sino-Forest Resources Inc. (BVI);

“Excluded Assets” means cash equal to \$20 million, the claims of SFC to be transferred to the Litigation Trust and any other assets and rights of SFC that are not transferred to the Successful Bidder pursuant to the Successful Bid as determined by SFC and the Successful Bidder and identified in the CCAA Plan;

“Financial Advisor” means Houlihan Lokey;

“Form of Purchase Agreement” has the meaning ascribed thereto in section 29;

“Initial Consenting Noteholders” has the meaning ascribed thereto in the Support Agreement;

“Initial Order” has the meaning ascribed thereto in the recitals to these Sale Process Procedures;

“Letter of Intent” has the meaning ascribed thereto in section 17;

“Litigation Trust” means the litigation trust to be established pursuant to the CCAA Plan pursuant to which all claims of SFC and its subsidiaries against any Person shall be transferred on the implementation date of the CCAA Plan.

“Meeting Order” means the order of the Court establishing the procedures for voting on the CCAA Plan, which shall be in form and substance satisfactory to SFC and the Noteholder Advisors, each acting reasonably, as such order may be amended at any time prior to the time the sale transaction that forms part of a Successful Bid is implemented with the consent of SFC and the Noteholder Advisors.

“Monitor” means FTI Consulting Canada Inc., in its capacity as monitor pursuant to the Initial Order and not in its personal or corporate capacity;

“NI 51-102” has the meaning ascribed thereto in section **Error! Reference source not found.**;

“Noteholder Advisors” means Goodmans LLP, Hogan Lovells LLP, Moelis & Company LLC and Moelis & Company Asia Limited, in their capacity as advisors to the Initial Consenting Noteholders;

“Notes” means the 5% Convertible Senior Notes due 2013 issued by SFC, the 10.25% Guaranteed Senior Notes due 2014 issued by SFC, the 4.25% Convertible Senior Notes due 2016 issued by SFC and the 6.25% Guaranteed Senior Notes due 2017 issued by SFC;

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

“Participation Materials” has the meaning ascribed thereto in section 9;

“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;

“Phase 1” has the meaning ascribed thereto in section 17;

“Phase 1 Bid Deadline” has the meaning ascribed thereto in section 18;

“Phase 1 Qualified Bidder” has the meaning ascribed thereto in section 10;

“Phase 2” has the meaning ascribed thereto in section 22;

“Phase 2 Bid Deadline” has the meaning ascribed thereto in section 26;

“Potential Bidder” has the meaning ascribed thereto in section 9;

“Qualified Bid” has the meaning ascribed thereto in section 30;

“Qualified Bidder” has the meaning ascribed thereto in section 21;

“Qualified Consideration” means cash consideration payable to SFC (or such other form of consideration as may be acceptable to SFC and the Initial Consenting Noteholders) in an amount equal to 85% of the aggregate principal amount of the Notes, plus all accrued and unpaid interest on Notes, at the regular rates provided therefor pursuant to the Note indentures, up to and including March 30, 2012;

“Qualified Letter of Intent” has the meaning ascribed thereto in section 19;

“Restructuring Transaction” means the restructuring transaction contemplated by the Support Agreement in the event a Successful Bid is not obtained and/or SFC does not consummate the sale transaction;

“Sale Process” has the meaning ascribed thereto in the recitals to these Sale Process Procedures;

“Sale Process Order” has the meaning ascribed thereto in the recitals to these Sale Process Procedures;

“Sale Process Procedures” has the meaning ascribed thereto the recitals to these Sale Process Procedures;

“Sale Proposal” has the meaning ascribed thereto in section 19(a);

“Selected Superior Offer” has the meaning ascribed thereto in section 36;

“SFC” has the meaning ascribed thereto in the recitals to these Sale Process Procedures;

“SFC Business” means the business carried on by SFC and its direct and indirect subsidiaries;

“Solicitation Process” has the meaning ascribed thereto in section 1;

“Successful Bid” has the meaning ascribed thereto in section 37;

“Successful Bidder” has the meaning ascribed thereto in section 37;

“Support Agreement” means the support agreement dated March 30, 2012, between SFC and the Initial Consenting Noteholders and the other Consenting Noteholders, as amended from time to time;

“Teaser Letter” has the meaning ascribed thereto in section 8; and

“Voting Deadline” means the deadline for voting on the CCAA Plan, as established by the Meeting Order.

SCHEDULE "B"**FORM OF NOTICE OF SALE PROCESS**

TAKE NOTICE THAT pursuant to an order (the "Order") of the Ontario Superior Court of Justice (the "Court") issued on March 30, 2012 under the *Companies' Creditors Arrangement Act*, Sino-Forest Corporation obtained Court approval to conduct a sale solicitation process (the "Sale Process").

Pursuant to the Sale Process, Sino-Forest Corporation's financial advisor, Houlihan Lokey, is soliciting proposals from prospective strategic and financial parties to acquire substantially all of the property, assets and business of Sino-Forest Corporation and its subsidiaries, other than certain excluded assets. Sino-Forest Corporation is a leading commercial forest plantation operator in China. Its principal businesses include the ownership and management of tree plantations, the sale of standing timber and wood logs, and the complementary manufacturing of downstream engineered-wood products.

Interested parties can obtain additional information by contacting Houlihan Lokey at:

Houlihan Lokey
Attention: David Putnam
Telephone: +852.3551.2300
Email: dputnam@hl.com

SCHEDULE "C"

1595

NOTICE PARTIES

1.	<p>Sino-Forest Corporation Room 3815-29 38/F, Sun Hung Kai Centre 30 Harbour Road, Wanchai, Hong Kong</p> <p>Attention: Mr. Judson Martin, Chief Executive Officer Email: 1atson-martin@sinoforest.com</p>
2.	<p>Houlihan Lokey 2101 Two Exchange Square, 8 Connaught Place Central, Hong Kong</p> <p>Attention: David Putnam Email: dputnam@hl.com</p>
3.	<p>Bennett Jones LLP One First Canadian Place, Suite 3400, P.O. Box 130 Toronto, Ontario M5X 1A4</p> <p>Attention: Kevin J. Zych and Raj S. Sahnir Email: zychk@bennettjones.com and sahnir@bennettjones.com</p>
4.	<p>FTI Consulting Canada Inc. TD Waterhouse Tower 79 Wellington Street West, Suite 2010, P.O. Box 104 Toronto, Ontario M5K 1G8</p> <p>Attention: Greg Watson Email: greg.watson@fticonsulting.com</p>

IN THE MATTER OF THE COMPANIES CREDITORS' ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE
MATTER OF A PLAN OR COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION
Court File No.

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

Proceedings commenced in Toronto

SALES PROCESS ORDER

BENNETT JONES LLP
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4
Rob Staley (LSUC #27115J)
Kevin Zych (LSUC #33129T)
Derek Bell (LSUC #43420J)
Jonathan Bell (LSUC #55457P)
Tel: 416-863-1200
Fax: 416-863-1716

Lawyers for the Applicant

1596

TAB 8

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

Sino-Forest Corporation

FOURTH REPORT OF THE MONITOR

July 10, 2012

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

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

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

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

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

INTRODUCTION

1. On March 30, 2012 (the "**Filing Date**"), Sino-Forest Corporation (the "**Company**") filed for and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Pursuant to the Order of this Honourable Court dated March 30, 2012 (the "**Initial Order**"), FTI Consulting Canada Inc. was appointed as the Monitor of the Company (the "**Monitor**") in the CCAA proceedings. Pursuant to an Order of this Court made on May 31, 2012, this Court granted an Order extending the Stay Period (as defined in the Initial Order) to September 28, 2012. The proceedings commenced by the Company under the CCAA will be referred to herein as the "**CCAA Proceedings**".
2. On the Filing Date, the Court also issued an Order authorizing the Company to conduct a Sale Process (the "**Sale Process Order**"). A copy of the Sale Process Order is attached as Appendix A hereto.
3. The purpose of this Fourth Report of the Monitor (the "**Fourth Report**") is to provide this Honourable Court with an update as to the status of the Sale Process including the intended next steps of the Company as required by the endorsement

of Justice Morawetz made on May 31, 2012.

4. In preparing this Fourth Report, the Monitor has relied upon unaudited financial information of the Company, the Company's books and records, certain financial information prepared by the Company, the Reports of the Independent Committee of the Company's Board of Directors dated August 10, 2011, November 13, 2011, and January 31, 2012, and discussions with the Company's management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Fourth Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Fourth Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
5. Unless otherwise stated, all monetary amounts contained herein are expressed in US Dollars.
6. The term "**Sino-Forest**" refers to the global enterprise as a whole but does not include references to the Greenheart Group. "**Sino-Forest Subsidiaries**" refers to all of the direct and indirect subsidiaries of the Company, but does not include references to the Greenheart Group.
7. Other than with respect to the section labelled "UPDATE ON SALE PROCESS", capitalized terms not defined in this Fourth Report are as defined in the pre-filing report of the proposed monitor dated March 30, 2012 (the "**Pre-Filing Report**") and the affidavit of W. Judson Martin sworn March 30, 2012 (the "**Initial Order Affidavit**").

GENERAL BACKGROUND

Sino-Forest Business

8. Sino-Forest conducts business as a forest plantation operator in the People's

- Republic of China (“**PRC**”). Its principal businesses include ownership and management of forest plantation trees, the sale of standing timber and wood logs, and complementary manufacturing of downstream engineered-wood products.
9. The Company is a public holding company whose common shares are listed on the Toronto Stock Exchange (“**TSX**”). Prior to August 26, 2011 (the date of the Cease Trade Order, defined below), the Company had 246,095,926 common shares issued and outstanding and trading under the trading symbol “**TRE**” on the **TSX**.
 10. On June 2, 2011, Muddy Waters, LLC (“**MW**”), which held a short position on the Company’s shares, issued a report (the “**MW Report**”) alleging, among other things, that Sino-Forest is a “ponzi-scheme” and a “near total fraud”. The **MW Report** was issued publicly and immediately caught the attention of the media on a world-wide basis.
 11. Subsequent to the issuance of the **MW Report**, the Company devoted extensive time and resources to investigate and address the allegations in the **MW Report** as well as responding to additional inquiries from, among others, the Ontario Securities Commission, the Royal Canadian Mounted Police and the Hong Kong Securities and Futures Commission.
 12. In view of the **MW Report**, the subsequent litigation and regulatory investigations and other issues continue to have a significant negative impact on the Company and have threatened the long term viability of Sino-Forest’s operations. For the reasons discussed in the Pre-Filing Report and the Initial Order Affidavit, the Company and the business was placed into a stalemate that could not be resolved without the Court supervised solution offered by the CCAA Proceedings.
 13. The Pre-Filing Report and the Initial Order Affidavit provide a detailed outline of Sino-Forest’s corporate structure, business, reported assets and financial information as well as a detailed chronology of the Company and its actions since the issuance of the **MW Report** in June 2011.

UPDATE ON SALE PROCESS

14. Capitalized terms used in this section and not otherwise defined have the meaning given to them in the sale process procedures (“SPP”) approved pursuant to the Sale Process Order.
15. As set out in the Initial Order Affidavit and the Pre-Filing Report, the Company and a group of ad hoc noteholders (the “**Initial Consenting Noteholders**”) negotiated and entered into a restructuring support agreement (the “**Support Agreement**”) that provided for a restructuring transaction (the “**Restructuring Transaction**”) for the Company and its assets.
16. In connection with the commencement of the Proceedings, and as contemplated by the Support Agreement, the Company sought and obtained the Sale Process Order which provided for the implementation of a solicitation process in accordance with Court-approved sale process procedures.
17. The purpose of the SPP was to determine whether any parties were willing to purchase substantially all of Sino-Forest’s business operations for an amount provided for under the SPP. Under the terms of the Sale Process Order, the Company’s financial advisor, Houlihan Lokey (“**HL**”), conducted the Sale Process which is described in the following paragraphs.
18. Throughout the conduct of the SPP, the Monitor was advised and, in some cases, directly involved, in the steps being taken.
19. Upon the granting of the Sale Process Order, the following steps were taken:
 - (a) On April 5, 2012, the Monitor caused notice of the SPP to be published in the Globe and Mail and the Wall Street Journal. A copy of the publication notices were attached as Appendices F & G to the Monitor’s First Report;
 - (b) On March 30, 2012, the Company issued a press release regarding the SPP;

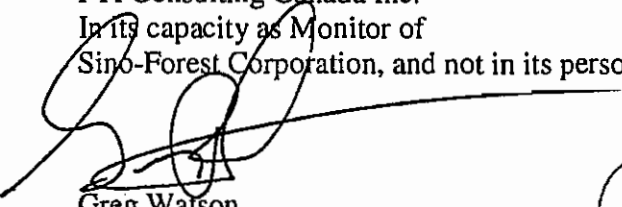
- (c) The Company, with the assistance of HL and the Monitor, prepared a “teaser” letter that was sent to potentially interested parties;
 - (d) HL, in consultation with the Company and the Monitor,
 - (i) Selected a group of eighty-five (85) of strategic and financial buyers (comprised of buyers who had either contacted HL or the Company or were otherwise chosen to be in the group) and provided those potentially interested parties with copies of the teaser letter;
 - (ii) Negotiated fourteen (14) confidentiality agreements (“CAs”) with those parties who indicated an interest in the business;
 - (e) Certain of these bidders were ultimately deemed to be “Phase I Qualified Bidders” in accordance with the SPP requirements;
 - (f) On or about June 28, 2012 (the “Phase I Bid Deadline”), a number of non binding letters of intent (the “LOIs”) were received by the Company.
20. Pursuant to the SPP, upon receipt of the LOIs the Company, in consultation with HL and the Monitor, was required to determine whether any such LOIs constituted “Qualified Letters of Intent” and to notify parties as to whether their LOI constituted a Qualified Letter of Intent within seven (7) business days of the Phase 1 Bid Deadline. If a Qualified Letter of Intent was received during Phase 1, the Company would continue to Phase 2 of the SPP.
21. The SPP provided that the Company would terminate the SPP at the end of Phase 1 if, *inter alia*, no Qualified Letters of Intent were received.
22. Upon receipt of the LOIs, the Company and HL, in consultation with the Monitor, reviewed the terms of the LOIs to determine whether any of them met the requirements of the SPP.
23. The Company has determined that none of the LOIs constitute a Qualified Letter

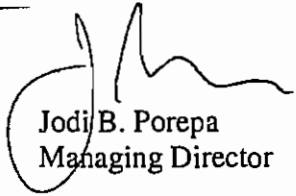
of Intent as provided for under the SPP. The Monitor understands that the advisors to the Ad Hoc Noteholders concur in this determination. As a result, on July 10, 2012, the Company issued a press release announcing the termination of the SPP. The Company also announced that it intends to proceed with the Restructuring Transaction as contemplated by the Support Agreement. As set out in the Support Agreement, the implementation of a Restructuring Transaction pursuant to a CCAA plan would be subject to all requisite Court approvals. A copy of the press release is attached as Appendix B hereto.

24. The Monitor has not included a summary of the LOIs due to the commercially sensitive nature of the contents of those LOIs. However, as set out above, the Monitor has independently reviewed the LOIs and is of the view, under the terms of the SPP, none of the LOIs constitute a Qualified Letter of Intent. In light of the fact that no Qualified Letters of Intent were received, the Monitor is of the view that the termination of the Sale Process is appropriate in the circumstances

Dated this 10th day of July, 2012.

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


Greg Watson
Senior Managing Director


Jodi B. Porepa
Managing Director

**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)

FOURTH REPORT OF THE MONITOR

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Derrick Tay (LSUC No. 21152A)

Tel: (416) 369-7330 / Fax: (416) 862-7661
Email: derrick.tay@gowlings.com

Jennifer Stam (LSUC No. 46735J)

Tel: (416) 862-5697 / Fax: (416) 862-7661
Email: jennifer.stam@gowlings.com

Lawyers for the Monitor,
FTI Consulting Canada Inc.

TAB 9



ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.
JUSTICE MORAWETZ

)
)
)

MONDAY, THE 14th
DAY OF MAY, 2012

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

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

CLAIMS PROCEDURE ORDER

THIS MOTION, made by Sino-Forest Corporation (the "Applicant") for an order establishing a claims procedure for the identification and determination of certain claims was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Applicant's Notice of Motion, the affidavit of W. Judson Martin sworn on May 2, 2012, the Second Report of FTI Consulting Canada Inc. (the "Monitor") dated April 30, 2012 (the "Monitor's Second Report") and the Supplemental Report to the Monitor's Second Report dated May 12, 2012 (the "Supplemental Report"), and on hearing the submissions of counsel for the Applicant, the Applicant's directors, the Monitor, the *ad hoc* committee of Noteholders (the "Ad Hoc Noteholders"), and those other parties present, no one appearing for the other parties served with the Applicant's Motion Record, although duly served as appears from the affidavit of service, filed:

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion, the Motion Record, the Monitor's Second Report and the Supplemental Report is hereby abridged and

validated such that this Motion is properly returnable today and hereby dispenses with further service thereof.

DEFINITIONS AND INTERPRETATION

2. The following terms shall have the following meanings ascribed thereto:
- (a) "2013 and 2016 Trustee" means The Bank of New York Mellon, in its capacity as trustee for the 2013 Notes and the 2016 Notes;
 - (b) "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;
 - (c) "2013 Note Indenture" means the indenture dated as of July 23, 2008, by and between the Applicant, the entities listed as subsidiary guarantors thereto, and The Bank of New York Mellon, as trustee, as amended, modified or supplemented;
 - (d) "2014 Note Indenture" means the indenture dated as of July 27, 2009 entered into by and between the Applicant, the entities listed as subsidiary guarantors thereto, and Law Debenture Trust Company of New York, as trustee, as amended, modified or supplemented;
 - (e) "2016 Note Indenture" means the indenture dated as of December 17, 2009, by and between the Applicant, the entities listed as subsidiary guarantors thereto, and The Bank of New York Mellon, as trustee, as amended, modified or supplemented;
 - (f) "2017 Note Indenture" means the indenture dated as of October 21, 2010, by and between the Applicant, the entities listed as subsidiary guarantors thereto, and Law Debenture Trust Company of New York, as trustee, as amended, modified or supplemented;
 - (g) "2013 Notes" means the US\$345,000,000 of 5.00% Convertible Senior Notes Due 2013 issued pursuant to the 2013 Note Indenture;

- (h) "2014 Notes" means the US\$399,517,000 of 10.25% Guaranteed Senior Notes Due 2014 issued pursuant to the 2014 Note Indenture;
- (i) "2016 Notes" means the US\$460,000,000 of 4.25% Convertible Senior Notes Due 2016 issued pursuant to the 2016 Note Indenture;
- (j) "2017 Notes" means the US\$600,000,000 of 6.25% Guaranteed Senior Notes Due 2017 issued pursuant to the 2017 Note Indenture;
- (k) "Administration Charge" has the meaning given to that term in paragraph 37 of the Initial Order;
- (l) "BIA" means the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended;
- (m) "Business Day" means a day, other than a Saturday or a Sunday, on which banks are generally open for business in Toronto, Ontario;
- (n) "CCAA" means the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended;
- (o) "CCAA Proceedings" means the proceedings commenced by the Applicant in the Court under Court File No. CV-12-9667-00CL;
- (p) "CCAA Service List" means the service list in the CCAA Proceedings posted on the Monitor's Website, as amended from time to time;
- (q) "Claim" means:
 - (i) any right or claim of any Person that may be asserted or made in whole or in part against the Applicant, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement

(oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature, including any right or ability of any Person (including Directors and Officers) to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (A) is based in whole or in part on facts prior to the Filing Date, (B) relates to a time period prior to the Filing Date, or (C) is a right or claim of any kind that would be a claim provable in bankruptcy within the meaning of the BIA had the Applicant become bankrupt on the Filing Date, or an Equity Claim (each a "Prefiling Claim", and collectively, the "Prefiling Claims");

(ii) a Restructuring Claim; and

(iii) a Secured Claim;

provided, however, that "Claim" shall not include an Excluded Claim, a D&O Claim or a D&O Indemnity Claim;

(r) "Claimant" means any Person having a Claim, a D&O Claim or a D&O Indemnity Claim and includes the transferee or assignee of a Claim, a D&O Claim or a D&O Indemnity Claim transferred and recognized as a Claimant in accordance with paragraphs 46 and 47 hereof or a trustee, executor, liquidator, receiver, receiver and manager, or other Person acting on behalf of or through such Person;

- (s) "Claimants' Guide to Completing the D&O Proof of Claim" means the guide to completing the D&O Proof of Claim form, in substantially the form attached as Schedule "E-2" hereto;
- (t) "Claimants' Guide to Completing the Proof of Claim" means the guide to completing the Proof of Claim form, in substantially the form attached as Schedule "E" hereto;
- (u) "Claims Bar Date" means June 20, 2012;
- (v) "Class" means the National Class and the Quebec Class;
- (w) "Court" means the Ontario Superior Court of Justice (Commercial List);
- (x) "Creditors' Meeting" means any meeting of creditors called for the purpose of considering and voting in respect of the Plan, if one is filed, to be scheduled pursuant to further order of the Court;
- (y) "D&O Claim" means, other than an Excluded Claim, (i) any right or claim of any Person that may be asserted or made in whole or in part against one or more Directors or Officers that relates to a Claim for which such Directors or Officers are by law liable to pay in their capacity as Directors or Officers, or (ii) any right or claim of any Person that may be asserted or made in whole or in part against one or more Directors or Officers, in that capacity, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof, is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured,

disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature, including any right or ability of any Person to advance a claim for contribution or indemnity from any such Directors or Officers or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (A) is based in whole or in part on facts prior to the Filing Date, or (B) relates to a time period prior to the Filing Date;

- (z) "D&O Indemnity Claim" means any existing or future right of any Director or Officer against the Applicant which arose or arises as a result of any Person filing a D&O Proof of Claim in respect of such Director or Officer for which such Director or Officer is entitled to be indemnified by the Applicant;
- (aa) "D&O Indemnity Claims Bar Date" has the meaning set forth in paragraph 19 of this Order;
- (bb) "D&O Indemnity Proof of Claim" means the indemnity proof of claim in substantially the form attached as Schedule "F" hereto to be completed and filed by a Director or Officer setting forth its purported D&O Indemnity Claim;
- (cc) "D&O Proof of Claim" means the proof of claim in substantially the form attached as Schedule "D-2" hereto to be completed and filed by a Person setting forth its purported D&O Claim and which shall include all supporting documentation in respect of such purported D&O Claim;
- (dd) "Directors" means anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of the Applicant;
- (ee) "Directors' Charge" has the meaning given to that term in paragraph 26 of the Initial Order;

- (ff) "Dispute Notice" means a written notice to the Monitor, in substantially the form attached as Schedule "B" hereto, delivered to the Monitor by a Person who has received a Notice of Revision or Disallowance, of its intention to dispute such Notice of Revision or Disallowance;
- (gg) "Employee Amounts" means all outstanding wages, salaries and employee benefits (including, employee medical, dental, disability, life insurance and similar benefit plans or arrangements, incentive plans, share compensation plans and employee assistance programs and employee or employer contributions in respect of pension and other benefits), vacation pay, commissions, bonuses and other incentive payments, termination and severance payments, and employee expenses and reimbursements, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (hh) "Equity Claim" has the meaning set forth in Section 2(1) of the CCAA;
- (ii) "Excluded Claim" means:
- (i) any Claims entitled to the benefit of the Administration Charge or the Directors' Charge, or any further charge as may be ordered by the Court;
 - (ii) any Claims of the Subsidiaries against the Applicant;
 - (iii) any Claims of employees of the Applicant as at the Filing Date in respect of Employee Amounts;
 - (iv) any Post-Filing Claims;
 - (v) any Claims of the Ontario Securities Commission; and
 - (vi) any D&O Claims in respect of (i) through (v) above;
- (jj) "Filing Date" means March 30, 2012;

- (kk) "Government Authority" means a federal, provincial, territorial, municipal or other government or government department, agency or authority (including a court of law) having jurisdiction over the Applicant;
- (ll) "Initial Order" means the Initial order of the Honourable Mr. Justice Morawetz made March 30, 2012 in the CCAA Proceedings, as amended, restated or varied from time to time;
- (mm) "Known Claimants" means:
 - (i) any Persons which, based upon the books and records of the Applicant, was owed monies by the Applicant as of the Filing Date and which monies remain unpaid in whole or in part;
 - (ii) any Person who has commenced a legal proceeding in respect of a Claim or D&O Claim or given the Applicant written notice of an intention to commence a legal proceeding or a demand for payment in respect of a Claim or D&O Claim, provided that where a lawyer of record has been listed in connection with any such proceedings, the "Known Claimant" for the purposes of any notice required herein or to be given hereunder shall be, in addition to that Person, its lawyer of record; and
 - (iii) any Person who is a party to a lease, contract, or other agreement or obligation of the Applicant which was restructured, terminated, repudiated or disclaimed by the Applicant between the Filing Date and the date of this Order;
- (nn) "Monitor's Website" has the meaning set forth in paragraph 12(a) of this Order;
- (oo) "National Class" has the meaning given to it in the Fresh As Amended Statement of Claim in the Ontario Class Action;
- (pp) "Note Indenture Trustees" means, collectively, the 2013 and 2016 Trustee and the 2014 and 2017 Trustee;

- (qq) "Notes" means, collectively, the 2013 Notes, the 2014 Notes, the 2016 Notes, and the 2017 Notes;
- (rr) "Noteholder" means a registered or beneficial holder on or after the Filing Date of a Note in that capacity, and, for greater certainty, does not include former registered or beneficial holders of Notes;
- (ss) "Notice of Revision or Disallowance" means a notice, in substantially the form attached as Schedule "A" hereto, advising a Person that the Monitor has revised or disallowed all or part of such Person's purported Claim, D&O Claim or D&O Indemnity Claim set out in such Person's Proof of Claim, D&O Proof of Claim or D&O Indemnity Proof of Claim;
- (tt) "Notice to Claimants" means the notice to Claimants for publication in substantially the form attached as Schedule "C" hereto;
- (uu) "Officers" means anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or *de facto* officer of the Applicant;
- (vv) "Ontario Class Action" means the action commenced against the Applicant and others in the Ontario Superior Court of Justice, bearing (Toronto) Court File No. CV-11-431153-00CP;
- (ww) "Ontario Plaintiffs" means the Trustees of the Labourers' Pension Fund of Central and Eastern Canada and the other named Plaintiffs in the Ontario Class Action;
- (xx) "Person" is to be broadly interpreted and includes any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, Government Authority or any agency, regulatory body, officer or instrumentality thereof or any other entity, wherever situate or domiciled, and whether or not having legal status, and whether acting on their own or in a representative capacity;

- (yy) "Plan" means any proposed plan of compromise or arrangement filed in respect of the Applicant pursuant to the CCAA as the same may be amended, supplemented or restated from time to time in accordance with its terms;
- (zz) "Post-Filing Claims" means any claims against the Applicant that arose from the provision of authorized goods and services provided or otherwise incurred on or after the Filing Date in the ordinary course of business, but specifically excluding any Restructuring Claim;
- (aaa) "Proof of Claim" means the proof of claim in substantially the form attached as Schedule "D" hereto to be completed and filed by a Person setting forth its purported Claim and which shall include all supporting documentation in respect of such purported Claim;
- (bbb) "Proof of Claim Document Package" means a document package that includes a copy of the Notice to Claimants, the Proof of Claim form, the D&O Proof of Claim form, the Claimants' Guide to Completing the Proof of Claim form, the Claimants' Guide to Completing the D&O Proof of Claim form, and such other materials as the Monitor, in consultation with the Applicant, may consider appropriate or desirable;
- (ccc) "Proven Claim" means the amount and Status of a Claim, D&O Claim or D&O Indemnity Claim of a Claimant as determined in accordance with this Order;
- (ddd) "Quebec Class" has the meaning given to it in the statement of claim in the Quebec Class Action;
- (eee) "Quebec Class Action" means the action commenced against the Applicant and others in the Quebec Superior Court, bearing Court File No. 200-06-000132-111 ;
- (fff) "Quebec Plaintiffs" means Guining Liu and the other named plaintiffs in the Quebec Class Action;
- (ggg) "Restructuring Claim" means any right or claim of any Person that may be asserted or made in whole or in part against the Applicant, whether or not asserted

or made, in connection with any indebtedness, liability or obligation of any kind arising out of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation on or after the Filing Date and whether such restructuring, termination, repudiation or disclaimer took place or takes place before or after the date of this Order;

- (hhh) "Restructuring Claims Bar Date" means, in respect of a Restructuring Claim, the later of (i) the Claims Bar Date, and (ii) 30 days after a Person is deemed to receive a Proof of Claim Document Package pursuant to paragraph 12(e) hereof.
- (iii) "Secured Claim" means that portion of a Claim that is (i) secured by security validly charging or encumbering property or assets of the Applicant (including statutory and possessor liens that create security interests) up to the value of such collateral, and (ii) duly and properly perfected in accordance with the relevant legislation in the appropriate jurisdiction as of the Filing Date;
- (jii) "Status" means, with respect to a Claim, D&O Claim or D&O Indemnity Claim, or a purported Claim, D&O Claim or D&O Indemnity Claim, whether such claim is secured or unsecured; and
- (kkk) "Subsidiaries" means all direct and indirect subsidiaries of the Applicant other than Greenheart Group Limited (Bermuda) and its direct and indirect subsidiaries, and "Subsidiary" means any one of the Subsidiaries.

3. THIS COURT ORDERS that all references as to time herein shall mean local time in Toronto, Ontario, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day unless otherwise indicated herein.

4. THIS COURT ORDERS that all references to the word "including" shall mean "including without limitation".

5. THIS COURT ORDERS that all references to the singular herein include the plural, the plural include the singular, and any gender includes the other gender.

GENERAL PROVISIONS

6. THIS COURT ORDERS that the Monitor, in consultation with the Applicant, is hereby authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which forms delivered hereunder are completed and executed, and may, where it is satisfied that a Claim, a D&O Claim or a D&O Indemnity Claim has been adequately proven, waive strict compliance with the requirements of this Order as to completion and execution of such forms and to request any further documentation from a Person that the Monitor, in consultation with the Applicant, may require in order to enable it to determine the validity of a Claim, a D&O Claim or a D&O Indemnity Claim.

7. THIS COURT ORDERS that if any purported Claim, D&O Claim or D&O Indemnity Claim arose in a currency other than Canadian dollars, then the Person making the purported Claim, D&O Claim or D&O Indemnity Claim shall complete its Proof of Claim, D&O Proof of Claim or D&O Indemnity Proof of Claim, as applicable, indicating the amount of the purported Claim, D&O Claim or D&O Indemnity Claim in such currency, rather than in Canadian dollars or any other currency. The Monitor shall subsequently calculate the amount of such purported Claim, D&O Claim or D&O Indemnity Claim in Canadian Dollars, using the Reuters closing rate on the Filing Date (as found at <http://www.reuters.com/finance/currencies>), without prejudice to a different exchange rate being proposed in any Plan.

8. THIS COURT ORDERS that a Person making a purported Claim, D&O Claim or D&O Indemnity Claim shall complete its Proof of Claim, D&O Proof of Claim or Indemnity Proof of Claim, as applicable, indicating the amount of the purported Claim, D&O Claim or D&O Indemnity Claim without including any interest and penalties that would otherwise accrue after the Filing Date.

9. THIS COURT ORDERS that the form and substance of each of the Notice of Revision or Disallowance, Dispute Notice, Notice to Claimants, the Proof of Claim, the D&O Proof of Claim, the Claimants' Guide to Completing the Proof of Claim, the Claimants' Guide to Completing the D&O Proof of Claim, and D&O Indemnity Proof of Claim substantially in the forms attached as Schedules "A", "B", "C", "D", "D-2", "E", "E-2" and "F" respectively to this Order are hereby approved. Notwithstanding the foregoing, the Monitor, in consultation with the

Applicant, may from time to time make minor non-substantive changes to such forms as the Monitor, in consultation with the Applicant, considers necessary or advisable.

MONITOR'S ROLE

10. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights, duties, responsibilities and obligations under the CCAA and under the Initial Order, is hereby directed and empowered to take such other actions and fulfill such other roles as are authorized by this Order or incidental thereto.

11. THIS COURT ORDERS that (i) in carrying out the terms of this Order, the Monitor shall have all of the protections given to it by the CCAA, the Initial Order, and this Order, or as an officer of the Court, including the stay of proceedings in its favour, (ii) the Monitor shall incur no liability or obligation as a result of the carrying out of the provisions of this Order, (iii) the Monitor shall be entitled to rely on the books and records of the Applicant and any information provided by the Applicant, all without independent investigation, and (iv) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

NOTICE TO CLAIMANTS, DIRECTORS AND OFFICERS

12. THIS COURT ORDERS that:

- (a) the Monitor shall no later than five (5) Business Days following the making of this Order, post a copy of the Proof of Claim Document Package on its website at <http://cfcanada.fticonsulting.com/sfc> ("Monitor's Website");
- (b) the Monitor shall no later than five (5) Business Days following the making of this Order, send on behalf of the Applicant to the Note Indenture Trustees (or to counsel for the Note Indenture Trustees as appears on the CCAA Service List if applicable) a copy of the Proof of Claim Document Package;
- (c) the Monitor shall no later than five (5) Business Days following the making of this Order, send on behalf of the Applicant to each of the Known Claimants a copy of the Proof of Claim Document Package, provided however that the

Monitor is not required to send Proof of Claim Document Packages to Noteholders;

- (d) the Monitor shall no later than five (5) Business Days following the making of this Order, cause the Notice to Claimants to be published in (i) The Globe and Mail newspaper (National Edition) on one such day, and (ii) the Wall Street Journal (Global Edition) on one such day;
- (e) with respect to Restructuring Claims arising from the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation, the Monitor shall send to the counterparty(ies) to such lease, contract, or other agreement or obligation a Proof of Claim Document Package no later than five (5) Business Days following the time the Monitor becomes aware of the restructuring, termination, repudiation or disclaimer of any such lease, contract, or other agreement or obligation;
- (f) the Monitor shall, provided such request is received by the Monitor prior to the Claims Bar Date, deliver as soon as reasonably possible following receipt of a request therefor a copy of the Proof of Claim Document Package to any Person requesting such material; and
- (g) the Monitor shall send to any Director or Officer named in a D&O Proof of Claim received by the Claims Bar Date a copy of such D&O Proof of Claim as soon as practicable along with an D&O Indemnity Proof of Claim form, with a copy to counsel for such Directors or Officers.

13. THIS COURT ORDERS that the Applicant shall (i) inform the Monitor of all Known Claimants by providing the Monitor with a list of all Known Claimants and their last known addresses according to the books and records of the Applicant and (ii) provide the Monitor with a list of all Directors and Officers and their last known addresses according to the books and records of the Applicant.

14. THIS COURT ORDERS that, except as otherwise set out in this Order or other orders of the Court, neither the Monitor nor the Applicant is under any obligation to send notice to any

Person holding a Claim, a D&O Claim or a D&O Indemnity Claim, and without limitation, neither the Monitor nor the Applicant shall have any obligation to send notice to any Person having a security interest in a Claim, D&O Claim or D&O Indemnity Claim (including the holder of a security interest created by way of a pledge or a security interest created by way of an assignment of a Claim, D&O Claim or D&O Indemnity Claim), and all Persons (including Known Claimants) shall be bound by any notices published pursuant to paragraphs 12(a) and 12(d) of this Order regardless of whether or not they received actual notice, and any steps taken in respect of any Claim, D&O Claim or D&O Indemnity Claim in accordance with this Order.

15. THIS COURT ORDERS that the delivery of a Proof of Claim, D&O Proof of Claim, or D&O Indemnity Proof of Claim by the Monitor to a Person shall not constitute an admission by the Applicant or the Monitor of any liability of the Applicant or any Director or Officer to any Person.

CLAIMS BAR DATES

Claims and D&O Claims

16. THIS COURT ORDERS that (i) Proofs of Claim (but not in respect of any Restructuring Claims) and D&O Proofs of Claim shall be filed with the Monitor on or before the Claims Bar Date, and (ii) Proofs of Claim in respect of Restructuring Claims shall be filed with the Monitor on or before the Restructuring Claims Bar Date. For the avoidance of doubt, a Proof of Claim or D&O Proof of Claim, as applicable, must be filed in respect of every Claim or D&O Claim, regardless of whether or not a legal proceeding in respect of a Claim or D&O Claim was commenced prior to the Filing Date.

17. THIS COURT ORDERS that any Person that does not file a Proof of Claim as provided for herein such that the Proof of Claim is received by the Monitor on or before the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, (a) shall be and is hereby forever barred from making or enforcing such Claim against the Applicant and all such Claims shall be forever extinguished; (b) shall be and is hereby forever barred from making or enforcing such Claim as against any other Person who could claim contribution or indemnity from the Applicant; (c) shall not be entitled to vote such Claim at the Creditors' Meeting in respect of the

Plan or to receive any distribution thereunder in respect of such Claim; and (d) shall not be entitled to any further notice in, and shall not be entitled to participate as a Claimant or creditor in, the CCAA Proceedings in respect of such Claim.

18. THIS COURT ORDERS that any Person that does not file a D&O Proof of Claim as provided for herein such that the D&O Proof of Claim is received by the Monitor on or before the Claims Bar Date (a) shall be and is hereby forever barred from making or enforcing such D&O Claim against any Directors or Officers, and all such D&O Claims shall be forever extinguished; (b) shall be and is hereby forever barred from making or enforcing such D&O Claim as against any other Person who could claim contribution or indemnity from any Directors or Officers; (c) shall not be entitled to vote such D&O Claim at the Creditors' Meeting or to receive any distribution in respect of such D&O Claim; and (d) shall not be entitled to any further notice in, and shall not be entitled to participate as a Claimant or creditor in, the CCAA Proceedings in respect of such D&O Claim.

D&O Indemnity Claims

19. THIS COURT ORDERS that any Director or Officer wishing to assert a D&O Indemnity Claim shall deliver a D&O Indemnity Proof of Claim to the Monitor so that it is received by no later than fifteen (15) Business Days after the date of receipt of the D&O Proof of Claim by such Director or Officer pursuant to paragraph 12(g) hereof (with respect to each D&O Indemnity Claim, the "D&O Indemnity Claims Bar Date").

20. THIS COURT ORDERS that any Director or Officer that does not file a D&O Indemnity Proof of Claim as provided for herein such that the D&O Indemnity Proof of Claim is received by the Monitor on or before the D&O Indemnity Claims Bar Date (a) shall be and is hereby forever barred from making or enforcing such D&O Indemnity Claim against the Applicant, and such D&O Indemnity Claim shall be forever extinguished; (b) shall be and is hereby forever barred from making or enforcing such D&O Indemnity Claim as against any other Person who could claim contribution or indemnity from the Applicant; and (c) shall not be entitled to vote such D&O Indemnity Claim at the Creditors' Meeting or to receive any distribution in respect of such D&O Indemnity Claim.

Excluded Claims

21. THIS COURT ORDERS that Persons with Excluded Claims shall not be required to file a Proof of Claim in this process in respect of such Excluded Claims, unless required to do so by further order of the Court.

PROOFS OF CLAIM

22. THIS COURT ORDERS that (i) each Person shall include any and all Claims it asserts against the Applicant in a single Proof of Claim, provided however that where a Person has taken assignment or transfer of a purported Claim after the Filing Date, that Person shall file a separate Proof of Claim for each such assigned or transferred purported Claim, and (ii) each Person that has or intends to assert a right or claim against one or more Subsidiaries which is based in whole or in part on facts, underlying transactions, causes of action or events relating to a purported Claim made against the Applicant shall so indicate on such Claimant's Proof of Claim.

23. THIS COURT ORDERS that each Person shall include any and all D&O Claims it asserts against one or more Directors or Officers in a single D&O Proof of Claim, provided however that where a Person has taken assignment or transfer of a purported D&O Claim after the Filing Date, that Person shall file a separate D&O Proof of Claim for each such assigned or transferred purported D&O Claim.

24. THIS COURT ORDERS that the 2013 and 2016 Trustee is authorized and directed to file one Proof of Claim on or before the Claims Bar Date in respect of each of the 2013 Notes and the 2016 Notes, indicating the amount owing on an aggregate basis as at the Filing Date under each of the 2013 Note Indenture and the 2016 Note Indenture.

25. THIS COURT ORDERS that the 2014 and 2017 Trustee is authorized and directed to file one Proof of Claim on or before the Claims Bar Date in respect of each of the 2014 Notes and the 2017 Notes, indicating the amount owing on an aggregate basis as at the Filing Date under each of the 2014 Note Indenture and the 2017 Note Indenture.

26. Notwithstanding any other provisions of this Order, Noteholders are not required to file individual Proofs of Claim in respect of Claims relating solely to the debt evidenced by their

Notes. The Monitor may disregard any Proofs of Claim filed by any individual Noteholder claiming the debt evidenced by the Notes, and such Proofs of Claim shall be ineffective for all purposes. The process for determining each individual Noteholder's Claim for voting and distribution purposes with respect to the Plan and the process for voting on the Plan by Noteholders will be established by further order of the Court.

27. THIS COURT ORDERS that the Ontario Plaintiffs are, collectively, authorized to file, on or before the Claims Bar Date, one Proof of Claim and, if applicable, one D&O Proof of Claim, in respect of the substance of the matters set out in the Ontario Class Action, notwithstanding that leave to make a secondary market liability claim has not be granted and that the National Class has not yet been certified, and that members of the National Class may rely on the one Proof of Claim and/or one D&O Proof of Claim filed by the counsel for the Ontario Plaintiffs and are not required to file individual Proofs of Claim or D&O Proofs of Claim in respect of the Claims forming the subject matter of the Ontario Class Action.

28. THIS COURT ORDERS that the Quebec Plaintiffs are, collectively, authorized to file, on or before the Claims Bar Date, one Proof of Claim and, if applicable, one D&O Proof of Claim, in respect of the substance of the matters set out in the Quebec Class Action, notwithstanding that leave to make a secondary market liability claim has not be granted and that the Quebec Class has not yet been certified, and that members of the Quebec Class may rely on the one Proof of Claim and/or one D&O Proof of Claim filed by the counsel for the Quebec Plaintiffs and are not required to file individual Proofs of Claim or D&O Proofs of Claim in respect of the Claims forming the subject matter of the Quebec Class Action.

REVIEW OF PROOFS OF CLAIM

29. THIS COURT ORDERS that any Claimant filing a Proof of Claim, D&O Proof of Claim or D&O Indemnity Proof of Claim shall clearly mark as "Confidential" any documents or portions thereof that that Person believes should be treated as confidential.

30. THIS COURT ORDERS that with respect to documents or portions thereof that are marked "Confidential", the following shall apply:

- (a) any information that is otherwise publicly available shall not be treated as "Confidential" regardless of whether it is marked as such;
- (b) subject to the following, such information will be accessible to and may be reviewed only by the Monitor, the Applicant, any Director or Officer named in the applicable D&O Proof of Claim or D&O Indemnity Proof of Claim and each of their respective counsel, or as otherwise ordered by the Court ("Designated Persons") or consented to by the Claimant, acting reasonably; and
- (c) any Designated Person may provide Confidential Information to other interested stakeholders (who shall have provided non-disclosure undertakings or agreements) on not less than 3 Business Days' notice to the Claimant. If such Claimant objects to such disclosure, the Claimant and the relevant Designated Person shall attempt to settle any objection, failing which, either party may seek direction from the Court.

31. THIS COURT ORDERS that the Monitor (in consultation with the Applicant and the Directors and Officers named in the D&O Proof of Claim, as applicable), subject to the terms of this Order, shall review all Proofs of Claim and D&O Proofs of Claim filed, and at any time:

- (a) may request additional information from a purported Claimant;
- (b) may request that a purported Claimant file a revised Proof of Claim or D&O Proof of Claim, as applicable;
- (c) may, with the consent of the Applicant and any Person whose liability may be affected or further order of the Court, attempt to resolve and settle any issue arising in a Proof of Claim or D&O Proof of Claim or in respect of a purported Claim or D&O Claim, provided that if a Director or Officer disputes all or any portion of a purported D&O Claim, then the disputed portion of such purported D&O Claim may not be resolved or settled without such Director or Officer's consent or further order of the Court;

- (d) may, with the consent of the Applicant and any Person whose liability may be affected or further order of the Court, accept (in whole or in part) the amount and/or Status of any Claim or D&O Claim, provided that if a Director or Officer disputes all or any portion of a purported D&O Claim against such Director or Officer, then the disputed portion of such purported D&O Claim may not be accepted without such Director or Officer's consent or further order of the Court; and
- (e) may by notice in writing revise or disallow (in whole or in part) the amount and/or Status of any purported Claim or D&O Claim.

32. THIS COURT ORDERS that where a Claim or D&O Claim has been accepted by the Monitor in accordance with this Order, such Claim or D&O Claim shall constitute such Claimant's Proven Claim. The acceptance of any Claim or D&O Claim or other determination of same in accordance with this Order, in full or in part, shall not constitute an admission of any fact, thing, liability, or quantum or status of any claim by any Person, save and except in the context of the CCAA Proceedings, and, for greater certainty, shall not constitute an admission of any fact, thing, liability, or quantum or status of any claim by any Person as against any Subsidiary.

33. THIS COURT ORDERS that where a purported Claim or D&O Claim is revised or disallowed (in whole or in part, and whether as to amount and/or Status), the Monitor shall deliver to the purported Claimant a Notice of Revision or Disallowance, attaching the form of Dispute Notice.

34. THIS COURT ORDERS that where a purported Claim or D&O Claim has been revised or disallowed (in whole or in part, and whether as to amount and/or as to Status), the revised or disallowed purported Claim or D&O Claim (or revised or disallowed portion thereof) shall not be a Proven Claim until determined otherwise in accordance with the procedures set out in paragraphs 42 to 45 hereof or as otherwise ordered by the Court.

REVIEW OF D&O INDEMNITY PROOFS OF CLAIM

35. THIS COURT ORDERS that the Monitor, subject to the terms of this Order, shall review all D&O Indemnity Proofs of Claim filed, and at any time:

- (a) may request additional information from a Director or Officer;
- (b) may request that a Director or Officer file a revised D&O Indemnity Proof of Claim;
- (c) may attempt to resolve and settle any issue arising in a D&O Indemnity Proof of Claim or in respect of a purported D&O Indemnity Claim;
- (d) may accept (in whole or in part) the amount and/or Status of any D&O Indemnity Claim; and
- (e) may by notice in writing revise or disallow (in whole or in part) the amount and/or Status of any purported D&O Indemnity Claim.

36. THIS COURT ORDERS that where a D&O Indemnity Claim has been accepted by the Monitor in accordance with this Order, such D&O Indemnity Claim shall constitute such Director or Officer's Proven Claim. The acceptance of any D&O Indemnity Claim or other determination of same in accordance with this Order, in full or in part, shall not constitute an admission of any fact, thing, liability, or quantum or Status of any claim by any Person, save and except in the context of the CCAA Proceedings, and, for greater certainty, shall not constitute an admission of any fact, thing, liability, or quantum or Status of any claim by any Person as against any Subsidiary.

37. THIS COURT ORDERS that where a purported D&O Indemnity Claim is revised or disallowed (in whole or in part, and whether as to amount and/or Status), the Monitor shall deliver to the Director or Officer a Notice of Revision or Disallowance, attaching the form of Dispute Notice.

38. THIS COURT ORDERS that where a purported D&O Indemnity Claim has been revised or disallowed (in whole or in part, and whether as to amount and/or as to Status), the revised or

disallowed purported D&O Indemnity Claim (or revised or disallowed portion thereof) shall not be a Proven Claim until determined otherwise in accordance with the procedures set out in paragraphs 42 to 45 hereof or as otherwise ordered by the Court.

39. THIS COURT ORDERS that, notwithstanding anything to the contrary in this Order, in respect of any Claim, D&O Claim or D&O Indemnity Claim that exceeds \$1 million, the Monitor and the Applicant shall not accept, admit, settle, resolve, value (for any purpose), revise or reject such Claim, D&O Claim or D&O Indemnity Claim ~~without the consent of the Ad Hoc Noteholders or~~ Order of the Court.

without
SO

DISPUTE NOTICE

40. THIS COURT ORDERS that a purported Claimant who intends to dispute a Notice of Revision or Disallowance shall file a Dispute Notice with the Monitor as soon as reasonably possible but in any event such that such Dispute Notice shall be received by the Monitor on the day that is fourteen (14) days after such purported Claimant is deemed to have received the Notice of Revision or Disallowance in accordance with paragraph 50 of this Order. The filing of a Dispute Notice with the Monitor within the fourteen (14) day period specified in this paragraph shall constitute an application to have the amount or Status of such claim determined as set out in paragraphs 42 to 45 of this Order.

41. THIS COURT ORDERS that where a purported Claimant that receives a Notice of Revision or Disallowance fails to file a Dispute Notice with the Monitor within the time period provided therefor in this Order, the amount and Status of such purported Claimant's purported Claim, D&O Claim or D&O Indemnity Claim, as applicable, shall be deemed to be as set out in the Notice of Revision or Disallowance and such amount and Status, if any, shall constitute such purported Claimant's Proven Claim, and the balance of such purported Claimant's purported Claim, D&O Claim, or D&O Indemnity Claim, if any, shall be forever barred and extinguished.

RESOLUTION OF CLAIMS, D&O CLAIMS AND D&O INDEMNITY CLAIMS

42. THIS COURT ORDERS that as soon as practicable after the delivery of the Dispute Notice to the Monitor, the Monitor, in accordance with paragraph 31(c), shall attempt to resolve and settle the purported Claim or D&O Claim with the purported Claimant.

43. THIS COURT ORDERS that as soon as practicable after the delivery of the Dispute Notice in respect of a D&O Indemnity Claim to the Monitor, the Monitor, in accordance with paragraph 35(c), shall attempt to resolve and settle the purported D&O Indemnity Claim with the Director or Officer.

44. THIS COURT ORDERS that in the event that a dispute raised in a Dispute Notice is not settled within a time period or in a manner satisfactory to the Monitor, the Applicant and the applicable Claimant, the Monitor shall seek direction from the Court, on the correct process for resolution of the dispute. Without limitation, the foregoing includes any dispute arising as to whether a Claim is or is not an "equity claim" as defined in the CCAA.

45. THIS COURT ORDERS that any Claims and related D&O Claims and/or D&O Indemnity Claims shall be determined at the same time and in the same proceeding.

NOTICE OF TRANSFEREES

46. THIS COURT ORDERS that neither the Monitor nor the Applicant shall be obligated to send notice to or otherwise deal with a transferee or assignee of a Claim, D&O Claim or D&O Indemnity Claim as the Claimant in respect thereof unless and until (i) actual written notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, shall have been received by the Monitor and the Applicant, and (ii) the Monitor shall have acknowledged in writing such transfer or assignment, and thereafter such transferee or assignee shall for all purposes hereof constitute the "Claimant" in respect of such Claim, D&O Claim or D&O Indemnity Claim. Any such transferee or assignee of a Claim, D&O Claim or D&O Indemnity Claim, and such Claim, D&O Claim or D&O Indemnity Claim shall be bound by all notices given or steps taken in respect of such Claim, D&O Claim or D&O Indemnity Claim in accordance with this Order prior to the written acknowledgement by the Monitor of such transfer or assignment.

47. THIS COURT ORDERS that if the holder of a Claim, D&O Claim or D&O Indemnity Claim has transferred or assigned the whole of such Claim, D&O Claim or D&O Indemnity Claim to more than one Person or part of such Claim, D&O Claim or D&O Indemnity Claim to another Person or Persons, such transfer or assignment shall not create a separate Claim, D&O

Claim or D&O Indemnity Claim and such Claim, D&O Claim or D&O Indemnity Claim shall continue to constitute and be dealt with as a single Claim, D&O Claim or D&O Indemnity Claim notwithstanding such transfer or assignment, and the Monitor and the Applicant shall in each such case not be bound to acknowledge or recognize any such transfer or assignment and shall be entitled to send notice to and to otherwise deal with such Claim, D&O Claim or D&O Indemnity Claim only as a whole and then only to and with the Person last holding such Claim, D&O Claim or D&O Indemnity Claim in whole as the Claimant in respect of such Claim, D&O Claim or D&O Indemnity Claim. Provided that a transfer or assignment of the Claim, D&O Claim or D&O Indemnity Claim has taken place in accordance with paragraph 46 of this Order and the Monitor has acknowledged in writing such transfer or assignment, the Person last holding such Claim, D&O Claim or D&O Indemnity Claim in whole as the Claimant in respect of such Claim, D&O Claim or D&O Indemnity Claim may by notice in writing to the Monitor direct that subsequent dealings in respect of such Claim, D&O Claim or D&O Indemnity Claim, but only as a whole, shall be with a specified Person and, in such event, such Claimant, transferee or assignee of the Claim, D&O Claim or D&O Indemnity Claim shall be bound by any notices given or steps taken in respect of such Claim, D&O Claim or D&O Indemnity Claim by or with respect to such Person in accordance with this Order.

48. THIS COURT ORDERS that the transferee or assignee of any Claim, D&O Claim or D&O Indemnity Claim (i) shall take the Claim, D&O Claim or D&O Indemnity Claim subject to the rights and obligations of the transferor/assignor of the Claim, D&O Claim or D&O Indemnity Claim, and subject to the rights of the Applicant or Director or Officer against any such transferor or assignor, including any rights of set-off which the Applicant, Director or Officers had against such transferor or assignor, and (ii) cannot use any transferred or assigned Claim, D&O Claim or D&O Indemnity Claim to reduce any amount owing by the transferee or assignee to the Applicant, Director or Officer, whether by way of set off, application, merger, consolidation or otherwise.

DIRECTIONS

49. THIS COURT ORDERS that the Monitor, the Applicant and any Person (but only to the extent such Person may be affected with respect to the issue on which directions are sought) may, at any time, and with such notice as the Court may require, seek directions from the Court with respect to this Order and the claims process set out herein, including the forms attached as Schedules hereto.

SERVICE AND NOTICE

50. THIS COURT ORDERS that the Monitor and the Applicant may, unless otherwise specified by this Order, serve and deliver the Proof of Claim Document Package, and any letters, notices or other documents to Claimants, purported Claimants, Directors or Officers, or other interested Persons, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission to such Persons (with copies to their counsel as appears on the CCAA Service List if applicable) at the address as last shown on the records of the Applicant or set out in such Person's Proof of Claim, D&O Proof of Claim or D&O Indemnity Proof of Claim. Any such service or notice by courier, personal delivery or electronic or digital transmission shall be deemed to have been received: (i) if sent by ordinary mail, on the third Business Day after mailing within Ontario, the fifth Business Day after mailing within Canada (other than within Ontario), and the tenth Business Day after mailing internationally; (ii) if sent by courier or personal delivery, on the next Business Day following dispatch; and (iii) if delivered by electronic or digital transmission by 6:00 p.m. on a Business Day, on such Business Day, and if delivered after 6:00 p.m. or other than on a Business Day, on the following Business Day. Notwithstanding anything to the contrary in this paragraph 50, Notices of Revision or Disallowance shall be sent only by (i) facsimile to a number that has been provided in writing by the purported Claimant, Director or Officer, or (ii) courier.

51. THIS COURT ORDERS that any notice or other communication (including Proofs of Claim, D&O Proofs of Claims, D&O Indemnity Proofs of Claim and Notices of Dispute) to be given under this Order by any Person to the Monitor shall be in writing in substantially the form, if any, provided for in this Order and will be sufficiently given only if delivered by prepaid registered mail, courier, personal delivery or electronic or digital transmission addressed to:

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

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

Any such notice or other communication by a Person shall be deemed received only upon actual receipt thereof during normal business hours on a Business Day, or if delivered outside of a normal business hours, the next Business Day.

52. THIS COURT ORDERS that if during any period during which notices or other communications are being given pursuant to this Order a postal strike or postal work stoppage of general application should occur, such notices or other communications sent by ordinary mail and then not received shall not, absent further Order of the Court, be effective and notices and other communications given hereunder during the course of any such postal strike or work stoppage of general application shall only be effective if given by courier, personal delivery or electronic or digital transmission in accordance with this Order.

53. THIS COURT ORDERS that in the event that this Order is later amended by further order of the Court, the Monitor shall post such further order on the Monitor's Website and such posting shall constitute adequate notice of such amended claims procedure.

MISCELLANEOUS

54. THIS COURT ORDERS that notwithstanding any other provision of this Order, the solicitation of Proofs of Claim, D&O Proofs of Claim and D&O Indemnity Proofs of Claim and the filing by a Person of any Proof of Claim, D&O Proof of Claim or D&O Indemnity Proof of Claim shall not, for that reason only, grant any Person any standing in the CCAA Proceedings or rights under the Plan.

55. THIS COURT ORDERS that the rights of the Ontario Plaintiffs and the Quebec Plaintiffs granted pursuant to paragraphs 27 and 28 of this Order are limited to filing a single Proof of

quantification, (17)

1627

Claim and, if applicable, a single D&O Proof in respect of each of the National Class and the Quebec Class in these proceedings, and not for any other purpose. Without limiting the generality of the foregoing, the filing of any Proof of Claim or D&O Proof of Claim by the Ontario Plaintiffs or the Quebec Plaintiffs pursuant to this Order:

- (a) is not an admission or recognition of their right to represent the Class for any other purpose, including with respect to settlement or voting in these proceedings, the Ontario Class Action or the Quebec Class Action; and
- (b) is without prejudice to the right of the Ontario Plaintiffs and the Quebec Plaintiffs or their counsel to seek an order granting them rights of representation in these proceedings, the Ontario Class Action or the Quebec Class Action.

56. THIS COURT ORDERS that nothing in this Order shall constitute or be deemed to constitute an allocation or assignment of Claims, D&O Claims, D&O Indemnity Claims, or Excluded Claims into particular affected or unaffected classes for the purpose of a Plan and, for greater certainty, the treatment of Claims, D&O Claims, D&O Indemnity Claims, Excluded Claims or any other claims are to be subject to a Plan and the class or classes of creditors for voting and distribution purposes shall be subject to the terms of any proposed Plan or further Order of the Court.

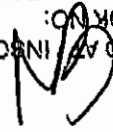
57. THIS COURT ORDERS that nothing in this Order shall prejudice the rights and remedies of any Directors or Officers or other persons under any existing Director and Officers or other insurance policy or prevent or bar any Person from seeking recourse against or payment from the Applicant's insurance and any Director's and/or Officer's liability insurance policy or policies that exist to protect or indemnify the Directors and/or Officers or other persons, whether such recourse or payment is sought directly by the Person asserting a Claim or a D&O Claim from the insurer or derivatively through the Director or Officer or Applicant; provided, however, that nothing in this Order shall create any rights in favour of such Person under any policies of insurance nor shall anything in this Order limit, remove, modify or alter any defence to such claim available to the insurer pursuant to the provisions of any insurance policy or at law.

58. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Barbados, the British Virgin Islands, Cayman Islands, Hong Kong, the People's Republic of China or in any other foreign jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of the Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.



MAY 14 2012

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



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

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

INTRODUCTION

1. On March 30, 2012 (the "**Filing Date**"), Sino-Forest Corporation (the "**Company**") filed for and obtained protection under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Pursuant to the Order of this Honourable Court dated March 30, 2012 (the "**Initial Order**"), FTI Consulting Canada Inc. was appointed as the Monitor of the Company (the "**Monitor**") in the CCAA proceedings. By Order of this Court dated April 20, 2012, the powers of the Monitor were expanded in order to, among other things, provide the Monitor with access to information concerning the Company's subsidiaries. Pursuant to an Order of this Court made on May 31, 2012, this Court granted an Order extending the Stay Period (as defined in the Initial Order) to September 28, 2012. The proceedings commenced by the Company under the CCAA will be referred to herein as the "**CCAA Proceedings**".
2. On the Filing Date, the Court also issued an Order authorizing the Company to conduct a Sale Process (the "**Sale Process Order**").
3. The purpose of this Sixth Report is to:
 - (a) Provide an update on the Company's CCAA proceedings including with respect to:

- (i) the Sale Process;
 - (ii) Mediation;
 - (iii) the Plaintiffs' Motion re Document Production;
 - (iv) Claims Process;
 - (v) the Company's Equity Claims Motion;
- (b) Report on the receipts and disbursements of the Company for the period May 19, 2012 to July 20, 2012; and
- (c) Provide certain information relating to the Sino-Forest Subsidiaries, including:
- (i) overview of the Sino-Forest chops, annual review and process to change legal representatives;
 - (ii) the cash position of the Sino-Forest Subsidiaries;
 - (iii) receivables;
 - (iv) the Thai Redwood Transaction;
 - (v) management's internal December 2011 financial statement impairment provisions;
 - (vi) disbursements;
 - (vii) cumulative variance analysis for the Sino-Forest Subsidiaries;
- (d) Provide an update on Sino-Forest Subsidiary operations, including:
- (i) operational changes;
 - (ii) wood fibre operations;
 - (iii) other businesses; and
- 

- (e) Provide an update on timber assets and verification efforts.
4. In preparing this Sixth Report, the Monitor has relied upon unaudited financial information of Sino-Forest, Sino-Forest's books and records, certain financial information prepared by Sino-Forest, the Reports of the Independent Committee of the Company's Board of Directors dated August 10, 2011 (the "**First IC Report**"), November 13, 2011 (the "**Second IC Report**"), and January 31, 2012 (the "**Final IC Report**" and together, the "**IC Reports**"), and discussions with Sino-Forest's management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. In addition, the Monitor notes that on January 10, 2012, the Company issued a press release cautioning that the Company's historic financial statements and related audit reports should not be relied upon. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Sixth Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Sixth Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
 5. Unless otherwise stated, all monetary amounts contained herein are expressed in US Dollars.
 6. The term "**Sino-Forest**" refers to the global enterprise as a whole but does not include references to the Greenheart Group. "**Sino-Forest Subsidiaries**" refers to all of the direct and indirect subsidiaries of the Company, but does not include references to the Greenheart Group.
 7. Capitalized terms not defined in this Sixth Report are as defined in the pre-filing report of the proposed monitor dated March 30, 2012 (the "**Pre-Filing Report**") and the affidavit of W. Judson Martin sworn March 30, 2012 (the "**Initial Order Affidavit**"). Copies of the Initial Order Affidavit (without exhibits) and the Pre-Filing Report are attached as Appendices "A" and "B" hereto.



GENERAL BACKGROUND

Sino-Forest Business

8. Sino-Forest conducts business as a forest plantation operator in the People's Republic of China ("PRC"). Its principal businesses include ownership and management of forest plantation trees, the sale of standing timber and wood logs, and complementary manufacturing of downstream engineered-wood products.
9. The Company is a public holding company whose common shares were listed on the Toronto Stock Exchange ("TSX"). Prior to August 26, 2011 (the date of the Cease Trade Order, defined below), the Company had 246,095,926 common shares issued and outstanding and trading under the trading symbol "TRE" on the TSX. Effective May 9, 2012, the common shares were delisted from the TSX.
10. On June 2, 2011, Muddy Waters, LLC ("MW"), which held a short position on the Company's shares, issued a report (the "MW Report") alleging, among other things, that Sino-Forest is a "ponzi-scheme" and a "near total fraud". The MW Report was issued publicly and immediately caught the attention of the media on a world-wide basis.
11. Subsequent to the issuance of the MW Report, the Company devoted extensive time and resources to investigate and address the allegations in the MW Report as well as responding to additional inquiries from, among others, the Ontario Securities Commission ("OSC"), the Royal Canadian Mounted Police and the Hong Kong Securities and Futures Commission.
12. In view of the MW Report, the subsequent litigation and regulatory investigations and other issues continue to have a significant negative impact on the Company and have threatened the long term viability of Sino-Forest's operations. For the reasons discussed in the Pre-Filing Report and the Initial Order Affidavit, the Company and the business was placed into a stalemate that could not be resolved without the Court supervised solution offered by the CCAA Proceedings.
13. The Pre-Filing Report and the Initial Order Affidavit provide a detailed outline of Sino-Forest's corporate structure, business, reported assets and financial information as well as


a detailed chronology of the Company and its actions since the issuance of the MW Report in June 2011.

UPDATE ON CCAA PROCEEDINGS

Update on Sale Process

14. On the Filing Date, the Company obtained the Sale Process Order. The Phase 1 Bid Deadline (as defined in the Sale Process Order) was June 28, 2012. On July 10, 2012, the Company issued a press release announcing that the Company had determined that none of the letters of intent were qualified letters of intent and therefore it was terminating the Sale Process and proceeding with the restructuring transaction contemplated under the Support Agreement.
15. Also on July 10, 2012, the Monitor issued its fourth report (the “**Fourth Report**”) to the Court providing an update with respect to the Sale Process and the letters of intent that had been received on the Phase 1 Bid Deadline. The Fourth Report also noted that none of the LOIs (as defined in the Fourth Report) were deemed “Qualified Letters of Intent” under the sale process procedures and the Company subsequently issued a press release confirming the termination of the sale process.
16. Many parties actively involved in these proceedings have requested a summary of the LOIs received. The Monitor agrees with the Company that this information is sensitive and should not be publicly available. However, the Monitor does believe that summary information regarding the LOIs should be placed in the Data Room (defined below) and made available to Mediation Parties (defined below) who have executed a Mediation Confidentiality Agreement (defined below) prior to the Mediation (defined below).

Update on Mediation

17. The Monitor’s fifth report dated July 16, 2012 filed in support of the Monitor’s motion for a mediation order (the “**Mediation Motion**”) provided the background and context leading up to the Mediation Motion.
 18. On July 25, 2012, this Court granted an Order (the “**Mediation Order**”):
- 

- (a) directing mediation ("**Mediation**") among specified "Mediation Parties";
- (b) providing for the establishment of a data room ("**Data Room**") for access by Mediation Parties subject to confidentiality restrictions;
- (c) scheduling September 4, 5 and, if necessary, 10 as the mediation dates; and
- (d) appointing the Honourable Justice Newbould as mediator.

A copy of the Mediation Order is attached as Appendix C hereto.

19. Since the granting of the Mediation Order, the Company has worked with the Plaintiffs and the Third Party Defendants to execute confidentiality agreements in the form agreed to with such parties at the hearing for the Mediation Order (the "**Mediation Confidentiality Agreement**"). A copy of the index to the Data Room and access to the Data Room has been provided to those Mediation Parties that have executed a Mediation Confidentiality Agreement as of the date of this Report.

The Plaintiff's Motion re Document Production

20. On July 10, 2012, the Plaintiffs served a notice of motion (the "**Notice of Motion**") (followed by a full motion record on July 11, 2012) for a motion returnable July 16, 2012 (the "**Plaintiffs' Document Motion**") regarding the disclosure of certain documents set out in their Notice of Motion. At a Court conference call held on July 13, 2012, the Plaintiffs' Document Motion was adjourned to July 25, 2012. At a 9:30 appointment held on July 23, 2012, the motion was further adjourned to July 30, 2012.
21. The Plaintiffs and the Company subsequently agreed upon the list of documents to be put in the Data Room and settled a form of Order in respect of the Plaintiffs' Document Motion. The Order was granted by this Court on July 30, 2012. A copy of the Order is attached as Appendix D hereto.

Update on Claims Process

22. Pursuant to an Order of this Court made on May 14, 2012, this Court granted the Claims Procedure Order providing for a call for claims against the Company and its officers and



directors. While the Claims Procedure Order did not purport to create a bar date in respect of claims against Sino-Forest Subsidiaries, claimants against the Company were ordered to indicate whether they asserted or intended to assert a similar claim against some or all of the Sino-Forest Subsidiaries. The primary claims bar date was June 20, 2012 (the “Claims Bar Date”).¹

- 23. On or about the Claims Bar Date, the Monitor received a total of 228 claims with a face value in excess of \$112 billion. This includes potential duplicative claims filed against the Company and its officers, directors and subsidiaries. A summary of the claims received to date is as follows:

	# of Claims Submitted	\$ of Claims Submitted (millions)
Claims	164	\$ 66,334
D&O Claims	64	\$ 45,861
Total Claims	228	\$ 112,195

- 24. As of the date of this Report, the Monitor is continuing to review the claims received, particularly in light of the Equity Claims Decision (defined below), discussed in further detail below.
- 25. The Monitor is also reviewing the claims under the Company’s four series of notes including the guarantees and pledges given by Sino-Forest in connection with the notes. The Monitor intends to put its summary regarding the guarantees and security in the Data Room.

¹The applicable bar date for certain claims including Restructuring Claims and D&O Indemnity Claims is as set out in the Claims Procedure Order.



The Company's Equity Claims Motion

26. On June 26, 2012, this Court heard a motion brought by the Company for a direction that certain claims against the Company that result from the ownership, purchase or sale of an equity interest in the Company and resulting indemnity claims are “equity claims” as defined in the section 2 of the CCAA. The motion was not opposed by the Plaintiffs but was opposed by certain Third Party Defendants.

27. On July 27, 2012, this Court issued its decision (the “**Equity Claims Decision**”). A copy of the Equity Claims Decision is attached as Appendix E hereto. Pursuant to the Equity Claims Decision, this Court found, *inter alia*, that:²

(a) It was not premature to determine the issue set out in the Company’s motion. Instead:

- (i) it had been clear since the outset of the CCAA proceedings that this issue would have to be determined and this issue could be determined independently of the Claims Procedure Order;
- (ii) the Court did not accept that any party can be said to be prejudiced if this threshold issue is determined at this time;
- (iii) this threshold issue does not depend upon a determination of quantification of any claim; and
- (iv) the effect of the Equity Claims Decision will be to establish whether the claims of E&Y, BDO and the Underwriters will be subordinated pursuant to the CCAA and is independent of determinations as to validity and quantification.

(b) The Shareholder Claims and Related Indemnity Claims are “equity claims” as defined in section 2 of the CCAA.

² Capitalized terms used in the summary and not otherwise defined have the meaning given to them in the Equity Claims Decision. This summary is for information purposes only. Reference should be made to the Equity Claims Decision itself.



- (c) With respect to the claims of E&Y, BDO and the Underwriter, the Court concluded that the most significant aspect of those claims constitute "equity claims". However, the Court did not make a determination as to whether defence costs incurred in defending the class action claims were "equity claims".
- (d) The Equity Claims Decision was without prejudice to the Company's right to apply for a similar order with respect to (i) any claims in the statement of claim that are in respect of securities other than shares and (ii) any indemnification claims against the Company related thereto.

28. On August 3, 2012, the Court issued an Order reflecting the terms of the Equity Claims Decision, a copy of which is attached as Appendix F hereto.

RECEIPTS AND DISBURSEMENTS OF THE COMPANY FOR THE PERIOD TO JULY 20, 2012

Actual Receipts & Disbursements for the Period May 19, 2012, to July 20, 2012

29. The Company's actual net cash flow for the period from May 19, 2012, to July 20, 2012 (the "Current Period") together with an explanation of key variances as compared to the May 23 Forecast (as defined in the Monitor's Third Report) is described below. Actual net cash flows for the Current Period were approximately \$8.5 million higher than forecast and summarized as follows:



\$000 CAD	Forecast	Actual	Difference
Cash inflow			
Insurance Proceeds	\$ -	\$ 6,664	\$ 6,664
Interest Income	\$ 412	\$ 417	\$ 5
Total cash inflow	\$ 412	\$ 7,081	\$ 6,669
Cash outflow			
Payroll and Benefits	\$ 121	\$ 111	\$ (9)
Board & Committee Fees	\$ 392	\$ 307	\$ (85)
Travel	\$ 185	\$ 47	\$ (137)
Rent, Communication & Utilities	\$ 40	\$ 52	\$ 13
Taxes & Other	\$ 102	\$ 47	\$ (55)
Total cash outflow	\$ 839	\$ 565	\$ (273)
Net Operating Cashflow	\$ (426)	\$ 6,516	\$ 6,942
Restructuring Costs			
Professional Fees	\$ 10,482	\$ 8,946	\$ (1,536)
Total Restructuring Costs	\$ 10,482	\$ 8,946	\$ (1,536)
Net Cash Flow	\$ (10,908)	\$ (2,430)	\$ 8,478
Opening Cash Balance	\$ 61,007	\$ 61,007	\$ -
Net Cash Balance	\$ (10,908)	\$ (2,430)	\$ 8,478
Ending Cash Balance	\$ 50,099	\$ 58,577	\$ 8,478

30. The key variances in actual receipts and disbursements compared to the May 23 Forecast is a favourable variance of approximately \$8.5 million primarily relating to:
- (a) A positive variance of approximately of \$6.7 million in cash inflows. This variance is permanent in nature and related to insurance proceeds received by Sino-Forest in respect of professional fees incurred. The timing and estimated value of potential insurance proceeds was unknown at the time of the preparation of the May 23 Forecast and therefore was not included as part of the Forecast; and
 - (b) A positive variance of approximately \$1.5 million in professional fees. This variance is temporary in nature and is expected to reverse in the coming weeks as invoices are submitted by the professionals and paid by Sino-Forest.

INFORMATION RELATING TO SINO-FOREST SUBSIDIARIES

31. As set out in the Third Report of the Monitor, the Monitor (both directly and through FTI Consulting (Hong Kong) Limited (“FTI HK” and together with the Monitor, “FTI”)) established communication protocols and reporting mechanisms with Sino-Forest in Hong Kong and the People’s Republic of China (“PRC”).
32. The Monitor was granted further powers pursuant to the Expanded Powers Order dated April 20, 2012, the majority of which related to direct access and involvement in the Sino-Forest Subsidiaries, as opposed to the Company itself. The Company’s request for the Expanded Powers Order was primarily as a result of certain enforcement notices received from the OSC in April 2012, and personnel changes resulting from those changes.
33. FTI continues to work with Sino-Forest on its operational, financial, legal and other issues. Much of the Monitor’s activities to date have included, and continue to include, monitoring and reviewing financial information and Sino-Forest Subsidiaries’ activities in addition to attending certain meetings between the Company and third parties.
34. The purpose of this overview is to inform on the status of the Sino-Forest Subsidiaries from the start of the CCAA proceedings to date. In assessing Sino-Forest, including what actions and steps should be taken, reference was made to the IC Reports and the work and background conducted by the Independent Committee and its advisors. Copies of the IC Reports are attached as Appendices G through I hereto.


General Overview

35. As was set out in the Initial Order Affidavit as well as the Pre-Filing Report, in the months after the release of the MW Report and the subsequent commencement of investigations and litigation involving Sino-Forest Corporation, the ultimate parent of the Sino-Forest Companies, the majority of the business in the PRC came to a virtual standstill. Although certain business segments continued, they did so at diminished levels and Sino-Forest’s primary business, namely the purchase and sale of standing timber, froze. Both the Initial Order Affidavit and the Pre-Filing Report observed that a



court supervised process was necessary for any chance of resolving the stalemate that the business found itself in.

36. As discussed in the following sections, Sino-Forest's financial and operational aspects of the business in the PRC continue to be negatively impacted by the uncertainty regarding the Company's affairs. Operations in Sino-Forest's standing timber business (which accounts for the vast majority of Sino-Forest's historical reported revenue and asset base) remain frozen and the remainder of Sino-Forest's businesses are operating at substantially lower levels than in past years.
37. Further, Sino-Forest's existing senior management team has been significantly reduced since the commencement of the CCAA proceedings. As has been previously reported and disclosed by the Company, in April 2012, in response to enforcement notices issued by the OSC, a number of personnel changes were made whereby members of senior management were terminated. The chief financial officer also stepped down from that role, although he remains an employee of the Company. The Monitor understands that the terminated personnel played a significant role in Sino-Forest's business. Due to the on-going concern in the Company and the Sino-Forest business, it has not been an option for Sino-Forest to replace these individuals.
38. Although Sino-Forest's cash position may appear to be ahead of its forecast (see below), the original subsidiary level forecast was mostly prepared by individuals who are no longer employed by Sino-Forest as a result of the personnel changes in April 2012 and may not be an appropriate reference point. In reality, although disbursements are lower than normal, collection of receivables is proving difficult (as discussed below) and, to date, Sino-Forest has not been able to revive its business.
39. As evidenced by recent events, Sino-Forest is experiencing the results of a deteriorating business across multiple fronts, including:
 - (a) Provisions in respect of uncollectible receivable balances and assets with impaired values have been taken in the 2011 year end internal financial statements (which are discussed in further detail below);

- (b) Management will need to review the impact of the recent de-registrations on the interim 2012 internal financial statements and to consider the need for further provisions in respect of amounts owed by de-registered AIs (which is discussed in more detail below);
 - (c) Work being performed by third party consultants to verify Sino-Forest's forestry estate is on-going and estimated to take years to complete and/or to verify a substantial portion of the estate;
 - (d) There is no indication that Sino-Forest will be able to resume its business absent a successful restructuring and resolution in these CCAA proceedings; and
 - (e) There is a limited pool of funds that continues to be depleted throughout the CCAA proceedings.
40. The deterioration of Sino-Forest is also directly influenced by what appears to be the beginning of a breakdown of its relationships with certain AIs and suppliers. As described in the Pre-filing Report, the Initial Order Affidavit and as set out in the IC Reports, it is clear that there is an emphasis put on "business relationships" among parties that is paramount to any contractual or legal relationship that may have been entered into by the parties. These relationships are relied upon for the conduct of business in this industry in the PRC. In the course of its investigation, the IC reported that it was apparent that integral to Sino-Forest's business model was its relationship with business partners. Recent events highlight the breakdown:
- (a) Certain authorized intermediaries ("AIs") who are necessary for selling standing timber under the BVI structure and who had outstanding receivable balances with Sino-Forest, have de-registered (which is discussed in more detail below);
 - (b) Certain suppliers responsible for selling standing timber to Sino-Forest have de-registered; and
- 

- (c) The trading business has stopped importing, other than the existing Thai Redwood transaction. The Thai Redwood transaction that was expected to occur in May 2012 has been delayed multiple times.

41. The Monitor also notes that as the restructuring proceedings continue with no resolution, the ability of Sino-Forest to maintain its relationship with the PRC government may become increasingly difficult.

Chops, Annual Review and Process to Change Legal Representatives


42. Upon filing, FTI began discussions regarding the corporate governance of the Sino-Forest Subsidiaries, particularly the PRC entities which are located in various regions in the PRC. Through initial conversations and advice provided by Hong Kong and PRC counsel, the Monitor learned that, as a corporate governance matter, companies incorporated in the PRC:

- (a) Are represented by an individual who is appointed as the “legal representative” of that company in dealing with external parties and under the PRC law; and
- (b) conduct business through “chops” which are akin to company seals. PRC companies can have different kinds of chops including the “company chops”, “financial chops” and “individual bank signatory chop”. These chops are generally located at the subsidiary where they are used and may only be used by authorized individuals.

43. Shortly after the Filing Date, Sino-Forest sent out a company-wide letter (the “**Letter**”) to all of the subsidiaries identifying new restrictions on the use of the chops and prohibiting the use of these chops without prior permission from identified senior management of Sino-Forest. As discussed in further detail below, the Letter also outlined a new protocol for proposed disbursements and for entering into new contracts and commitments above a pre-determined threshold, including prior review by FTI.

44. As previously reported, in April 2012 there were several personnel changes due in large part to the ongoing investigation and charges laid by the OSC. As a consequence of these

changes, the Company and FTI undertook a diligence exercise to determine the legal representatives for all Sino-Forest PRC companies and the location and security of the various chops. A summary of the steps taken is as follows:

- (a) The Company, through its legal counsel, conducted a corporate review of the PRC subsidiaries to determine the identity of the legal representatives of each company. This review showed that there was a consistent legal representative across many of the subsidiaries and that in most cases the legal representative was no longer an employee of Sino-Forest.
 - (b) FTI then conducted physical visits of approximately 50% of Sino-Forest's PRC subsidiaries and observed the location of the company chop, financial chop and individual bank signatory chop for those subsidiaries it inspected.
 - (c) It was determined that it was not necessary or prudent to conduct an initial review of all PRC subsidiaries. This determination was based on the fact that: chops are physically located at the subsidiary offices throughout the PRC, the costs associated with physically visiting all locations and the relative levels of business historically reported by such subsidiaries. Instead, FTI selected a sample of subsidiaries to visit based on levels of business, cash balances and physical ability to visit those locations.
45. Based on the inspections that FTI has conducted, the chops appear to be physically locked in storage or other cabinets at the subsidiary level. Initially, there was one exception, but FTI has been advised that it has been remedied. FTI cannot be sure that the chops are kept under lock and key at all times given the practical prohibitions on such monitoring. However, FTI is advised by Sino-Forest management that the protocols set out in the Letter continue to be followed.
46. The Monitor expressed concern to Sino-Forest regarding the physical location of the chops at each of the subsidiaries as well as the legal representatives (particularly those that are no longer employees of Sino-Forest). These concerns were somewhat mitigated by the implementation of the new controls under the Letter. Further, at the time these
- 

concerns were initially raised, Sino-Forest's view was that (a) physical relocation of the chops to a more centralized location was not possible as a practical matter as they are needed by each subsidiary on a daily basis to conduct any business; and (b) any changes in legal representatives or other protocols at that time were not timely due to the fact that the PRC subsidiaries were undergoing their annual review process. The annual review process is described in more detail below.

47. Over the past number of months, Sino-Forest's PRC subsidiaries have been undergoing annual reviews. These reviews are government mandated and companies are required to pass these reviews every year in order to carry on business in the PRC. As of July 31, 2012, all of the annual reviews have now been completed. FTI is advised that all but three (3) of the PRC subsidiaries have passed their review and FTI is now in the process of receiving copies of the stamped business licenses indicating that the reviews were successful. For those three (3) that remain outstanding, two (2) are expected to be complete by August 10, 2012 and the last one by August 31, 2012.
48. Given the completion of the annual reviews, the Monitor is re-visiting discussions with Sino-Forest management to determine whether further steps should be taken to either replace the legal representatives and/or obtain a greater degree of certainty on the use and security of the chops.

Cash Position of Sino-Forest Subsidiaries

49. Prior to the CCAA proceedings, the Independent Committee, through its financial advisor, PricewaterhouseCoopers LLP ("PwC") was trying to verify the cash position of Sino-Forest. PwC was able to complete verification as of June 13, 2011 of 81% of the cash position in the PRC and 100% in Hong Kong.
50. Since the Filing Date, FTI has continued to work with Sino-Forest to verify cash positions on an on-going basis particularly given the fact that the PwC verification was as of ten (10) months prior to the filing.
51. Sino-Forest has approximately 546 bank accounts, 327 of which are located in various parts of the PRC. FTI initially commenced work to understand the logistics, location and

reported balances in these accounts and based on that, determined that the best approach was to conduct an initial review of all accounts with a balance over \$5 million. The further following actions continue to be taken by FTI in order to verify cash positions:

- (a) FTI performs a monthly review of bank statements for over 60% of the bank accounts as compared to the bank statements. Included in the accounts that are under review are all of the accounts with significant balances as well as a monthly random review of selected accounts with smaller balances;
- (b) FTI has also physically visited specific banks in efforts to confirm certain account balances as at March 31, 2012. Sino-Forest has 17 bank accounts in the PRC with balances in excess of \$5 million as at March 30, 2012. The 17 accounts represent approximately 65% of the expected total of all PRC bank accounts, or 44% of the expected total of all account balances;
- (c) FTI selected 9 of the 17 accounts to be verified and visited the banks with local Sino-Forest personnel located in: Hunan Province, Jiangzi Province, Guizhou Province, Shanghai and Guangzhou. No material misstatements were identified for any of the reviewed account balances as of March 30, 2012; and
- (d) There were 216 non-PRC bank accounts with a total balance of approximately \$167 million as at March 30, 2012. FTI has verified all of these accounts with a balance of over \$100,000 by checking bank statements, which represents approximately 99% of the total non-PRC balance. FTI performs a selected review of a portion of the non-PRC bank accounts on an ongoing basis.

52. As an example, the breakdown of accounts reviewed per segment for June 2012 is detailed below. Based on the review procedures set out in 51(a) and (d) above, there were no material misstatements in those accounts checked.

USD	Sino-Wood	Sino-Panel	Non-PRC	Total
# of accounts with balances	147	180	219	546
Balances as at June 30, 2012 (\$ 000s)	\$ 92,709	\$ 126,275	\$ 145,235	\$ 364,218
% of bank account balances reviewed	58%	64%	69%	64%


Receivables

- 53. The Initial Order Affidavit set out Sino-Forest’s receivable balances, including ongoing difficulties in collecting those receivables given the MW Report and the uncertainty surrounding the business. Sino-Forest had, in fact, instructed one of its then PRC counsel to send demand letters in respect of significant receivable balances.
- 54. As of July 12, 2012, the Company had recorded receivables totalling approximately \$1 billion. Details regarding the outstanding receivables balance can be found below:

	\$	%
BVI Standing Timber	\$ 887	82%
Wood WFOE Standing Timber	\$ 1	0%
Panel WFOE Standing Timber	\$ 42	4%
BVI Trading	\$ 126	12%
WFOE Trading	\$ 11	1%
Miscellaneous	\$ 14	1%
Total	\$ 1,081	100%

- 55. Subsequent to the commencement of the CCAA proceedings, management engaged another PRC law firm, Jingtian & Gongcheng (“J&G”) to follow up on the collection of outstanding receivables. Collection methods include detailed analysis of existing outstanding receivables, demand letters, follow up on demand letters that Sino-Forest’s prior PRC counsel had advised it sent and face-to-face discussions with third parties in respect of certain specific outstanding receivables.
- 56. FTI has also begun participating (and continues to participate) in weekly meetings with Sino-Forest for a status update on legal proceedings/actions launched against specific debtors throughout the CCAA proceedings. FTI has also been participating (and continues to participate) in weekly meetings with subsidiaries as well as weekly calls with Jingtian & Gongcheng.
- 57. More recently, FTI has taken additional measures in following up on the status of the outstanding receivables, understanding the nature of collection methods being used and the impact these methods may have had on reducing the total outstanding balance.



58. In the course of FTT's increased role in assisting with the collection of receivables, FTT requested J&G to conduct searches of several entities, the results of which can be summarized as follows:
- (a) Searches were conducted against six (6) AIs with whom the BVI entities conduct business for standing timber and who make up approximately \$887 million of the Company's reported receivables. Based on the search results, three (3) of those entities, representing \$504 million in receivables, have been de-registered.
 - (b) Searches were conducted against twelve (12) entities with whom the BVI entities conduct business for BVI trading and who make up approximately \$126 million of the Company's reported receivables. Based on the search results, six (6) of those entities, representing \$63 million, have been de-registered, one (1) of which is also included in paragraph (a) above.
59. Although discussions are ongoing regarding the impact of de-registration and possible recourse available to Sino-Forest, the receivables position of Sino-Forest appears to be significantly different from past reported receivables. On July 31, 2012, the Company issued a press release outlining the discoveries made regarding the de-registration of these parties. A copy of the press release is attached as Appendix J hereto.
60. By far, the most significant impact of the above has been the de-registration of the AIs. As was set out in the IC Reports as well as the Initial Order Affidavit, there has always been very little insight into the business of the AIs including their books and records, cash collections and disbursements. Further, based on the IC investigation, it is apparent that there are on-going issues with respect to many aspects of the business transactions between Sino-Forest and the AIs, including the nature of many of these relationships. Historically, receivables from AIs were not collected as they were used to offset new standing timber purchases, as described in the description of the BVI model in the Initial Order Affidavit and the IC Reports.
61. The Monitor has been informed by King & Wood Mallesons that "de-registration" in the PRC is effectively the wind-up or termination of such company. In other words, after de-
- 

registration, the company ceases to exist. However, as of the date of this Report, the Company and the Monitor are still at the stage of obtaining further legal advice regarding the de-registration process and possible civil and/or criminal remedies that might be available to Sino-Forest including pursuit of the shareholders of the AIs that have been de-registered and other related parties.

62. In the event that, in fact, these debts are not honoured, they may be written off by the Sino-Forest Subsidiaries that they are owed to, which would be a typical accounting practice.

The Thai Redwood Transaction

63. In March 2011, at the initiation of a former senior employee of Sino-Forest, Sino-Forest entered into two contracts (which were subsequently amended) for the purchase of approximately 6,500 tons of Thai Redwood through a PRC distributor (the “**Thai Redwood Transaction**”). In connection with the entering into of those contracts, Sino-Forest paid a deposit of \$15 million in April 2011 and a further deposit of \$32 million in December 2011.
64. Since the commencement of the proceedings, Sino-Forest has made ongoing efforts to either receive the Thai Redwood or get a return of the deposits. In that regard, numerous meetings have taken place with various individuals involved in the Thai Redwood Transaction. FTI has attended some of these meetings.
65. To date, Sino-Forest has not received shipment of the Thai Redwood. Sino-Forest and FTI have been advised by the supplier that the delay is due to many complicating factors including the political changes in Thailand and weather conditions. However, the significant delay has been of great concern to both the Monitor and the Company and, as a result, Sino-Forest is in ongoing negotiations with its supplier for return of the deposit or delivery of the wood. As of the date of this report, no resolution has been reached. It is the Monitor’s view that, at this point, recovery of either the deposits or delivery of the Thai Redwood is uncertain.

Management's Internal December 2011 Financial Statement Impairment Provisions


66. Management of the Company advised the Monitor that it has recorded approximately \$560 million in impairment provisions in respect of its internal 2011 financial statements. Management is currently working on finalizing the internal financial statements for Q1 2012 and expects to do so over the coming weeks.
67. A majority of the write-offs that pertain to the internal 2011 year-end financial statements relate to goodwill impairment, trade receivable impairments, fair value impairments of standing timber and deposits and plantation prepayments made in respect of contractual commitments. The 2011 provision does not take into account any potential additional write-offs related to accounts receivable, that may have to be accounted for due to the recent discovery of the de-registration of AIs or other third parties as described above. Any additional provisions will be recorded in the Q1 2012 internal financial statements.
68. The Monitor has had a number of discussions with the Company's management to understand the rationale and underlying justification for this provision. The Monitor has also requested back up information and documentation to try to understand the Company's decision more thoroughly. To date, the Monitor has reviewed a number of documents and makes the following observations:
 - (a) Approximately 13% of the provision taken relates to trade receivable impairments and bad debts written off. The impairment provision relates to the fact that the receivables balances are more than one year old and the Company follows a policy of providing for receivables that are more than one year past due. There are a number of customers that may also be suppliers and/or be related to suppliers and therefore there may be opportunities for set-off that management is currently looking into;
 - (b) Approximately 20% of the provision taken relates to wood log deposits, of which approximately 30% relate to certain 2011 deposits with the same supplier discussed above, who is party to the Thai Redwood Transaction, but relating to separate transactions. The assumptions underlying the impairments are based on



a lack of activity with counterparties to Sino-Forest's log supply agreements since MW;

- (c) Approximately 38% of the provision taken appears to be related to Mandra goodwill and intangibles and write offs of the fair value of timber assets based on management's estimate of recovery;
 - (d) The remaining provision amounts include certain balances that management has deemed impaired and/or written off due to existing external circumstances; and
 - (e) There are a number of explanations that are still outstanding as they relate to specific questions in the PRC and/or analysis performed by individuals who are no longer employed by Sino-Forest.
69. The Monitor continues to hold discussions with management to better understand the assumptions underlying the write-offs and potential impact on the existing business. The Monitor continues to review explanations and supporting documentation in both Canada and Hong Kong.

Disbursements

70. As set out above, the Letter provided for a new protocol on authorized disbursements. The Letter specifically provided that no disbursements or new commitments were to be made over an agreed upon threshold without approval from senior management and review by FTI.
71. FTI continues to work with Sino-Forest to monitor disbursements and confirm that the protocol on disbursements is followed. On a weekly basis, FTI reviews a list of proposed payments by Sino-Forest in excess of a pre-determined threshold. On a monthly basis, FTI reviews a sample of bank statements to verify that payments in excess of a pre-determined threshold were made and to verify the ending cash balances. Based on these controls, with one exception that took place shortly after the Filing Date, the appropriate protocols on disbursements appear to be followed.
- 

72. As of July 20, 2012, Sino-Forest is approximately \$91 million ahead of its cash flow, a significant portion of this relating to a difference in actual versus forecast disbursements. Further details explaining the variance analysis can be found in the section entitled "Cumulative Variance Analysis".
73. A significant portion of the approximately \$91 million is attributable to lower actual disbursements than forecast in Sino-Panel. The differences are primarily a result of:
- (a) approximately \$18 million in operating expenses that were lower than forecast due to lower work levels at manufacturing plants, poor weather conditions; and
 - (b) approximately \$50 million in outstanding accounts payable payments for plantation purchases and lease payments that have been delayed (at this point in time, it is still unknown what portion of the difference is timing versus permanent).

Cumulative Variance Analysis

74. The Sino-Forest Subsidiaries' net cash flows broken down by Sino-Forest's key operating lines, together with an explanation of key variances as compared to forecast is described below. Actual net cash flows are for the period from March 30, 2012 to July 20, 2012.

USD millions	Actual	Forecast	Difference
HK/BVI/Barbados	\$ (16)	\$ (18)	\$ (2)
Sino-Wood	\$ 12	\$ (10)	\$ (22)
Sino-Panel	\$ (10)	\$ (63)	\$ (53)

The key variances in actual receipts and disbursements as compared to forecast are:

- (a) Sino-Wood:
 - (i) Sino-Wood received a \$5 million bank loan which was not originally forecast by the Company;

- (ii) Sino-Wood was supposed to receive an approximate \$5 million capital injection which has been delayed;
 - (iii) Expenses related to planted plantations of approximately \$5 million were lower than forecast due to unforeseen weather and timing issues; and
 - (iv) General overhead expenses were lower than forecast by approximately \$3 million resulting primarily from timing differences.
- (b) Sino-Panel:
- (i) Sino-Forest forecast that the Thai Redwood Transaction would be completed and that approximately \$14 million in sales would have occurred. The Thai Redwood Transaction has been delayed and therefore the sales have not yet materialized;
 - (ii) Delayed payment to a specific supplier harvesting timber has further delayed expected revenue of approximately \$9 million related to the timber;
 - (iii) A majority of the forecast accounts payable have been delayed. A portion of the positive variance of approximately \$50 million may be a permanent difference, but this has not yet been determined; and
 - (iv) Operating expenses were lower than forecast due to lower work levels at the manufacturing plants than forecast, poor weather and the delayed Thai Redwood Transaction. A portion of the positive variance of \$18 million may be permanent, but this has not yet been determined.

UPDATE ON SINO-FOREST SUBSIDIARY OPERATIONS

75. Reference should be made to the IC Reports and the Initial Order Affidavit for an overview of the different segments of Sino-Forest's business as well as historic operating levels.


Operational Changes

76. Since the filing, the Monitor is not aware of any new Sino-Forest entities being incorporated or any major transfers of assets among subsidiaries. Sino-Forest has continued to employ the vast majority of its employees (other than those personnel changes that have previously been discussed), the majority of whom work in Sino-Forest's manufacturing operations.
77. Subsequent to the filing, management of the Sino-Panel subsidiaries was replaced after the April 2012 personnel changes were made. New management of Sino-Panel are in the process of dealing with on-going operational issues, meeting with agents and negotiating resolutions to the outstanding legal matters.

Wood Fibre Operations

78. As set out in the Initial Order Affidavit for the year ended December 2010, revenue from wood fibre operations accounted for approximately 96.4% of Sino-Forest's reported revenue. In June 2011, upon the release of the MW Report, wood fibre operations, effectively halted, with very little purchases or sales in the third or fourth quarter of 2011 and no purchases or sales in 2012.

Other Businesses

79. The balance of Sino-Forest's businesses (which are all described in the Initial Order Affidavit) accounted for approximately 3.6% of Sino-Forest's reported revenue in 2010. These businesses were also significantly impacted by the MW Report, and have continued at diminished levels for the balance of 2011 and the first quarter of 2012.
80. A brief summary of some of those on-going businesses is as follows:
- (a) *Manufacturing and Other Operations.* The industrial segment of the subsidiaries includes manufacturing and industrial operations and employs approximately 2290 employees. Historically, only two of the operations provided positive financial performance, the remaining industrial operations have historically incurred financial losses. There has been no significant changes in the operations of this business segment.
- 


- (b) *Log Trading.* The subsidiaries dealing with trading activities are in the process of being shut down. The only potential forecast incoming supply of logs is related to the Thai Redwood Transaction, which has been discussed above. The trading business segment has an inventory of existing logs, which they are in the process of selling.

Overall Impact

81. The Monitor continues to be of the view that it is important for these proceedings to be completed as soon as possible given the events that have taken place and may continue to take place which have a significantly negative impact on the business.

UPDATE ON TIMBER ASSETS AND VERIFICATION EFFORTS

82. The Monitor is aware that verification and valuation of the Sino-Forest assets is of ongoing interest to many participants in the Sino-Forest CCAA proceedings for various reasons. Indeed, verification and valuation were issues that was addressed by the IC in its reports. The Final Report provided some information regarding verification work that was considered. However, the IC observed that even if verification work was able to be completed, there were still significant hurdles to establishing valuation given the title issues in the BVI model and the relationship issues regarding many of the AIs.
83. Indufor was engaged by Sino-Forest during the course of the independent committee investigation to perform an area verification of the forestry estate of Sino-Forest. However, for the reasons set out above as well as the time consuming nature of verification, very little or no verification was completed prior to the issuance of the Final Report.
84. Indufor, under the supervision of Stewart Murray and the Company, has continued to work on verification post-filing. The area verification process is a two stage process that is being undertaken in the PRC. The process involves incrementally confirming the geographic location of each compartment, followed by a verification of each compartment's area of stocked forest cover using an independent source of satellite imagery.

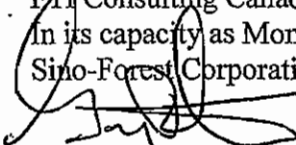
85. The Monitor has been advised that the area verification exercise currently being undertaken by Indufor is a lengthy process and requires the dedication of long term resources. The work Indufor is undertaking includes the following:
- (a) Registering and digitizing maps;
 - (b) The use of Satellite imagery and image pre-processing routines;
 - (c) Atmospheric Correction;
 - (d) Vegetation classification;
 - (e) Map uplift, digitization and satellite imagery process (a time-consuming process that is necessary to ensure compliance with restrictions that apply to the distribution of PRC maps); and
 - (f) Area verification.
86. To date, Indufor has completed six (6) verification reports confirming the compartment locations of 63,956 hectares of the Sino-Forest estate to date. The confirmation involves geo-referencing and digital mapping of the compartments and represents approximately 8% of total Sino-Forest reported net stocked area of 808,685 hectares as at the end of December 31, 2011. Analysis and findings of these reports are limited solely to the area that has been verified. No extrapolations of findings to the wider Sino-Forest estate are possible or implied.
87. The Monitor is not yet clear as to whether the Indufor work will ultimately be timely or helpful in resolving the questions concerning the value of Sino-Forest's business. The Monitor understands that this type of work is extremely time consuming and that, in order to complete any meaningful amount of verification could take years, at a minimum.
88. As set out in previous documents including the IC Reports and the Initial Order Affidavit, asset verification to any degree of certainty may be difficult in this situation given many factors including, the nature of the assets, geographical impediments, political impediments and financial resources available. The verification exercise is a lengthy
- 

process and likely to take years to verify any significant percentage of the Sino-Forest estate.

89. The Monitor also notes that even if Indufor is able to verify even a portion of the assets, further work will need to be done to verify the underlying documents and assumptions used by Indufor. Lastly, as discussed above, verification does not establish title or deal with the relationships with the AIs (or address the issues arising from the de-registration of AIs).

Dated this 10th day of August, 2012.

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



Greg Watson
Senior Managing Director

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)

SIXTH REPORT OF THE MONITOR

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Derrick Tay (LSUC No. 21152A)
Tel: (416) 369-7330 / Fax: (416) 862-7661
Email: derrick.tay@gowlings.com

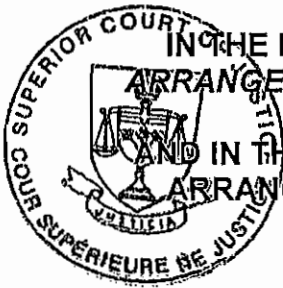
Jennifer Stam (LSUC No. 46735J)
Tel: (416) 862-5697 / Fax: (416) 862-7661
Email: jennifer.stam@gowlings.com

Lawyers for the Monitor,
FTI Consulting Canada Inc.

TAB 11

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)	FRIDAY, THE 27 th
)	
JUSTICE MORAWETZ)	DAY OF JULY, 2012



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

ORDER

THIS MOTION made by the Applicant, Sino-Forest Corporation ("**SFC**") regarding the status of shareholder claims and related indemnity claims was heard this day, at the courthouse at 330 University Avenue, Toronto, Ontario,

ON READING the Motion Record of the Applicant, the Responding Motion Record of Ernst & Young LLP, the Book of Previously Filed Materials and Court Orders, and the Responding Motion Record of BDO Limited and the facts of the parties, and on hearing the submissions of counsel for the Moving Party, Sino-Forest Corporation, the Monitor, the Ad Hoc Committee of Noteholders, Ernst & Young, BDO, and certain underwriters named as defendants in the Ontario Class Action:

1. **THIS COURT ORDERS** that further service of the Notice of Motion and Motion Record on any party not already served is hereby dispensed with, such that this motion is properly returnable today.
2. **THIS COURT ORDERS** that the claims against SFC resulting from the ownership, purchase or sale of an equity interest in SFC, including, without


limitation, the claims by or on behalf of current or former shareholders asserted in the proceedings listed in Schedule "A", (collectively, the "Shareholder Claims") are "equity claims" as defined in section 2 of the *Companies' Creditors Arrangement Act* (the "CCAA"), being claims in respect of monetary losses resulting from the ownership, purchase or sale of an equity interest.

3. **THIS COURT ORDERS** that any indemnification claims against SFC related to or arising from the Shareholder Claims, including, without limitation, by or on behalf of any of the other defendants to the proceedings listed in Schedule "A", (the "Related Indemnity Claims") are "equity claims" under the CCAA, being claims for contribution or indemnity in respect of claims that are equity claims.
4. **THIS COURT ORDERS** that nothing in paragraph 3 determines whether this Order extends to the aspect of any Related Indemnity Claims that corresponds to defence costs in connection with the defence of any Shareholder Claims.
5. **THIS COURT ORDERS** that the order is without prejudice to SFC's right to apply for a similar order with respect to (i) any claims that are in respect of Securities other than shares and (ii) any indemnification claims against SFC related thereto.

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

AUG 03 2012

PER/FAR:



Schedule "A"

1. *Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al. v. Sino-Forest Corporation et al.* (Ontario Superior Court of Justice, Court File No. CV-11-431153-00CP)
2. *Guining Liu v. Sino-Forest Corporation et al.* (Quebec Superior Court, Court File No: 200-06-000132-111)
3. *Allan Haigh v. Sino-Forest Corporation et al.* (Saskatchewan Court of Queen's Bench, Court File No. 2288 of 2011)
4. *David Leopard et al. v. Allen T.Y. Chan et al.* (District Court of the Southern District of New York, Court File No. 650258/2012)

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

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

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

Proceedings commenced in Toronto

**ORDER
(Regarding the Status of Shareholder
Claims and Related Indemnity Claims
under the CCAA)**

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

Robert W. Staley (LSUC #27115J)
Kevin Zych (LSUC #33129T)
Derek J. Bell (LSUC #43420J)
Raj Sahni (LSUC #42942U)
Jonathan Bell (LSUC #55457P)
Tel: 416-863-1200

Fax: 416-863-1716
Lawyers for the Applicant

TAB 12

CITATION: Sino-Forest Corporation (Re), 2012 ONSC 4377
COURT FILE NO.: CV-12-9667-00CL
DATE: 20120727

SUPERIOR COURT OF JUSTICE - ONTARIO

(COMMERCIAL LIST)

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

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

BEFORE: MORAWETZ J.

COUNSEL: Robert W. Staley and Jonathan Bell, for the Applicant

Jennifer Stam, for the Monitor

Kenneth Dekker, for BDO Limited

Peter Griffin and Peter Osborne, for Ernst & Young LLP

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

James Grout, for the Ontario Securities Commission

Emily Cole and Joseph Marin, for Allen Chan

Simon Bieber, for David Horsley

David Bish, John Fabello and Adam Slavens, for the Underwriters Named in the Class Action

Max Starnino and Kirk Baert, for the Ontario Plaintiffs

Larry Lowenstein, for the Board of Directors

HEARD: June 26, 2012

ENDORSEMENT

- Page 2 -

Overview

[1] Sino-Forest Corporation ("SFC" or the "Applicant") seeks an order directing that claims against SFC, which result from the ownership, purchase or sale of an equity interest in SFC, are "equity claims" as defined in section 2 of the *Companies' Creditors Arrangement Act* ("CCAA") including, without limitation: (i) the claims by or on behalf of current or former shareholders asserted in the proceedings listed in Schedule "A" (collectively, the "Shareholder Claims"); and (ii) any indemnification claims against SFC related to or arising from the Shareholder Claims, including, without limitation, those by or on behalf of any of the other defendants to the proceedings listed in Schedule "A" (the "Related Indemnity Claims").

[2] SFC takes the position that the Shareholder Claims are "equity claims" as defined in the CCAA as they are claims in respect of a monetary loss resulting from the ownership, purchase or sale of an equity interest in SFC and, therefore, come within the definition. SFC also takes the position that the Related Indemnity Claims are "equity claims" as defined in the CCAA as they are claims for contribution or indemnity in respect of a claim that is an equity claim and, therefore, also come within the definition.

[3] On March 30, 2012, the court granted the Initial Order providing for the CCAA stay against SFC and certain of its subsidiaries. FTI Consulting Canada Inc. was appointed as Monitor.

[4] On the same day, the Sales Process Order was granted, approving Sales Process procedures and authorizing and directing SFC, the Monitor and Houlihan Lokey to carry out the Sales Process.

[5] On May 14, 2012, the court issued a Claims Procedure Order, which established June 20, 2012 as the Claims Bar Date.

[6] The stay of proceedings has since been extended to September 28, 2012.

[7] Since the outset of the proceedings, SFC has taken the position that it is important for these proceedings to be completed as soon as possible in order to, among other things, (i) enable the business operated in the Peoples Republic of China ("PRC") to be separated from SFC and put under new ownership; (ii) enable the restructured business to participate in the Q4 sales season in the PRC market; and (iii) maintain the confidence of stakeholders in the PRC (including local and national governmental bodies, PRC lenders and other stakeholders) that the business in the PRC can be successfully separated from SFC and operate in the ordinary course in the near future.

[8] SFC has negotiated a Support Agreement with the Ad Hoc Committee of Noteholders and intends to file a plan of compromise or arrangement (the "Plan") under the CCAA by no later than August 27, 2012, based on the deadline set out in the Support Agreement and what they submit is the commercial reality that SFC must complete its restructuring as soon as possible.

- Page 3 -

[9] Noteholders holding in excess of \$1.296 billion, or approximately 72% of the approximately \$1.8 billion of SFC's noteholders' debt, have executed written support agreements to support the SFC CCAA Plan as of March 30, 2012.

Shareholder Claims Asserted Against SFC

(i) Ontario

[10] By Fresh as Amended Statement of Claim dated April 26, 2012 (the "Ontario Statement of Claim"), the Trustees of the Labourers' Pension Fund of Central and Eastern Canada and other plaintiffs asserted various claims in a class proceeding (the "Ontario Class Proceedings") against SFC, certain of its current and former officers and directors, Ernst & Young LLP ("E&Y"), BDO Limited ("BDO"), Poyry (Beijing) Consulting Company Limited ("Poyry") and SFC's underwriters (collectively, the "Underwriters").

[11] Section 1(m) of the Ontario Statement of Claim defines "class" and "class members" as:

All persons and entities, wherever they may reside who acquired Sino's Securities during the Class Period by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which securities include those acquired over the counter, and all persons and entities who acquired Sino's Securities during the Class Period who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino's Securities outside of Canada, except the Excluded Persons.

[12] The term "Securities" is defined as "Sino's common shares, notes and other securities, as defined in the OSA". The term "Class Period" is defined as the period from and including March 19, 2007 up to and including June 2, 2011.

[13] The Ontario Class Proceedings seek damages in the amount of approximately \$9.2 billion against SFC and the other defendants.

[14] The thrust of the complaint in the Ontario Class Proceedings is that the class members are alleged to have purchased securities at "inflated prices during the Class Period" and that absent the alleged misconduct, sales of such securities "would have occurred at prices that reflected the true value" of the securities. It is further alleged that "the price of Sino's Securities was directly affected during the Class Period by the issuance of the Impugned Documents".

(ii) Quebec

[15] By action filed in Quebec on June 9, 2011, Guining Liu commenced an action (the "Quebec Class Proceedings") against SFC, certain of its current and former officers and directors, E&Y and Poyry. The Quebec Class Proceedings do not name BDO or the Underwriters as defendants. The Quebec Class Proceedings also do not specify the quantum of damages sought, but rather reference "damages in an amount equal to the losses that it and the other members of the group suffered as a result of purchasing or acquiring securities of Sino at inflated prices during the Class Period".

- Page 4 -

[16] The complaints in the Quebec Class Proceedings centre on the effect of alleged misrepresentations on the share price. The duty allegedly owed to the class members is said to be based in "law and other provisions of the *Securities Act*", to ensure the prompt dissemination of truthful, complete and accurate statements regarding SFC's business and affairs and to correct any previously-issued materially inaccurate statements.

(iii) **Saskatchewan**

[17] By Statement of Claim dated December 1, 2011 (the "Saskatchewan Statement of Claim"), Mr. Allan Haigh commenced an action (the "Saskatchewan Class Proceedings") against SFC, Allen Chan and David Horsley.

[18] The Saskatchewan Statement of Claim does not specify the quantum of damages sought, but instead states in more general terms that the plaintiff seeks "aggravated and compensatory damages against the defendants in an amount to be determined at trial".

[19] The Saskatchewan Class Proceedings focus on the effect of the alleged wrongful acts upon the trading price of SFC's securities:

The price of Sino's securities was directly affected during the Class Period by the issuance of the Impugned Documents. The defendants were aware at all material times that the effect of Sino's disclosure documents upon the price of its Sino's [sic] securities.

(iv) **New York**

[20] By Verified Class Action Complaint dated January 27, 2012, (the "New York Complaint"), Mr. David Leopard and IMF Finance SA commenced a class proceeding against SFC, Mr. Allen Chan, Mr. David Horsley, Mr. Kai Kit Poon, a subset of the Underwriters, E&Y, and Ernst & Young Global Limited (the "New York Class Proceedings").

[21] SFC contends that the New York Class Proceedings focus on the effect of the alleged wrongful acts upon the trading price of SFC's securities.

[22] The plaintiffs in the various class actions have named parties other than SFC as defendants, notably, the Underwriters and the auditors, E&Y, and BDO, as summarized in the table below. The positions of those parties are detailed later in these reasons.

	Ontario	Quebec	Saskatchewan	New York
E&Y LLP	X	X	-	X
E&Y Global	-	-	-	X
BDO	X	-	-	-

- Page 5 -

Poyry	X	X	-	-
Underwriters	11	-	-	2

Legal Framework

[23] Even before the 2009 amendments to the CCAA dealing with equity claims, courts recognized that there is a fundamental difference between shareholder equity claims as they relate to an insolvent entity versus creditor claims. Essentially, shareholders cannot reasonably expect to maintain a financial interest in an insolvent company where creditor claims are not being paid in full. Simply put, shareholders have no economic interest in an insolvent enterprise: *Blue Range Resource Corp. (Re)*, (2004) 4 W.W.R. 738 (Alta. Q.B.) [*Blue Range Resources*]; *Stelco Inc. (Re)*, (2006) CanLII 1773 (Ont. S.C.J.) [*Stelco*]; *Royal Bank of Canada v. Central Capital Corp.* (1996), 27 O.R. (3d) 494 (C.A.).

[24] The basis for the differentiation flows from the fundamentally different nature of debt and equity investments. Shareholders have unlimited upside potential when purchasing shares. Creditors have no corresponding upside potential: *Nelson Financial Group Limited (Re)*, 2010 ONSC 6229 [*Nelson Financial*].

[25] As a result, courts subordinated equity claims and denied such claims a vote in plans of arrangement: *Blue Range Resource, supra*; *Stelco, supra*; *EarthFirst Canada Inc. (Re)* (2009), 56 C.B.R. (5th) 102 (Alta. Q.B.) [*EarthFirst Canada*]; and *Nelson Financial, supra*.

[26] In 2009, significant amendments were made to the CCAA. Specific amendments were made with the intention of clarifying that equity claims are subordinated to other claims.

[27] The 2009 amendments define an "equity claim" and an "equity interest". Section 2 of the CCAA includes the following definitions:

"Equity Claim" means a claim that is in respect of an equity interest, including a claim for, among others, (...)

(d) a monetary loss resulting from the ownership, purchase or sale of an equity interest or from the rescission, or, in Quebec, the annulment, of a purchase or sale of an equity interest, or

(e) contribution or indemnity in respect of a claim referred to in any of paragraphs (a) to (d);

"Equity Interest" means

(a) in the case of a company other than an income trust, a share in the company – or a warrant or option or another right to acquire a share in the company – other than one that is derived from a convertible debt,

- Page 6 -

[28] Section 6(8) of the CCAA prohibits a distribution to equity claimants prior to payment in full of all non-equity claims.

[29] Section 22(1) of the CCAA provides that equity claimants are prohibited from voting on a plan unless the court orders otherwise.

Position of Ernst & Young

[30] E&Y opposes the relief sought, at least as against E&Y, since the E&Y proof of claim evidence demonstrates in its view that E&Y's claim:

- (a) is not an equity claim;
- (b) does not derive from or depend upon an equity claim (in whole or in part);
- (c) represents discreet and independent causes of action as against SFC and its directors and officers arising from E&Y's direct contractual relationship with such parties (or certain of such parties) and/or the tortious conduct of SFC and/or its directors and officers for which they are in law responsible to E&Y; and
- (d) can succeed independently of whether or not the claims of the plaintiffs in the class actions succeed.

[31] In its factum, counsel to E&Y acknowledges that during the periods relevant to the Class Action Proceedings, E&Y was retained as SFC's auditor and acted as such from 2007 until it resigned on April 5, 2012.

[32] On June 2, 2011, Muddy Waters LLC ("Muddy Waters") issued a report which purported to reveal fraud at SFC. In the wake of that report, SFC's share price plummeted and Muddy Waters profited from its short position.

[33] E&Y was served with a multitude of class action claims in numerous jurisdictions.

[34] The plaintiffs in the Ontario Class Proceedings claim damages in the aggregate, as 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, in negligence and negligent misrepresentation.

[35] In its factum, counsel to E&Y acknowledges that the central claim in the class actions is that SFC made a series of misrepresentations in respect of its timber assets. The claims against E&Y and the other third party defendants are that they failed to detect these misrepresentations and note in particular that E&Y's audit did not comply with Canadian generally accepted accounting standards. Similar claims are advanced in Quebec and the U.S.

[36] Counsel to E&Y notes that on May 14, 2012 the court granted a Claims Procedure Order which, among other things, requires proofs of claim to be filed no later than June 20, 2012. E&Y takes issue with the fact that this motion was then brought notwithstanding that proofs of claim and D&O proofs of claim had not yet been filed.

- Page 7 -

[37] E&Y has filed with the Monitor, in accordance with the Claims Procedure Order, a proof of claim against SFC and a proof of claim against the directors and officers of SFC.

[38] E&Y takes the position that it has contractual claims of indemnification against SFC and its subsidiaries and has statutory and common law claims of contribution and/or indemnity against SFC and its subsidiaries for all relevant years. E&Y contends that it has stand-alone claims for breach of contract and negligent and/or fraudulent misrepresentation against the company and its directors and officers.

[39] Counsel submits that E&Y's claims against Sino-Forest and the SFC subsidiaries are:

- (a) creditor claims;
- (b) derived from E&Y retainers by and/or on behalf of Sino-Forest and the SFC subsidiaries and E&Y's relationship with such parties, all of which are wholly independent and conceptually different from the claims advanced by the class action plaintiffs;
- (c) claims that include the cost of defending and responding to various proceedings, both pre- and post-filing; and
- (d) not equity claims in the sense contemplated by the CCAA. E&Y's submission is that equity holders of Sino-Forest have not advanced, and could not advance, any claims against SFC's subsidiaries.

[40] Counsel further contends that E&Y's claim is distinct from any and all potential and actual claims by the plaintiffs in the class actions against Sino-Forest and that E&Y's claim for contribution and/or indemnity is not based on the claims against Sino-Forest advanced in the class actions but rather only in part on those claims, as any success of the plaintiffs in the class actions against E&Y would not necessarily lead to success against Sino-Forest, and vice versa. Counsel contends that E&Y has a distinct claim against Sino-Forest independent of that of the plaintiffs in the class actions. The success of E&Y's claims against Sino-Forest and the SFC subsidiaries, and the success of the claims advanced by the class action plaintiffs, are not co-dependent. Consequently, counsel contends that E&Y's claim is that of an unsecured creditor.

[41] From a policy standpoint, counsel to E&Y contends that the nature of the relationship between a shareholder, who may be in a position to assert an equity claim (in addition to other claims) is fundamentally different from the relationship existing between a corporation and its auditors.

Position of BDO Limited

[42] BDO was auditor of Sino-Forest Corporation between 2005 and 2007, when it was replaced by E&Y.

[43] BDO has filed a proof of claim against Sino-Forest pursuant to the Claims Procedure Order.

- Page 8 -

[44] BDO's claim against Sino-Forest is primarily for breach of contract.

[45] BDO takes the position that its indemnity claims, similar to those advanced by E&Y and the Underwriters, are not equity claims within the meaning of s. 2 of the CCAA.

[46] BDO adopts the submissions of E&Y which, for the purposes of this endorsement, are not repeated.

Position of the Underwriters

[47] The Underwriters take the position that the court should not decide the equity claims motion at this time because it is premature or, alternatively, if the court decides the equity claims motion, the equity claims order should not be granted because the Related Indemnity Claims are not "equity claims" as defined in s. 2 of the CCAA.

[48] The Underwriters are among the defendants named in some of the class actions. In connection with the offerings, certain Underwriters entered into agreements with Sino-Forest and certain of its subsidiaries providing that Sino-Forest and, with respect to certain offerings, the Sino-Forest subsidiary companies, agree to indemnify and hold harmless the Underwriters in connection with an array of matters that could arise from the offerings.

[49] The Underwriters raise the following issues:

- (i) Should this court decide the equity claims motion at this time?
- (ii) If this court decides the equity claims motion at this time, should the equity claims order be granted?

[50] On the first issue, counsel to the Underwriters takes the position that the issue is not yet ripe for determination.

[51] Counsel submits that, by seeking the equity claims order at this time, Sino-Forest is attempting to pre-empt the Claims Procedure Order, which already provides a process for the determination of claims. Until such time as the claims procedure in respect of the Related Indemnity Claims is completed, and those claims are determined pursuant to that process, counsel contends the subject of the equity claims motion raises a merely hypothetical question as the court is being asked to determine the proper interpretation of s. 2 of the CCAA before it has the benefit of an actual claim in dispute before it.

[52] Counsel further contends that by asking the court to render judgment on the proper interpretation of s. 2 of the CCAA in the hypothetical, Sino-Forest has put the court in a position where its judgment will not be made in the context of particular facts or with a full and complete evidentiary record.

[53] Even if the court determines that it can decide this motion at this time, the Underwriters submit that the relief requested should not be granted.

- Page 9 -

Position of the Applicant

[54] The Applicant submits that the amendments to the CCAA relating to equity claims closely parallel existing U.S. law on the subject and that Canadian courts have looked to U.S. courts for guidance on the issue of equity claims as the subordination of equity claims has long been codified there: see e.g. *Blue Range Resources, supra*, and *Nelson Financial, supra*.

[55] The Applicant takes the position that based on the plain language of the CCAA, the Shareholder Claims are "equity claims" as defined in s. 2 as they are claims in respect of a "monetary loss resulting from the ownership, purchase or sale of an equity interest".

[56] The Applicant also submits the following:

- (a) the Ontario, Quebec, Saskatchewan and New York Class Actions (collectively, the "Class Actions") all advance claims on behalf of shareholders.
- (b) the Class Actions also allege wrongful conduct that affected the trading price of the shares, in that the alleged misrepresentation "artificially inflated" the share price; and
- (c) the Class Actions seek damages relating to the trading price of SFC shares and, as such, allege a "monetary loss" that resulted from the ownership, purchase or sale of shares, as defined in s. 2 of the CCAA.

[57] Counsel further submits that, as the Shareholder Claims are "equity claims", they are expressly subordinated to creditor claims and are prohibited from voting on the plan of arrangement.

[58] Counsel to the Applicant also submits that the definition of "equity claims" in s. 2 of the CCAA expressly includes indemnity claims that relate to other equity claims. As such, the Related Indemnity Claims are equity claims within the meaning of s. 2.

[59] Counsel further submits that there is no distinction in the CCAA between the source of any claim for contribution or indemnity; whether by statute, common law, contractual or otherwise. Further, and to the contrary, counsel submits that the legal characterization of a contribution or indemnity claim depends solely on the characterization of the primary claim upon which contribution or indemnity is sought.

[60] Counsel points out that in *Return on Innovation Capital v. Gandi Innovations Limited*, 2011 ONSC 5018, leave to appeal denied, 2012 ONCA 10 [*Return on Innovation*] this court characterized the contractual indemnification claims of directors and officers in respect of an equity claim as "equity claims".

[61] Counsel also submits that guidance on the treatment of underwriter and auditor indemnification claims can be obtained from the U.S. experience. In the U.S., courts have held that the indemnification claims of underwriters for liability or defence costs constitute equity claims that are subordinated to the claims of general creditors. Counsel submits that insofar as

- Page 10 -

the primary source of liability is characterized as an equity claim, so too is any claim for contribution and indemnity based on that equity claim.

[62] In this case, counsel contends, the Related Indemnity Claims are clearly claims for "contribution and indemnity" based on the Shareholder Claims.

Position of the Ad Hoc Noteholders

[63] Counsel to the Ad Hoc Noteholders submits that the Shareholder Claims are "equity claims" as they are claims in respect of an equity interest and are claims for "a monetary loss resulting from the ownership, purchase or sale of an equity interest" per subsection (d) of the definition of "equity claims" in the CCAA.

[64] Counsel further submits that the Related Indemnity Claims are also "equity claims" as they fall within the "clear and unambiguous" language used in the definition of "equity claim" in the CCAA. Subsection (e) of the definition refers expressly and without qualification to claims for "contribution or indemnity" in respect of claims such as the Shareholder Claims.

[65] Counsel further submits that had the legislature intended to qualify the reference to "contribution or indemnity" in order to exempt the claims of certain parties, it could have done so, but it did not.

[66] Counsel also submits that, if the plain language of subsection (e) is not upheld, shareholders of SFC could potentially create claims to receive indirectly what they could not receive directly (*i.e.*, payment in respect of equity claims through the Related Indemnity Claims) – a result that could not have been intended by the legislature as it would be inconsistent with the purposes of the CCAA.

[67] Counsel to the Ad Hoc Noteholders also submits that, before the CCAA amendments in 2009 (the "CCAA Amendments"), courts subordinated claims on the basis of:

- (a) the general expectations of creditors and shareholders with respect to priority and assumption of risks; and
- (b) the equitable principles and considerations set out in certain U.S. cases: see *e.g.* *Blue Range Resources, supra*.

[68] Counsel further submits that, before the CCAA Amendments took effect, courts had expanded the types of claims characterized as equity claims; first to claims for damages of defrauded shareholders and then to contractual indemnity claims of shareholders; see *Blue Range Resources, supra* and *EarthFirst Canada, supra*.

[69] Counsel for the Ad Hoc Noteholders also submits that indemnity claims of underwriters have been treated as equity claims in the United States, pursuant to section 510(b) of the U.S. Bankruptcy Code. This submission is detailed at paragraphs 20-25 of their factum which reads as follows:

- Page 11 -

20. The desire to more closely align the Canadian approach to equity claims with the U.S. approach was among the considerations that gave rise to the codification of the treatment of equity claims. Canadian courts have also looked to the U.S. law for guidance on the issue of equity claims where codification of the subordination of equity claims has been long-standing.

Janis Sarra at p. 209, Ad Hoc Committee's Book of Authorities, Tab 10.

Report of the Standing Senate Committee on Banking, Trade and Commerce, "Debtors and Creditors Sharing the Burden: A Review of the *Bankruptcy and Insolvency Act* and the *Companies' Creditors Arrangement Act*" (2003) at 158, [...]

Blue Range [Resources] at paras. 41-57 [...]

21. Pursuant to § 510(b) of the *U.S. Bankruptcy Code*, all creditors must be paid in full before shareholders are entitled to receive any distribution. § 510(b) of the *U.S. Bankruptcy Code* and the relevant portion of § 502, which is referenced in § 510(b), provide as follows:

§ 510. Subordination

(b) For the purpose of distribution under this title, a claim arising from rescission of a purchase or sale of a security of the debtor or of an affiliate of the debtor, for damages arising from the purchase or sale of such a security, or for reimbursement or contribution allowed under 502 on account of such a claim, shall be subordinated to all claims or interests that are senior to or equal the claim or interest represented by such security, except that if such security is common stock, such claim has the same priority as common stock.

§ 502. Allowance of claims or interests

(e) (1) Notwithstanding subsections (a), (b) and (c) of this section and paragraph (2) of this subsection, the court shall disallow any claim for reimbursement or contribution of an entity that is liable with the debtor on or has secured the claim of a creditor, to the extent that

...

(B) such claim for reimbursement or contribution is contingent as of the time of allowance or disallowance of such claim for reimbursement or contribution; or

...

(2) A claim for reimbursement or contribution of such an entity that becomes fixed after the commencement of the case shall be determined,

- Page 12 -

and shall be allowed under subsection (a), (b), or (c) of this section, or disallowed under subsection (d) of this section, the same as if such claim had become fixed before the date of the filing of the petition.

22. U.S. appellate courts have interpreted the statutory language in § 510(b) broadly to subordinate the claims of shareholders that have a nexus or causal relationship to the purchase or sale of securities, including damages arising from alleged illegality in the sale or purchase of securities or from corporate misconduct whether predicated on pre or post-issuance conduct.

Re Telegroup Inc. (2002), 281 F. 3d 133 (3rd Cir. U.S. Court of Appeals) [...]

American Broadcasting Systems Inc. v. Nugent, U.S. Court of Appeals for the Ninth Circuit, Case Number 98-17133 (24 January 2001) [...]

23. Further, U.S. courts have held that indemnification claims of underwriters against the corporation for liability or defence costs when shareholders or former shareholders have sued underwriters constitute equity claims in the insolvency of the corporation that are subordinated to the claims of general creditors based on: (a) the plain language of § 510(b), which references claims for "reimbursement or contribution" and (b) risk allocation as between general creditors and those parties that play a role in the purchase and sale of securities that give rise to the shareholder claims (i.e., directors, officers and underwriters).

In re Mid-American Waste Sys., 228 B.R. 816, 1999 Bankr. LEXIS 27 (Bankr. D. Del. 1999) [*Mid-American*] [...]

In re Jacom Computer Servs., 280 B.R. 570, 2002 Bankr. LEXIS 758 (Bankr. S.D.N.Y. 2002) [...]

24. In *Mid-American*, the Court stated the following with respect to the "plain language" of § 510(b), its origins and the inclusion of "reimbursement or contribution" claims in that section:

... I find that the plain language of § 510(b), its legislative history, and applicable case law clearly show that § 510(b) intends to subordinate the indemnification claims of officers, directors, and underwriters for both liability and expenses incurred in connection with the pursuit of claims for rescission or damages by purchasers or sellers of the debtor's securities. The meaning of amended § 510(b), specifically the language "for reimbursement or contribution . . . on account of [a claim arising from rescission or damages arising from the purchase or sale of a security]," can be discerned by a plain reading of its language.

... it is readily apparent that the rationale for section 510(b) is not limited to preventing shareholder claimants from improving their position vis-a-

- Page 13 -

vis general creditors; Congress also made the decision to subordinate based on risk allocation. Consequently, when Congress amended § 510(b) to add reimbursement and contribution claims, it was not radically departing from an equityholder claimant treatment provision, as NatWest suggests; it simply added to the subordination treatment new classes of persons and entities involved with the securities transactions giving rise to the rescission and damage claims. The 1984 amendment to § 510(b) is a logical extension of one of the rationales for the original section — because Congress intended the holders of securities law claims to be subordinated, why not also subordinate claims of other parties (e.g., officers and directors and underwriters) who play a role in the purchase and sale transactions which give rise to the securities law claims? As I view it, in 1984 Congress made a legislative judgment that claims emanating from tainted securities law transactions should not have the same priority as the claims of general creditors of the estate. [emphasis added]

[...]

25. Further, the U.S. courts have held that the degree of culpability of the respective parties is a non-issue in the disallowance of claims for indemnification of underwriters; the equities are meant to benefit the debtor's direct creditors, not secondarily liable creditors with contingent claims.

In re Drexel Burnham Lambert Group, 148 B.R. 982, 1992 Bankr. LEXIS 2023 (Bankr. S.D.N.Y. 1992) [...]

[70] Counsel submits that there is no principled basis for treating indemnification claims of auditors differently than those of underwriters.

Analysis

Is it Premature to Determine the Issue?

[71] The class action litigation was commenced prior to the CCAA Proceedings. It is clear that the claims of shareholders as set out in the class action claims against SFC are "equity claims" within the meaning of the CCAA.

[72] In my view, this issue is not premature for determination, as is submitted by the Underwriters.

[73] The Class Action Proceedings preceded the CCAA Proceedings. It has been clear since the outset of the CCAA Proceedings that this issue — namely, whether the claims of E&Y, BDO and the Underwriters as against SFC, would be considered "equity claims" — would have to be determined.

- Page 14 -

[74] It has also been clear from the outset of the CCAA Proceedings, that a Sales Process would be undertaken and the expected proceeds arising from the Sales Process would generate proceeds insufficient to satisfy the claims of creditors.

[75] The Claims Procedure is in place but, it seems to me that the issue that has been placed before the court on this motion can be determined independently of the Claims Procedure. I do not accept that any party can be said to be prejudiced if this threshold issue is determined at this time. The threshold issue does not depend upon a determination of quantification of any claim. Rather, its effect will be to establish whether the claims of E&Y, BDO and the Underwriters will be subordinated pursuant to the provisions of the CCAA. This is independent from a determination as to the validity of any claim and the quantification thereof.

Should the Equity Claims Order be Granted?

[76] I am in agreement with the submission of counsel for the Ad Hoc Noteholders to the effect that the characterization of claims for indemnity turns on the characterization of the underlying primary claims.

[77] In my view, the claims advanced in the Shareholder Claims are clearly equity claims. The Shareholder Claims underlie the Related Indemnity Claims.

[78] In my view, the CCAA Amendments have codified the treatment of claims addressed in pre-amendment cases and have further broadened the scope of equity claims.

[79] The plain language in the definition of "equity claim" does not focus on the identity of the claimant. Rather, it focuses on the nature of the claim. In this case, it seems clear that the Shareholder Claims led to the Related Indemnity Claims. Put another way, the inescapable conclusion is that the Related Indemnity Claims are being used to recover an equity investment.

[80] The plain language of the CCAA dictates the outcome, namely, that the Shareholder Claims and the Related Indemnity Claims constitute "equity claims" within the meaning of the CCAA. This conclusion is consistent with the trend towards an expansive interpretation of the definition of "equity claims" to achieve the purpose of the CCAA.

[81] In *Return on Innovation*, Newbould J. characterized the contractual indemnification claims of directors and officers as "equity claims". The Court of Appeal denied leave to appeal. The analysis in *Return on Innovation* leads to the conclusion that the Related Indemnity Claims are also equity claims under the CCAA.

[82] It would be totally inconsistent to arrive at a conclusion that would enable either the auditors or the Underwriters, through a claim for indemnification, to be treated as creditors when the underlying actions of the shareholders cannot achieve the same status. To hold otherwise would indeed provide an indirect remedy where a direct remedy is not available.

[83] Further, on the issue of whether the claims of E&Y, BDO and the Underwriters fall within the definition of equity claims, there are, in my view, two aspects of these claims and it is necessary to keep them conceptually separate.

- Page 15 -

[84] The first and most significant aspect of the claims of E&Y, BDO and the Underwriters constitutes an "equity claim" within the meaning of the CCAA. Simply put, but for the Class Action Proceedings, it is inconceivable that claims of this magnitude would have been launched by E&Y, BDO and the Underwriters as against SFC. The class action plaintiffs have launched their actions against SFC, the auditors and the Underwriters. In turn, E&Y, BDO and the Underwriters have launched actions against SFC and its subsidiaries. The claims of the shareholders are clearly "equity claims" and a plain reading of s. 2(1)(e) of the CCAA leads to the same conclusion with respect to the claims of E&Y, BDO and the Underwriters. To hold otherwise, would, as stated above, lead to a result that is inconsistent with the principles of the CCAA. It would potentially put the shareholders in a position to achieve creditor status through their claim against E&Y, BDO and the Underwriters even though a direct claim against SFC would rank as an "equity claim".

[85] I also recognize that the legal construction of the claims of the auditors and the Underwriters as against SFC is different than the claims of the shareholders against SFC. However, that distinction is not, in my view, reflected in the language of the CCAA which makes no distinction based on the status of the party but rather focuses on the substance of the claim.

[86] Critical to my analysis of this issue is the statutory language and the fact that the CCAA Amendments came into force after the cases relied upon by the Underwriters and the auditors.

[87] It has been argued that the amendments did nothing more than codify pre-existing common law. In many respects, I accept this submission. However, I am unable to accept this submission when considering s. 2(1) of the CCAA, which provides clear and specific language directing that "equity claim" means a claim that is in respect of an equity interest, including a claim for, among other things, "(e) contribution or indemnity in respect of a claim referred to in any of paragraphs (a) to (d)".

[88] Given that a shareholder claim falls within s. 2(1)(d), the plain words of subsections (d) and (e) lead to the conclusions that I have set out above.

[89] I fail to see how the very clear words of subsection (e) can be seen to be a codification of existing law. To arrive at the conclusion put forth by E&Y, BDO and the Underwriters would require me to ignore the specific words that Parliament has recently enacted.

[90] I cannot agree with the position put forth by the Underwriters or by the auditors on this point. The plain wording of the statute has persuaded me that it does not matter whether an indemnity claim is seeking no more than allocation of fault and contribution at common law, or whether there is a free-standing contribution and indemnity claim based on contracts.

[91] However, that is not to say that the full amount of the claim by the auditors and Underwriters can be characterized, at this time, as an "equity claim".

[92] The second aspect to the claims of the auditors and underwriters can be illustrated by the following hypothetical: if the claim of the shareholders does not succeed against the class action defendants, E&Y, BDO and the Underwriters will not be liable to the class action plaintiffs. However, these parties may be in a position to demonstrate that they do have a claim against

- Page 16 -

SFC for the costs of defending those actions, which claim does not arise as a result of "contribution or indemnity in respect of an equity claim".

[93] It could very well be that each of E&Y, BDO and the Underwriters have expended significant amounts in defending the claims brought by the class action plaintiffs which, in turn, could give rise to contractual claims as against SFC. If there is no successful equity claim brought by the class action plaintiffs, it is arguable that any claim of E&Y, BDO and the Underwriters may legitimately be characterized as a claim for contribution or indemnity but not necessarily in respect of an equity claim. If so, there is no principled basis for subordinating this portion of the claim. At this point in time, the quantification of such a claim cannot be determined. This must be determined in accordance with the Claims Procedure.

[94] However, it must be recognized that, by far the most significant part of the claim, is an "equity claim".

[95] In arriving at this determination, I have taken into account the arguments set forth by E&Y, BDO and the Underwriters. My conclusions recognize the separate aspects of the Related Indemnity Claims as submitted by counsel to the Underwriters at paragraph 40 of their factum which reads:

...it must be recognized that there are, in fact, at least two different kinds of Related Indemnity Claims:

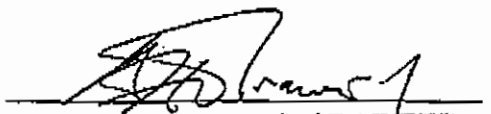
- (a) indemnity claims against SFC in respect of Shareholder Claims against the auditors and the Underwriters; and
- (b) indemnity claims against SFC in respect of the defence costs of the auditors and the Underwriters in connection with defending themselves against Shareholder Claims.

Disposition

[96] In the result, an order shall issue that the claims against SFC resulting from the ownership, purchase or sale of equity interests in SFC, including, without limitation, the claims by or on behalf of current or former shareholders asserted in the proceedings listed in Schedule "A" are "equity claims" as defined in s. 2 of the CCAA, being claims in respect of monetary losses resulting from the ownership, purchase or sale of an equity interest. It is noted that counsel for the class action plaintiffs did not contest this issue.

[97] In addition, an order shall also issue that any indemnification claim against SFC related to or arising from the Shareholders Claims, including, without limitation, by or on behalf of any of the other defendants to the proceedings listed in Schedule "A" are "equity claims" under the CCAA, being claims for contribution or indemnity in respect of a claim that is an equity claim. However, I feel it is premature to determine whether this order extends to the aspect of the Related Indemnity Claims that corresponds to the defence costs of the Underwriters and the auditors in connection with defending themselves against the Shareholder Claims.

[98] A direction shall also issue that these orders are made without prejudice to SFC's rights to apply for a similar order with respect to (i) any claims in the statement of claim that are in respect of securities other than shares and (ii) any indemnification claims against SFC related thereto.


MORAWETZ J.

Date: July 27, 2012

SCHEDULE "A" – SHAREHOLDER CLAIMS

1. *Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al. v. Sino-Forest Corporation et al.* (Ontario Superior Court of Justice, Court File No. CV-11-431153-00CP)
2. *Guining Liu v. Sino-Forest Corporation et al.* (Quebec Superior Court, Court File No.: 200-06-000132-111)
3. *Allan Haigh v. Sino-Forest Corporation et al.* (Saskatchewan Court of Queen's Bench, Court File No. 2288 of 2011)
4. *David Leopard et al. v. Allen T.Y. Chan et al.* (District court of the Southern District of New York, Court File No. 650258/2012)

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

COURT OF APPEAL FOR ONTARIO

**COMPENDIUM OF EVIDENCE OF THE
UNDERWRITERS NAMED
IN CLASS ACTIONS**

(Motion Seeking Leave to Appeal)

TORYS LLP

79 Wellington Street West
Suite 3000, TD Centre
Toronto, Ontario M5K 1N2

Fax: 416.865.7380

David Bish (LSUC#: 41629A)

Tel: 416.865.7353

Email : dbish@torys.com

John Fabello (LSUC#: 35449W)

Tel: 416.865.8228

Email : ifabello@torys.com

Adam M. Slavens (LSUC#: 54433J)

Tel: 416.865.7333

Email : aslavens@torys.com

Lawyers for the Underwriters
named in Class Actions